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COOPERATIVE AGREEMENT ON HUMAN SETTLEMENTS AND NATURAL RESOURCE SYSTEMS ANALYSIS

DEVELOPING INTERMEDIATE CITIES AS AGRO-INDUSTRIAL PROCESSING CENTERS: A PROJECT IN WESTERN PANAMA

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INTRODUCTION

Regional employment generation through the development of urban based agricultural processing industries is becoming essential in both Asia and Latin America because rapidly growing rural populations cannot be assimilated within primate cities and immature urban hierarchies (Hackenberg 1980). While urbanization has advanced rapidly in Latin America, recent comment on Brazil discloses the need for rural employment growth:

> Rapid urban growth combined with low labor absorption by the industrial sector has left a large portion of the urban labor force outside the industrial boom. Services and construction provided the main increases in urban employment. Low wages...made it possible to take in workers who might have otherwise added to increased open unemployment. However, this also added to the worsening income distribution which has accompanied overall growth.
>
> A high rate of general population growth plus pressures on the cities has brought renewed awareness of the need to utilize the rural sector's potential to provide for domestic food needs, to employ a larger portion of the rural population increase and to bring in additional foreign exchange from non-traditional agricultural exports (Merrick and Graham, 1979: 22).

At the other end of the size distribution of Latin American countries, a similar diagnosis was provided for Panama in the mid-1970s. The socioeconomic situation was dominated by extreme primacy ---.66 of the 1.4 million population in 1970 lived in the Panama-Colon metropolitan region. Other development indicators had an equally asymmetrical distribution:

> Panama in the 1960's could be characterized as a dual economy: a high income, service oriented, urban economy adjoining agricultural areas not well linked to either the metropolitan region adjoining the

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> canal or the banana enclaves near the Costa Rican border. Except for the banana areas, most of the rural population was dedicated to subsistence agriculture....Between 1950 and 1968, Panama's average annual economic growth exceeded 7 percent. This rapid growth was unbalanced, however, both spatially and sectorally, and intensified rural-urban disparities. The intensity of the unbalanced growth was reflected in the $720 versus $220 difference in per capita disposable income between Panama City and the rest of the country in 1968 (USAID-CDSS 1982: 1-2).

In both Brazil and Panama, analysts prescribed a policy package of mixed investments which would simultaneously achieve the related goals of (1) improving the urban hierarchy, providing better access to rural resources, and to goods and services for those involved in development, and (2) employment generation and income distribution within the regions containing the agricultural resource base. Increasingly, planners recognize that attainment of both these goals requires simultaneous expansion of both larger, capital-intensive agro-industries and smaller, labor-intensive, more traditional enterprises because of the interdependence between them.

In a penetrating analysis, Roberts notes that the informal sector, as employment generator, has grafted new technology to older forms of organization to secure a subsidiary position within the larger framework of capital-intensive industrialization:

> The basic reason for the survival of the small-scale sector of the urban economy is that it is a convenient complement to the large scale sector....an extensive small scale economy is a necessary means of reducing risk and increasing profits for the large-scale sector of the economy (1978: 116-119).

The relationship between large scale investment in agro-processing industries and small scale investment in employment generating enterprises in southern Mindanao in the 1970s was described by Hackenberg:

> ...when areas containing underdeveloped resources receive infrastructure improvements through public investment, capital-intensive rural industries can evolve rapidly adjacent to sources of bulky raw

> materials (copra, oil palm, timber, rubber and mineral reserves). Limited (and highly skilled) labor required by these industries will be housed together with company field offices and repair shops, garages, fuel depots, warehouses and general stores, in rural service centers or market towns. This formal sector employment in new communities will be augmented by a wide variety of government employees (school teachers, extension workers, health professionals and administrative personnel) from countless vertically organized bureaucracies.
>
> To serve this salaried managerial, technical and skilled labor group, a substantial informal sector of shopkeepers, artisans, transportation and communications workers, food processors and vendors, and construction workers will be created. Substantial entrepreneurial opportunities for hotel and restaurant businesses, sheet metal, welding, automotive and electrical repair services, and recreational enterprises come into existence simultaneously (1980: 405).

A recent UNCRD publication (Hackenberg 1982) explained how explosive growth of rural non-farm employment, improved income distribution and reduced distortion in the regional urban hierarchy resulted from expanding linked investments in agro-industry and small scale business activities in southern Mindanao. These were the objectives to be sought in Panama through the implementation of the Rural Growth and Service Centers Project (Project URBE).

Developing Secondary Cities as Agro-Processing Centers in Panama: The URBE Project

An ambitious five-year multisectoral development program was initiated in western Panama in 1978 with a substantial loan from the U.S. Agency for International Development ($15.4 million), and counterpart funds from the government of Panama ($13.5 million). The intent of the program was to create simultaneously (1) a hospitable environment for improved production and processing of agricultural raw materials through public investment in infrastructure, and (2) a network of large scale and small scale enterprises which would generate employment and income through private sector investments in these activities.

The essential intervening variable between infrastructure and enterprise was to be an improved hierarchy of urban places, including both administrative centers and market towns. Because of its implicit reliance upon a growth pole strategy, the planned multisectoral development was designated as the "Rural Growth and Service Centers Project." This was later contracted to the Spanish acronym of "Project URBE."

Despite frequent invocation of the growth pole concept by designers, no massive investments in either regional growth centers or key industries were intended. They were replaced instead by diversified and dispersed small and medium enterprise loans, coupled with technical assistance to borrowers, to generate employment and improve income distribution. The resulting development "from the bottom up" will generate demand for goods and services and stimulate the growth of urban centers. In Asia, this process is known as the agropolitan strategy advocated by Friedmann and Douglass (1978), Lo, Salih and Douglass (1978) and Hackenberg (1983).

A critical difference exists between the Mindanao experience and the Panama proposal. In Mindanao, public investment in infrastructure played a significant role, and it would be paralleled in Panama. But the blending of large scale and small scale investments which generated employment in Mindanao resulted from the interplay of private sector forces and resource base. In Panama, it became the purpose of Project URBE to duplicate this outcome by a coordinated program of multisectoral development, i.e., through planning.

The progress and results of this experiment will be documented in the following sections:

1. The socioeconomic environment of western Panama in the 1970's: the project background.
2. Components of the multisectoral development program: Project URBE in 1978.
3. The task ahead: project potentials in 1978.
4. Project outcomes: the achievements of 1983.
5. Conclusions: employment generation through regional planning.

Socioeconomic Environment of Western Panama in the 1970s: The Project Background

According to the project paper prepared by USAID in 1978:

> The project seeks to increase the income and improve the quality of life of the rural and urban poor by strengthening the employment and income generating and rural service capacity of eight key growth and service centers in the Western and Central Regions (AID/BAS-002).

The two growth centers to be strengthened were David (Chiriqui Province) and Chitre-Los-Santos (Herera Province), serving the Western and Central Regions, respectively (see Map 1). The service centers were the next six communities ranked by population size (see Table 1). Taken together, these locations

MAP 1. PLANNING REGIONS OF PANAMA

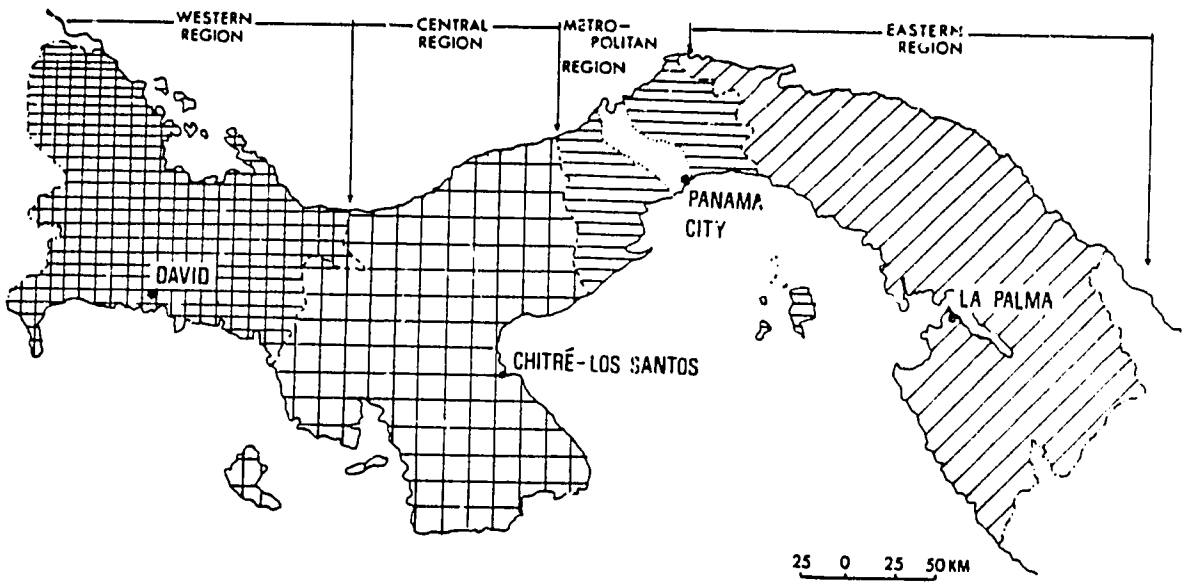

TABLE 1. POPULATION, ECONOMIC FUNCTIONS, AND NUMBER OF BUSINESS ESTABLISHMENTS OF THE URBAN CENTRES AND SOME POPULATED PLACES ACCORDING TO CLASS IN THE WESTERN AND CENTRAL REGIONS OF PANAMA, 1971

Urban Centres and Populated Places (1) Western Region	Central Region	(2) Population	Economic Functions					Establishments (3)				
					Commerce					Commerce		
			Total	Services	Wholes.	Retail	Indus.	Total	Services	Wholes.	Retail	Indus.
David (San José)		40,822	46	6	5	14	21	207	40	30	75	62
	Chitré-Los Santos	22,914	42	5	6	13	18	130	23	32	39	36
	Santiago	14,502	22	4	2	10	6	48	9	7	20	12
	Aguadulce-Pocrí	11,352	19	3	3	7	6	42	8	7	16	11
Concepción		9,245	14	0	4	6	4	26	0	4	11	11
	Penonomé	5,067	14	1	4	5	4	25	3	8	9	5
	Las Tablas	3,869	14	4	0	7	3	23	8	0	11	4
Puerto Armuelles		12,020	8	2	1	4	1	14	6	1	4	3
Boquete		2,621	8	2	2	2	2	11	4	2	3	2
	Soná	4,091	7	1	1	3	2	12	1	1	3	7
	Nalá	3,371	7	0	0	2	5	7	0	0	2	5
	Antón	3,563	5	1	0	3	1	10	2	0	7	1
	Guararé (1)	1,178	5	1	0	2	2	6	1	0	2	3
Horconcitos (1)		1,090	3	0	0	1	2	3	0	0	1	2
	Capira (1)	1,388	3	2	0	1	0	4	3	0	1	0
Dolega (1)		1,019	2	0	0	0	2	2	0	0	0	2
Boquerón (1)		613	2	0	0	0	2	2	0	0	0	2
	Santa María (1)	1,044	2	0	0	0	2	2	0	0	0	2
Las Lajas (1)		1,068	1	0	0	1	0	1	0	0	1	0
	Pesé (1)	1,940	1	0	0	0	1	2	0	0	0	2
	Macaracas (1)	1,110	1	0	0	1	0	2	0	0	2	0
	Cañazas (1)	1,296	1	0	1	0	0	1	0	1	0	0
	La Pintada (1)	1,110	1	0	0	0	1	1	0	0	0	1
	Tonosí (1)	891	1	0	0	0	1	1	0	0	0	1
	Santa Fé (1)	490	1	0	0	1	0	1	0	0	1	0

Source: Adapted from the Censuses of Industry and Commerce, 1971.

Notes: (1) Populated place not classified as an urban centre.
(2) Refers to the population in 1970.
(3) Refers to business establishments that employ five or more persons located within the respective district and ascribed to the principal urban centre.

represent the eight largest urban places in Panama outside the metropolitan region.

The project designers were unusually well-supplied with background research and planning data. A study of the urban system of Panama had been prepared by Boyce (1975) to confirm the choice of David and Chitre-Los-Santos as growth centers on the basis of their economic functions and numbers of existing business establishments (Table 1). The second level status of the remaining six URBE communities (Santiago, Aguadulce, Penonome, Las Tablas, Concepcion and Puerto Armuelles) as service centers was also confirmed in terms of the same variables.

A commissioned research project to determine factors associated with rural poverty was also completed (Eighmy 1977). Two separate studies (Logan 1977; Logan Eighmy and Manly 1977) were conducted on small scale enterprise experience with previous loan programs, and on agribusiness development opportunities. The planning base to which these data contributed has been described in a recent publication by one of the participants (Rhoda 1982: 171-186).

The urgent need for Project URBE was expressed by the Ministry of Planning and Economic Policy (MIPPE) in terms of the extreme degree of polarization which had been attained in urbanization, industrialization and land tenure at the beginning of the last decade. In 1970, there were only two cities larger than David (40,822): Panama (556,000) and Colon (103,000) which, taken together, comprise the Metropolitan Region (659,000), or urban corridor (see Map 1) which parallels the Panama Canal. In that year, 70 percent of the GDP was generated in the corridor which contained 81 percent of all manufacturing and 83 percent of commerce.

In the Central and Western Regions, in which Project URBE is located, there were 695,000 people in 1970, with 120,000 residing in the eight growth and service centers. The area contains much of the agricultural wealth of Panama:

> In agriculture, value added was concentrated in the two Western Region provinces of Bocas del Toro and Chiriqui. In 1968, with just 12 percent of the population, these two provinces generated almost two-thirds of sector value added as a result of heavy banana production. In contrast, the Central Region, which accounted for almost 30 percent of the population, produced only about one quarter of value added in agriculture (USAID-CDSS 1982: 1-2).

But land ownership is sharply skewed. Chiriqui Province produced 60 percent of all agricultural commodities grown for domestic consumption. Of the 20,634 farms in the province, those over 50 hectares in size represent 8.6 percent of the units and 68.7 percent of the area cultivated. In the Central Region district of Tonosi, farms over 50 hectares represented 39 percent of the units and 81 percent of the area cultivated.

This asymmetry persists despite substantial government intervention to combat rural poverty by the Torrijos administration following 1968. The government nationalized faltering agro-industries on the edge of bankruptcy, including a sugar refinery and a fruit processing plant within the URBE Project area. One-half million hectares of farm land was expropriated between 1969 and 1977. A portion of this was used to establish 6,000 families on 147 asentamientos, or collective farms, mostly within the URBE region. Those recruited represented the growing numbers of landless farm workers, or precaristas.

To implement productivity of the asentamientos, they received $61 million in low cost loans (90 percent of the Ministry of Agriculture budget) in the mid-1970's. Although these government-managed, capital-intensive, highly

mechanized units produced 21 percent of the rice and 8.5 percent of the corn crop in 1976, they were financial failures unable to repay their loans. Furthermore, they offered little improvement in living standards to their members who received only $248 per year--well below the poverty threshold of $150 per capita in 1975. Throughout the URBE Project area, Eighmy (1977: 37) concluded that 47.8 percent of the rural and 9.6 percent of the urban population were in poverty status in that year. The majority were subsistence farmers.

A partial explanation, offered by Boyce (1976), was found in the low degree of spatial integration throughout the region:

> A notable feature of the interior of Panama is the dispersion of the rural population among an inordinately large number of small populated places. For example, there existed in 1970 within the five western provinces...a total of 1,324 'predominately rural' populated places averaging 250 persons in size. These figures indicate a very low grade of physical and economic integration of the interior and a corresponding urgency to provide an accessible, ordered series of rural market centers that can assist to relate the campesino to the money economy and the general culture of the country (Boger 1976: 27).

The matrix of socioeconomic problems manifested in western Panama was recognized during a period of growing commitment to an employment generation strategy based on stimulating private sector expansion among development agencies. Advantages claimed for this type of intervention addressed the issues raised above. Employment generation through small and medium enterprises would: (1) add value to raw materials through processing thus stimulating production; (2) supplement household income; (3) decentralize investment and improve regional imbalances; (4) retain population and curtail movement to the metropolitan region. This philosophy became the cornerstone of Project URBE.

Project URBE in 1978: Components of a Multisectoral Development Program

The project design, prepared in 1977, envisioned the joint expenditure by the government of Panama and USAID of $28.5 million on the two growth and six service centers identified above. The planners aimed to establish a mutually reinforcing relationship within the region between (1) improvements in infrastructure; (2) productive enterprises; and (3) institutional development required to support and perpetuate them. The overall budget--an intricate merging of funds from the Panamanian government (GOP), USAID and participant enterprises--appears in Table 2.

Project URBE was expected to initiate an evolutionary process which would energize developmental exchanges between cities, towns and villages. In the planning stage, the three components--infrastructure, enterprises and administrative institutions--could have been incorporated into either of several time frames and management strategies. The choices among these options by USAID administrators proved to be critical to the outcome of the project.

The designers were in a position to opt for either of two time frames: simultaneous or sequential. The simultaneous option would require parallel progress on all three fronts at once. It assumes that infrastructure can be constructed, administrative machinery created, and enterprises initiated separately at the beginning of the project and made to converge and interweave their functions as the design matures. The sequential option would permit infrastructure to be completed and administrative structures to be developed and tested before attempting to found new enterprises and generate employment.

The designers were also in a position to opt for either of two management strategies: centralized or localized. The centralized strategy permits all

TABLE 2. FINANCIAL PLANS
1. OVERALL FINANCIAL PLAN

Components	Contributions (US$000's)				
	AID	Other 1/	GOP	Partici-pants	Total
I. Productive & Supporting Enterprises	6,300		2,800	2,000	11,100
A. Small Businesses/Industries	3,000		400	400	3,800
B. Agro-Industrial	3,200		400	1,000	4,600
C. Industrial Sites			1,800	600	2,400
D. Training of Workers/Small Businessmen	100		200		300
II. Housing & Town Infrastructure	2,500	5,400	6,100	700	14,700
A. Housing		5,400	900	500	6,800
B. Transport Terminals	2,500		600	200	3,300
C. Sewerage Systems			3,700		3,700
D. Recreational/Cultural Activities			900		900
III. Institutional Development	1,200		100		1,300
A. Institutional Training	105		100		205
B. Technical Assistance	1,095				1,095
IV. Administrative Expenses			1,400		1,400
TOTAL	10,000	5,400	10,400	2,700	28,500

Note: 1/ Housing Investment Guaranty (HIG)

components to be administered from ministry headquarters in Panama City, while a coordinating team (also in Panama City), seeks to synchronize and relate the contributions of the multiple ministries involved. The localized strategy would assemble representatives of all ministries under a resident director in one or both of the growth centers: David and Chitre-Los Santos.

The temporal option was resolved in favor of a simultaneous approach. All three components were to be initiated in 1978 and the entire project was to be completed in five years. The management choices were resolved in favor of centralized decision-making. Each part of the program was to be handled by a separate ministry in Paname City. The role of coordinator was assigned to the Ministry of Planning and Economic Policy (MIPPE). Its leadership would be exercised through a Coordinating Committee, chaired by the MIPPE representative and including high level officials from participating ministries.

The components (subprojects) of Project URBE are set forth below in separate sections: enterprises, infrastructure, and institutions. Each subproject will be explained in terms of its purpose, implementation proposal, location of activity, and agency directly responsible for its administration. The description is given from the perspective of 1978, the year in which the loan agreement was completed. Order of presentation conforms to budget categories shown in Table 2.

1. PRODUCTIVE ENTERPRISES.

A. Industrial Parks.

Industrial parks were to be constructed in David and Chitre-Los Santos to attract agro-processing industries. They were intended to provide water, power, leveled sites, buildings, sewerage and transportation access.

Administration was to be placed in the hands of municipal corporations made up of entrepreneurs and local officials. The corporations were to assign lots, construct buildings to suit tenants and supervise maintenance.

Industrial parks were to be supervised during their development by the Ministry of Commerce and Industry (MICI). Utilization would be assured by (1) forming the management corporations from local businessmen who were prospective occupants of sites within the development; (2) prohibiting industries from locating elsewhere within the community by zoning restrictions; (3) providing either small business or agro-industry loans to attract entrepreneurs; (4) making the corporations responsible for local promotion. The budget for industrial park development was $2.4 million.

B. Agro-Industries.

Agro-industries were to be used to promote the production of raw materials by increasing their value through processing. Farm prices could be increased and the inventory of locally manufactured goods could be expanded. The industries to be approved for funding were those to be designated as priority enterprises by the Ministry of Agriculture (MIDA). A national agro-industrial policy was to be promulgated for this purpose.

New industries were to be financed with loans up to $.5 million at 12 percent interest, and must fulfill the secondary purpose of generating employment within the project area. Between 750 and 1,000 new jobs were to be provided at an investment level not to exceed $10,000 per job. Preference in granting loans is to be given to projects producing intermediate goods for farm operators (fertilizer, animal feed, improved seeds). All projects were to be in or near growth or service centers.

Research funds were provided to MIDA to identify agro-industries appropriate to specific environments, and to explain their technical requirements and credit needs. Loans were to be processed and administered by the National Finance Corporation (COFINA). In 1977, the two agencies (MIDA/COFINA) believed they had already identified 21 enterprises suitable for funding with a credit requirement of $6.3 million--substantially greater than the budget of $4.6 million to be provided.

C. Small Business Loans.

Small business loans also had a dual purpose. They were expected to expand quickly the range of economic functions and numbers of establishments described in Table 1. Because of the inverse relationship between the size of an enterprise and its labor consumption per unit of capital invested, they were expected to generate substantial amounts of employment.

Loan-supported enterprises were to be apportioned among commercial, industrial and service firms. An upper limit of $50,000 was fixed for each loan at 8 percent interest. The ceiling on capital investment per job was to be $3,500. At this rate, it was expected that 750 to 1,300 jobs would be created. Women entrepreneurs were to be encouraged to apply for credit.

Loans were to be administered by the Division of Small Business within the Ministry of Commerce and Industry (MICI). A backlog of $600,000 in loan applications had been accumulated prior to the URBE agreement, and no problem was anticipated with demand. Nonetheless, a promotional program was to be conducted within the project area. A budget of $3.8 million was allocated for these purposes.

D. Manpower Training.

Landless farm workers and under-employed small-holders were to be converted to wage work in non-farm enterprises by the project. For this purpose, the National Training Center (CENAFORP) agreed to provide instruction in four basic areas: auto mechanics and metal work; construction, commerce and services. The training program was to be supported with a budget of $300,000.

2. TOWN INFRASTRUCTURE.

A. Housing.

The URBE housing program was intended to retain skilled workers and craftsmen, white collar workers and government employees who might otherwise gravitate toward the metropolitan corridor. The occupants of URBE housing were expected to fill the personnel requirements for small business, agro-industry and supporting government services within the growth and service centers.

The USAID Housing Investment Guaranty program, which was to be the source of $5,4 million of the $6.8 million budgeted, required that all shelter units be provided to households below the household income median. The 2,186 shelter loans to be awarded, therefore, were to be apportioned so that 48 percent went to households between the 30th and 50th percentiles of income (see Table 3), i.e., the lower middle class.

To implement this policy, a graded set of housing solutions, designated URBE 1 through 6, was planned by the Ministry of Housing (MIVI). URBE 1, with a minimum cost of $500 per unit, consisted of serviced sites only. At the other end of the scale, URBE 5-6 units were 3-room houses with utilities included, costing from $3,000 to $5,700 each. The URBE 5-6 solutions were intended for the 48 percent of recipients between the 30th and 50th percentile of income, and were allocated 76 percent of the total budget (see Table 3).

TABLE 3. DISTRIBUTION OF HOUSING SOLUTIONS BY TYPE, INCOME LEVEL OF RECIPIENT HOUSEHOLD, AND COMMUNITY AS PROPOSED IN URBE PROJECT PLAN, 1978

Decile of Household Income	10-20	20-30	30-40	40-50
David	250(1)	100(2)		300(6)
Santiago	150(1)	105(5)		
	100(2)			
	50(3)			
Chitré-Los Santos		60(4)	100(6)	106(6)
		120(3)	30(6)	
			50(6)	
Puerto Armuelles				50(6)
Concepción				50(5)
Aguadulce	100(3)	50(5)	100(6)	
Penonomé			150(3)	50(5)
Las Tablas		20(4)	50(5)	
		15(4)	30(5)	
Total Solutions	650	470	510	556
%	30	22	23	25
Budget Allocation	$560,000	$984,000	$1,893,000	$2,774,200
%	9	16	31	45
Cost per Solution	$862	$2,094	$3,712	$4,989

Source: BAS-002, Annex II-I, p. 25.

Note: Number in parenthesis refers to specific housing solutions (URBE 1-6), illustrated above.

URBE housing benefits were to be distributed among all eight growth and service centers, but the two growth centers were to receive 50 percent of the total. At the other end of the distribution of communities by size, Concepcion and Puerto Armuelles were to receive 50 units each; but some of the URBE 5-6 homes were assigned to all communities. The shelter program, budgeted for $6.8 million, was to be administered by the the Ministry of Housing (MIVI).

B. Transport Terminals.

Rural-urban linkage, and facilitation of exchanges between growth and service centers was the keynote of Project URBE. While all weather highways and farm-to-market roads have been constructed by other development projects, these have tended to aggravate problems at the hubs of existing networks by amplifying commerce and increasing traffic volume.

Both David and Chitre-Los Santos are core cities within regional networks of bus and truck lines. Both are plagued by congestion in the vicinity of their central markets where existing terminals are located. Project URBE proposed to solve these problems by providing new transport terminals, serving both freight and passenger traffic, in both growth centers. If possible funds would be used to construct a third terminal in Santiago, the next largest urban center midway between David and Chitre-Los Santos. The Ministry of Public Works (MOP) was to be responsible for planning and construction, with a budget of $3.3 million.

C. Sewerage Systems.

Completion of efficient waste disposal systems was intended to increase the potential of growth and service centers for retention of mid-level personnel. Six of the eight URBE communities had received sewer systems in recent

years from other projects. The two remaining centers, Penonome and Puerto Armuelles, were included in Project URBE. The National Water and Sewer Authority (IDAAN) was to be the administrator, and a budget of $3.7 million was allocated.

D. Recreational and Cultural Centers.

Sports and cultural facilities were to be expanded to provide advantages resembling those of the metropolitan region. In Panama, the cultural center concept refers to a location at which training in the arts and crafts, and also performances may take place. Centers were planned for Chitre-Los Santos and Santiago, and improvements were scheduled for those already constructed in David, Penonome and Las Tablas. Two gymnasia at Chitre and Santiago were to be provided, and sports fields were planned for the other communities. The national Cultural Institute (INAC) and National Sports Institute (INDE) were in charge of these operations, which were budgeted for $.9 million.

3. INSTITUTIONAL DEVELOPMENT.

A. Town Planning.

To rationalize the distribution and placement of improvements to be provided under Project URBE, each participant community was to receive a town plan describing historical patterns of growth and land use. The plans should map traffic flows, public and commercial facilities and the distribution of utilities. Areas appropriate for residential, commercial and industrial expansion were to be indicated. Designated areas would later become the subject of zoning regulations. Town plans were to be based on technical studies provided by the Planning Ministry, to be prepared in conjunction with local Planning

Committees (Juntas). Once accepted by each municipal council, the plans were to be referred to the Ministry of Housing which would prepare the legal terms and regulations required to convert them into a code of statutes.

B. Technical Assistance.

Each participant ministry was to be prepared for its administrative role in Project URBE by the assignment of appropriate consultants to provide technical assistance for a designated number of man-months. Over all, 151 months of consultation (budgeted at $7,000 per month) was proposed. Individual ministry allocations from the total of $1.1 million were as follows:

	Months	Budget
Ministry of Planning	42	$ 294,000
National Finance Corporation	10	70,000
Ministry of Agriculture	15	105,000
Ministry of Commerce and Industry	19	133,000
Ministry of Housing	59	413,000
National Water and Sewer Institute	3	21,000
National Cultural Institute	3	21,000
	151	$1,057,000

The substantially greater awards received by the Ministry of Planning and Ministry of Housing were made in recognition of the magnitude of their responsibilities and the complexity of the tasks assigned to them. Smaller support budgets for other agencies (Agriculture, Commerce and Industry) reflected USAID judgement that their responsibilities to Project URBE built upon existing skills and previous administrative experience.

C. Professional Training.

A limited budget ($205,000) was included for upgrading personnel within the agencies responsible for URBE administration. It was allocated among

several ministries, and was used primarily to send younger executives abroad for graduate study.

The Task Ahead: Project Potentials in 1978

A project costing nearly $30 million in a country of less than two million people might be expected to have substantial results. The Project URBE design envisioned nothing less ambitious than the revision of a hierarchy of settlements in order to maximize the utilization of the agricultural resource base in western Panama. It would be well to consider whether the cause and the intended effects are of the same order of magnitude.

A summary of the investments intended to accomplish this regional reorganization includes the following:

1. The budget allocation for agro-industries, $4.6 million, would finance 15 enterprises at $300,000 each, or 30 enterprises at $150,000 each.

2. The budget allocation for small business, $3.8 million, would provide for 190 small businesses at an average investment of $20,000 each, or 380 at an average investment of $10,000.

3. The housing budget of $6.8 million will provide 2,186 shelter units (average cost = $3,110), with the maximum number of 650 to be located in David, a city of 41,000 population in 1970.

4. The project was expected to generate between 1,500 and 2,800 new jobs in both agro-industries and small business enterprises.

5. To expedite and multiply these benefits, transportation terminals and industrial parks were to be located in each of the two growth centers, David and Chitre-Los Santos.

6. The impact of investments made in each community was to be maximized by effective town planning which will select and locate all benefits most effectively to insure overall growth and improvement in services to its hinterland.

The URBE design requires the dispersal of these benefits among eight communities, running the risk that the distribution of investments may prove to be too thin for the realization of agglomeration effects. Without them, URBE becomes merely a disjointed set of small projects scattered like birdshot across the vast expanse of western Panama.

It would appear unrealistic to predict that investments of this magnitude could achieve polarization reversal in a population of close to 700,000. The incongruity was recognized by USAID administrators, who had focused their expectations on a more modest objective: to erect a skeletal framework of linkages between subproject components within related communities at different levels within an urban hierarchy. If this framework, once constructed, were sufficient to initiate spread effect, generate employment, expand consumer demand and motivate reinvestments sufficient to multiply the project cost, then the "concept would be validated." Validation would pave the way for expanded private sector investments based on the demonstrated profitability of the original URBE subproject mix.

From the perspective of the designers, the critical element in Project URBE was not to be the success of the individual subprojects, but the maintenance of an interdependent relationship between them as they progressed in parallel and with mutual reinforcement toward the achievement of agglomeration effects. The validation of the concept was to be the outcome of effective coordination and guidance of the multi-agency framework, utilizing the timing and management options described in the preceding section.

The time frame decision had been made in favor of simultaneity. All components--infrastructure, productive enterprises and institutional development --were to be initiated simultaneously. This decision provided the maximum time

(five years) for completion of substantive operations, such as construction and lending. But it placed substantial strain on the institutional development phase of the program. The technical assistance required by the ministries before they could discharge their administrative roles held logical priority with reference to other subprojects, even if its temporal priority was not conceded. Town planning was also in a position of logical priority to other aspects of implementation, since it was from these blueprints for development that the interdependence of project elements was to be effected within each community and between growth and service centers.

The management decision had been made in favor of centralized administration. A project coordinator was appointed within the Regional Planning Division of MIPPE in charge of a staff of liaison personnel, each responsible for linkage with a particular ministry. At USAID, a project manager was appointed from the Office of Rural Development, leading a team including representatives of each division implicated in Project URBE. These two units remained in charge of the enterprise through 1982.

The argument in favor of centralization begins with Table 2, which confirms that most subprojects required the merger of funds from both government and USAID loan sources. Budgetary requests were to be prepared for each ministry by MIPPE, but USAID endorsement of budget items was also necessary. Quarterly progress of each unit was to be verified by MIPPE and data were to be consolidated in report form for transmittal to USAID. Annual plans were to be approved and design revisions confirmed by the Coordinating Committee, representing all ministries involved. All these activities were to take place in Panama City, supporting the centralization decision.

However, the choice of the centralization option underscored the dependence of Project URBE's success on (1) the planning, budgeting and coordinating ability of the Ministry of Planning and Economic Policy; (2) the capacity of each Panama City ministry headquarters to maintain effective control of dispersed operations at remote points in western Panama; (3) immediate action on technical assistance and town plans; (4) maintenance of interdependence between subprojects required to validate the regional development concept.

Project Outcomes: The Achievements of 1983[2]

The accomplishments of Project URBE during its five-year life span (June 1, 1978 through May 31, 1983) were mixed. Viewed from the ambitious perspective of the planners, who sought to generate employment and revise the urban hierarchy in a single multisectoral development effort, it has not succeeded. The projects originating in the public sector failed to intermesh with those directed toward stimulating private sector expansion.

However, it should be recalled that the efficient cause of regional growth in southern Mindanao (Hackenberg 1980, 1982, 1983) was provided by market forces rather than bureaucratic interventions. This premise was strongly confirmed in western Panama. Subprojects succeeded when they provided a direct and uncomplicated response to effective demand at the local level. Examples are found in the small business loan and housing subprojects, and in selected agro-industries. Conversely, those projects which ran afoul of bureaucratic complexities, or failed to capture community support (or both) have been unable to advance. Examples of these are the industrial parks and transport terminals.

In the following review of subproject accomplishments on the scheduled date of completion, comparison and analysis will be aided by dividing them into the following categories:

1. Subprojects which are substantially complete.

2. Subprojects demonstrating substantial progress, but incomplete.

3. Subprojects showing little progress and no chance for completion.

After presenting this review, an overall analysis and interpretation will conclude this discussion.

1. Subprojects which are substantially complete.

A. Small business loans had been granted to 310 approved entrepreneurs with a face value of $2.6 million by December 31, 1982.

This subproject showed the highest level of completion of those with a direct bearing on economic growth; it also manifested the greatest conformity with project objectives and guidelines. In the first 55 months of the program, 265 loans were disbursed with a mean value of $7,938. Over the life of the project, the annual average value of the loans increased from $6.7 to $9.5 thousand, and the number of disbursements per year increased from 22 in 1979 to 114 in 1982. All phases of the subproject demonstrated growth.

Small business loan applications could be filed in the MICI offices located in the five provincial capital cities, which explains the high density of funded projects in those communities. The 265 loans disbursed through 1982 were distributed as follows:

1.	Loans in three major Project URBE cities:		
	A. David*	34	
	B. Chitre-Los Santos*	52	Total: 126
	C. Santiago*	40	
2.	Loans in five minor Project URBE cities:		
	A. Penonome*	25	
	B. Aguadulce	20	
	C. Concepcion	6	Total: 62
	D. Puerto Armuelles	1	
	E. Las Tablas*	10	
3.	Loans to communities outside the Project (by province):		
	A. Los Santos	24	
	B. Veraguas	22	
	C. Cocle	12	Total: 77
	D. Herrera	10	
	E. Chiriqui	9	

* Provincial capital city

Table 1 confirms that the distribution of loan supported enterprises above corresponded roughly to the rank-order of cities by 1970 population. Among loans approved in non-project locations, there was a heavy concentration in the two poorest provinces of Los Santos and Veraguas.

The 265 loans examined were equally divided between new and existing enterprises. Using the Table 1 figure as a base, the total number of establishments operating in 1971 (515) was expanded by 26 percent through the addition of 132 new firms. At the same time, 26 percent of the existing establishments (132) expanded with loan support. There were 72 loans (27 percent) made to women proprietors, with the greatest provincial concentration (22) in Veraguas.

The types of firms supported (Table 4) reveal a strong preference for food processing and food sales (ranks 1, 4, 5 and 7), and essential goods and services (ranks 3, 5 and 6). The leading industry of the region, furniture-making

TABLE 4

SMALL BUSINESS AND INDUSTRY:
FREQUENCY DISTRIBUTION OF LOANS BY TYPE OF ACTIVITY

Rank	Type of Business/Industry*	N	%
1	Groceries retail, supermarkets, food stores (6200)	44	16.6
2	Furniture, wood and wicker industries (3312, 3319, 3320)	21	7.9
3	Welding shop, blacksmith, autobody repair, metal fixtures (3811, 3812, 3819)	20	7.5
4	General store, retail merchandise, clothes (6200)	17	6.4
5	Butchery, poultry, fish preparation (3111)	16	6.0
5	Specialty goods retail, auto parts, boutique, drug store (6200)	16	6.1
6	Clothes manufacture and tailoring (3220)	14	5.3
7	Bakery products, candies, coffee, spices (3117, 3121)	13	4.9
8	Cement blocks, bricks, nonmetallic materials, tiles (3691, 3699)	12	4.5
9	Medical/dental services, clinics, laboratories (9331)	10	3.8
10	Leather shop (except shoes), saddler, upholstery (3233, 3211)	9	3.4
11	Shoe shop, shoe factory or repair (3240)	8	3.0
11	Electrical, auto repair, machine maintenance (9512, 9513)	8	3.0
12	Grain mill, rice mill, cereals (3116)	6	2.3
12	Restaurant, cafeteria, food service (6310)	6	2.3
13	Laundry, car wash (9520)	5	1.9
13	Sawmill, lumber yard, timber, firewood (3311)	5	1.9
13	Ceramic and clay products, pottery (3610, 3691)	5	1.9
13	Beauty parlor, barber shop, florist (9591, 1599)	5	1.9
14	Tree farms, nursery, landscaping (1110, 1210, 9200)	4	1.5
14	Printing, photography, photocopy (3420, 9592)	4	1.5
15	Animal feed preparation (3122)	2	.8
15	Tannery, leather processing (3231)	2	.7
15	Other manufacture (3909)	2	.7
15	Consulting services, accounting (8322)	2	.7
16	Sand and gravel, mining (2901)	1	.4
16	Fishing (1301)	1	.4
16	Dairy products (3112)	1	.4
16	Chemicals, fertilizer (3512, 3529)	1	.4
16	Auto parts manufacture (3843)	1	.4
16	Jewelry shop (3901, 9514)	1	.4
16	Transportation service (7112)	1	.4
16	Radio and television station (9413)	1	.4
16	Other home services and repair (9519)	1	.4
	TOTALS	265	100.0

* International Uniform Industrial Classification, Series M, No. 4, 2nd. revision. Ministry of Planning and Economic Policy. Panama.

(rank 2) benefitted substantially from the loan program. Taken together, firms ranked 1 through 7 in Table 4 comprise 61 percent of the loan portfolio. The food and furniture enterprises are strongly linked to local raw materials production.

The small business loan program created an average of 2.2 new jobs per enterprise, at a cost of $2,967 invested per employee. This was well within the $3,500 ceiling imposed by the project design. At this rate, 583 jobs were generated through 1982, and when the total of 478 loans expected has been disbursed, a level of 1,051 jobs should have been reached. This figure satisfies the expectation that 750 to 1,300 jobs would be generated.

There were substantial inter-provincial differences in yield of jobs per loan and investment per job:

	Average Loan	Investment per Job	Jobs per Loan
Chiriqui	$7,549	$2.306	3.27
Cocle	7,021	3,663	1.92
Herrera	7,395	3,114	2.38
Los Santos	4,455	2,121	2.10
Veraguas	6,592	4,163	1.58

These figures confirm that the provinces containing the growth centers of David (Chiriqui) and Chitre-Los Santos (Herrera) feature (1) the largest average loans and (2) the largest number of jobs per loan. However, in both provinces the capital invested per job remains near or below the average figure of $2,967. Rather surprisingly, the cost of a job in commerce ($3,578) and services ($4,183) proved to be substantially greater than the investment for a job in agriculture ($2,055) or industry ($2,421).

A neglected dimension of employment generation in many programs aimed at small and medium enterprise development is the quality of the jobs provided.

In the western Panama case, the distribution of occupations at the end of 1982 was as follows:

	Regular Employee (%)	Apprentice/ Helper (%)
Professional and Skilled*	39.1	5.1
Semiskilled#	30.7	9.3
Unskilled +	15.8	0.0
SUBTOTALS	85.6%	14.4%

* Managers and accountants, clerical workers, technicians, metal workers and mechanics, furniture makers, tailors.

\# Painters, block-makers, bakers, butchers, food service workers, shoe and tire repair, salespersons.

\+ Laborers

B. Town plans for seven of the eight Project URBE communities were completed between June, 1979 and January, 1981.

The plans for the two growth centers (David and Chitre-Los Santos) required 18 months to complete. Three service center plans were delivered next after 24 months, and two more were released six months later. The Las Tablas plan was not finished during the life of the project. Local Planning Committees (Juntas) did not participate in the process. Neither municipal governments nor ministries administering subprojects consulted the town plans at any stage of the decision making concerning them. To the present time, the town plans represent an exercise completed by the Ministry of Planning at its Panama City headquarters, unintegrated into Project URBE operations or management.

C. Sewer systems were completed in Penonome (December, 1981) and Puerto Armuelles (April, 1983).

Both design and implementation of these projects were self-contained within a single agency (IDAAN) and the budget came from a single source. Technical assistance was not required. As a consequence, the two municipal sewer systems were completed on schedule. Only about 20 percent of the households within reach of the systems have purchased connections. However, the monthly rate of application is steady and maximum utilization will be achieved in several years.

In completing the project design for this component, no allowance was made for the normal length of time required for it to evolve toward full utilization. The same observation applies to the housing program and to the industrial parks. Furthermore, since each reaches maturity on a different time scale, disconformity between completion dates was actually built into the design, though unrecognized by the designers!

2. Subprojects demonstrating substantial progress, but incomplete.

A. The housing program had initiated 717 units by the end of 1982. However, approximately 80 percent of the original budget had been reprogrammed to address new priorities within the Ministry of Housing.

The housing subproject has a complex history. Three years elapsed before a loan could be arranged with a bank in the United States to secure mortgage funds under USAID's Housing Investment Guaranty commitment. The delay was due to prevailing high interest rates in the United States mortgage market; a 12 percent loan was finally obtained by Panama in August, 1981. During the subsequent 16 months, construction commenced on 717 units, one-third of the 2,186 proposed, before a dramatic policy change occurred.

But neither the work on the 717 units in progress nor the revised policy were consistent with the terms of the Project URBE design. The shelters under construction at the end of 1982 were distributed as follows:

Location	Project Name	Number-Type of Units	Organization
David	Loma Colorada	603 units URBE #1 Site and services	Squatter Association
David	Paraiso	46 units URBE #5-6 Houses and lots	Department of Energy Employees
Concepcion	Mi Dulce Hogar	48 units URBE #4 Houses and lots	Government workers cooperative
Santiago	Juan XXIII	20 units URBE #5 Houses and lots	Agricultural marketing cooperative

Five out of six homes thus far under construction consist of site-and-service (URBE #1) units, each valued at $1,050, targeted for the lowest income group in David. In contrast, the Project URBE plan called for 650 units to be management and technical personnel. The URBE #6 units for David have now been reduced to 46 located in the Paraiso project. The 346 URBE #4 and #6 dwellings intended for Chitre-Los Santos, the other growth center, have been eliminated from the Ministry of Housing's agenda.

Part of the revision was due to circumstance. A squatter invasion seized valuable private property near David's business district. To prevent bloodshed, the housing ministry obtained a tract of public land at the edge of the city and offered it as a substitute; to sweeten the proposal, site-and-services improvements were added and the result was Loma Colorada.

Loma Colorada was a distortion of the Project URBE design. But it was completely consistent with a MIVI policy shift from home construction to less expensive home improvement loans (averaging $1,800) which took place in December, 1982. Under the revised plan intended to provide poverty level housing, only 1,001 shelter units (homesites and/or houses) would be constructed with URBE funds. These would include the 717 units described in the inset above, plus 284 units scattered among five other communities which already advanced to the planning stage. Only 398 units of URBE #4-6 housing will now be provided instead of the 1,166 originally proposed (Table 3). The balance of the URBE budget will be allocated to 2,400 home improvement loans, bringing the total number of contracts under the program to 3,400 instead of the 2,186 in the project design.

MIVI housing project policy in force in 1978, and incorporated in the construction of the first 717 units in progress in 1982, had a number of favorable features from the standpoint of Project URBE intentions: (1) housing was constructed for organized groups rather than individuals; (2) sponsoring groups were made responsible for contributions of labor and materials to reduce overall costs; (3) preliminary households surveys were completed to match costs with incomes; (4) consolidated project sites maximized mutual aid among loan recipients; (5) applicant groups of formal sector employees were favored so that payroll deductions could be used to secure payment. Traditional MIVI policy placed the emphasis on the group and exploited its strengths to the fullest.

The new policy sacrificed group and consolidated project benefits in favor of inexpensive and scattered individual improvements: adding a bathroom or an extra bedroom, replacing a roof, etc. A heavy concentration of benefits in the

three principal cities was retained; David was allocated 974 improvement loans valued at $1.75 million. But the retention of mid-level skilled and technical personnel, the key objective of the URBE plan was forfeited in favor of direct aid to the urban poor.

After a three year delay, the Ministry of Housing felt no responsibility to incorporate its activities into the Project URBE design, other parts of which were already well advanced. Instead, MIVI succumbed to the "basic needs" point of view toward development goals, and took the opportunity which the URBE budget provided to address the housing needs of "the poor majority." Housing Investment Guaranty funds were merged with other support to devise a national home improvement loan program which, in 1984, is the centerpiece of MIVI's agenda.

B. Agro-industry loans valued at $2.0 million were awarded to 13 enterprises by the end of 1982, but a number of these were in danger and 46 percent of the budget remained uncommitted.

As the project neared its expiration date, 13 loans with an average value of $155,764 had been disbursed (see Table 5); funds for ten loans of the same average size remained uncommitted. However, the program was not in good health: (1) no loans had been made to new enterprises since March, 1981; (2) four of those which had received support had suspended operations and three more were said to be in danger; (3) delinquency levels were high, with non-payments equal to 43 percent of the face value of the average loan.

On the basis of their two-year performance records, the 13 funded projects could be divided into four categories. First, there were three profitable agro-industries with appropriate technology, sound management, low delinquency, and a marketable product. These included a chemical fertilizer plant, a seed production farm, and a producer of honey for export sale. The first two were

TABLE 5. URBE/COFINA AGRO-INDUSTRIAL LOANS
(All active accounts to April 1983)

Year	Enterprise: Name, Location, Approval Date	Type of Industry	Loan Total	URBE Support
1979				
1st Semester	1. Industrias Apicolas Boquete, Chiriqui 9 February	Honey Production	US$151,200	US$148,000
2nd Semester	2. Ernesto Berard Volcan, Chiriqui 2 July	Meat Products	122,500	102,500
	3. Apiarias Guerra Boquete, Chiriqui 27 December	Honey Production	90,000	80,010
1980				
1st Semester	4. Federacion Coop. Agrop. Aguadulce, Cocle 13 May	Fertilizer	1,100,000	500,000
	5. Miel San Sebastian Ocu, Herrera 22 May	Honey Production	150,000	133,350
	6. Hermanos Rudas Santiago, Veraguas 23 May	Honey Production	150,000	133,350
2nd Semester	7. Sarigua Parita, Herrera 12 September	Shrimp Farm	95,090	55,000
	8. Jesus Plinio Cogley Los Pozos, Herrera 11 December	Swine Feed Plant	47,000	41,783
1981				
1st Semester	9. Semillas Superores Anton, Cocle 12 January	Seed Production	220,953	196,427
	10. Frutas Panameñas San Andres, Chiriqui 22 January	Passion Fruit	728,370	186,940
	11. Apiarias Industriales Remedios, Chiriqui 12 February	Honey Production	150,000	133,350
	12. Punta Rincon San Lorenzo, Chiriqui 5 March	Shrimp Farm	241,516	214,708
	13. Punta Bucaro Los Santos, Los Santos 16 March	Fish Production	110,963	99,512
	TOTALS	13 Projects	US$3,357,592	US$2,024,930
	Mean Value		US$258,276	US$155,764

Source: COFINA Data Sheets, Appendix L.

producers of important inputs required for the improvement of domestic farm output, and distributed their products nationwide. Both are planning expansion. The third was one of five honey-making firms receiving COFINA support, the only large producer, and the only one to succeed in finding an export market.

The second group contains three potentially profitable enterprises which were well managed but plagued by underproductivity and marketing problems. It includes a meat packing plant, a fruit growing and processing firm and a shrimp raising enterprise. This group also represents ideal URBE agro-industries with backward linkages small-holder farm operation and consumption of rural non-farm employment. The meat packer and fruit processor are only using half their capacity because of marketing problems. The shrimp farm is unable to procure sufficient seed shrimp to reach its productive capacity. All three of these firms are in need of marketing and technical consultation, but will probably survive.

The third group contains unprofitable enterprises with serious management and technical problems and substantial indebtedness. This group, including three honey production firms, is descending toward termination. The fourth group consists of four enterprises (a honey maker, a shrimp farm, a fish processor and an animal feed producer) which have already been terminated. In both groups, loan funds were mismanaged by inexperienced proprietors, and production either failed to materialize or fell short of expectations.

Employment data were obtained for the 11 firms which became operational and were doing business during 1982. These agro-industries employed 225 persons, for an average of 20.5 per firm. The capital cost per job created was $14,420, substantially greater than the maximum $10,000 allowed in the project

design. If COFINA succeeded in funding ten more enterprises at an average of $156,000 each with the remaining 46 percent of the URBE budget then 205 more jobs would be generated at the present rate of 20.5 per loan. The total employment generated, 430 jobs, falls substantially below the 750 to 1,000 figure proposed in the project paper.

The agro-industries subproject has described a downward trajectory since its inception. It has been at cross-purposes with the policy of its administrative agency, the National Finance Corporation, and expected technical support to proprietors has not been forthcoming. Since its inception in 1975, COFINA has devoted its energies and resources to attracting major industries to Panama and supporting large infrastructure improvements: an oil pipeline, a resort complex, a free trade zone, a hotel-conference center, etc. Its commerce-and-trade orientation has never accorded agro-industry a high priority.

Expected support from the Ministry of Agriculture in the form of a national agro-industrial policy with related research, and direct technical assistance to loan recipients also failed to materialize. MIDA, like COFINA, had its own agenda: the development of the asentamientos and juntas agrarias (collective farms and cooperatives). It was also responsible for the management of the government portfolio of nationalized agribusiness ventures which were in need of resuscitation.

Finally, and once again, the opportunity to exploit linkages with other project components was disregarded. The logical interplay between agro-industries, industrial parks, small businesses as purveyors of support services, and housing for managers and technicians went unrecognized. Even the

prospect of relating several agro-industries to their mutual advantage was not considered.

3. Subprojects displaying minimal progress and no chance for completion.

A. The industrial parks have only advanced to the point of site procurement and partial site preparation in both growth centers.

By early 1983, a 10.5 hectare site in David and a 14 hectare site in Chitre had been designated for the industrial parks from reserves of government land. Site preparation in Chitre was well advanced: roads and curbing, water pipes and power lines were in place; development at David was rudimentary, consisting of leveling only. A reduced flow of government appropriations contributed to the lack of progress since both parks were the financial responsibility of Panama (see Table 2).

The municipal corporations to be charged with the responsibility for recruitment of industries and administration have not been formed. The only two prospective occupants are foreign companies who made inquiries at MICI headquarters in Panama City. Delay also results, once again, from a policy issue within an administrative agency. The Ministry of Commerce and Industry is using its responsibility for the URBE industrial parks to propose a national management policy for industrial park development. If the central government approves, then MICI has expanded its jurisdiction and control. Until then, no action will be taken on the URBE parks because, "we do not have a national policy."

B. The transport terminals are still at the planning stage. Negotiations for land in David and Santiago remain incomplete. The Chitre terminal has been abandoned.

Like the industrial parks, progress with the transport terminals depends on site acquisition. The terms of the URBE loan commit USAID funds for construction, but require the Panamanian government to contribute the land. The government has proposed to meet its obligation from available reserves of federal land, but these tend to be peripheral rather than central locations.

A bus terminal site must be chosen with reference to present and future traffic patterns and related business activities. In David, for example, all fresh produce sold in the city market arrives from the hinterland daily by bus. A terminal adjacent to the market and within the central business district is essential. The first site proposed by the government was militantly opposed by the bus operators because of its remote location. After several years of stalemate the government proposed to buy a site within walking distance of the city market. The owner then inflated the price and a second stalemate resulted. In Santiago, the government engaged in lengthy negotiations with the Department of Energy for a remote site which, though now available, is not acceptable to the municipal government.

In neither case--David nor Santiago--did the Ministry of Public Works refer to the town plans or negotiate with the municipal governments. Opportunities to explore interdependent arrangements with industrial parks, small business development or placement of agro-industries were unrecognized. Meanwhile, years were consumed by listless negotiating as construction costs mounted. Plans for the third terminal in Chitre were abandoned to remain within the URBE budget of $2.5 million.

C. Technical assistance arrangements lagged far behind schedule. Only 40 percent of the $1.1 million available was expended at the end of 1982.

The deviation between Project URBE's performance and the original design was correlated with the failure of the operating ministries to receive the major share of the technical assistance support considered necessary for institutional development. Actual expenditures at the end of 1982, with five project months remaining, were $402,634; 60 percent of this sum had been consumed by the Ministry of Planning for two staff appointments. The remainder was divided among the National Finance Corporation ($70,648), Ministry of Commerce and Industry ($62,603), and Ministry of Housing ($30,985). In no case did a Ministry receive more than 45 percent of its technical assistance allowance, with the exception of MIPPE, which consumed 80 percent of its allocation.

The timing of the technical assistance received tended to limit its usefulness. While support to MIPPE was available for the entire project period, no other agency obtained consultant services until May, 1981 (after 23 months of project activity). The first and only consultant to serve the Ministry of Housing did not appear until mid-1982.

Once obtained, all consultants were assigned to internal administrative problems of the agencies retaining them. The COFINA/MIDA consultants (on agro-industries) reviewed studies prepared by loan applicants and worked on the unfinished agro-industrial policy; the MICI consultant (small business loans) worked on the management within the National Mortgage Bank. No consultant from any agency provided client-centered advice on business management, production or marketing to any loan recipient.

Two separate bureaucratic thickets were encountered which entangled the disbursement of consultant funds. The URBE loan agreement required the Ministry of Planning to submit an annual budget with a technical assistance plan for

each ministry with a subproject. After the first year, when a request for $273,155 in technical assistance was submitted and approved, no new technical assistance plan was prepared until May, 1982, when an additional $463,691 was requested. To prepare the plans, it was necessary for each separate agency to submit terms of reference and scopes of work to the Ministry of Planning. After the first year plan (in which two-thirds of support requested was for MIPPE), no more were submitted. The Planning Ministry had no authority to compel them, and nothing was done.

Ministry reluctance to participate in the process was based on early experience with the labyrinthine contracting procedures imposed by the central government on each ministry. After USAID approval of scopes of work, each ministry was authorized to negotiate a contract with its consultants. When signed by both parties, it goes to the Office of the Controller-General for countersignature, then to the Office of the Presidency. Eventually, it returns to the Minister of the originating agency for a final signature. Theoretically, contracting could be completed in six months. It was more likely to consume a year, after which most consultants were no longer available.

Less than half the funds approved in the May, 1982 technical assistance plan were disbursed prior to the project's termination date. The final 30 percent of the technical assistance budget was not requested. The terms of reference and chain-of-signatures impediments were never overcome despite general awareness of the importance attached to removing them.

The retention of consultants was the single concrete activity which drew the Ministry of Planning, the operating ministries, and USAID into a triangular working relationship. The relationship was exemplified in the need for a technical assistance plan before consultant contracts could be prepared.

Consultants within each ministry, furthermore, might be expected to use their status to persuade each ministry to work for the success of the project.

The breakdown of the technical assistance process not only jeopardized the institutional development goals in the project design. It also weakened the working relationship between USAID and the Panamanian ministries and removed personalized advocacy for Project URBE objectives within each ministry that the consultants could be expected to represent.

Conclusions: Employment Generation through Regional Planning

Project URBE sought to create through multi-dimensional planning a regional growth process in Panama which, if successful, would replicate the evolutionary model of development in southern Mindanao. The Mindanao case documented the critical nature of two sets of interdependent components: (1) public investment in infrastructure and private investment in enterprises, and (2) within the private sector, large and medium scale investment in agro-industry and small scale investment interfacing with agribusiness support requirements and expanding consumer demands.

These components were all provided in the Project URBE design. Public sector investment in industrial parks, transport terminals and housing was to be complemented by loan support for private sector expansion. The private enterprise development expected would intermesh medium size, formal sector agro-processors with small scale, informal sector providers of goods and services. The outcome expected was employment generation and reduced distortions in the regional urban hierarchy in western Panama.

To analyze and interpret the results of the Project URBE experience, three slightly different points of view have proven to be useful: (1) Project URBE

as a planning experiment; (2) Project URBE as an administrative laboratory; (3) Project URBE as regional intervention. Each will be briefly presented in sequence to complete the presentation.

1. PROJECT URBE AS A PLANNING EXPERIMENT.

The attempt to articulate multiple dimensions of development through a multisectoral plan incorporating seven subprojects and eight town planning exercises did not succeed. A succinct judgement was provided by an internal audit report prepared by the sponsoring agency in March, 1982:

> The design of this project was unusually complex. Its implementation involves many...participating Government of Panama organizations and, in our opinion, dictated an unusual amount of coordination and monitoring to harmonize the progress of each sub-activity in relation to the whole....Our review showed a program with serious implementation problems....Coordination by the Ministry of Planning and Economic Policy (MIPPE) has not been effective and was not resolving implementation bottlenecks at an opportune time. Nevertheless...it is our opinion that in the three years since it was started there has been progress...in achieving the objectives of this project" (Audit Report 1982: ii).

The USAID administrators most closely involved with Project URBE had intended to validate a concept: that a skeletal framework of linked subprojects between communities at different levels within an urban hierarchy would demonstrate agglomeration and multiplier effects leading to spontaneous further growth. The attainment of this goal would have required the "unusual amount of coordination" toward which the auditors' comments were addressed.

In the absence of that coordination, the necessary order of completion within the project was inverted. Validation of the concept required that the infrastructure projects--terminals, parks and housing--be completed prior to (or, at least, no later than) the "superstructure" projects of agro-industrial and small business loans. The town plans were the cement expected to hold both

infrastructure and superstructure together. Instead, the superstructure activities are well-advanced, the infrastructure projects are still at the starting gate, and the town plans have failed to find a place in the enterprise.

2. PROJECT URBE AS AN ADMINISTRATIVE LABORATOR.

The project URBE experience, despite its failure to validate the regional multisectoral development concept, provided an invaluable learning experience on three different levels: (a) administrative strategy; (b) inter-agency coordination; (c) interplay between planning and implementation.

A. Administrative strategy.

As noted earlier, the project designers exercised choices between temporal and management strategies. They opted for a simultaneous time frame in which all three project elements (productive enterprises, housing and town infrastructure, and institutional development) were to be started at once. They also chose a centralized management strategy in which all coordination activities were to take place between ministries in Panama City.

In retrospect, these choices did not appear to advance the project toward its stated objectives. A sequential time frame would have deferred superstructure investments until infrastructure and town plans had become operative; in fact, the latter could have been presented as a precondition to the former subproject investments. Funding approvals could have been withheld to enforce the observance of the essential sequence.

A localized management option would have placed representatives from each of the units of government under one roof and on site within one or both growth centers. The enforced interaction between agencies and with the community thus achieved might have served to advance the project. As a group, the localized

administration could have acted as a lobby to obtain essential administrative decisions from headquarters in Panama City. It would not have contained high level officials of the sort proposed for the Coordinating Committee in the project proposal; but the high level committee did not become operational and it would have performed parallel functions.

The critical administrative element lacking from the project was a self-correcting mechanism. The five-year time frame and multi-agency involvement rendered Project URBE vulnerable to changes in the political climate, the regional environment and international economic trends. Most of the difficulties encountered could have been averted, deflected or minimized if (1) effective management information systems had been in place, and (2) a management group had been empowered to revise the design in accordance with this information.

The wisdom of Mahbub ul Haq could have been usefully applied to Project URBE:

> It is not a sign of weakness, but of strength, that a development plan is continuously revised. Indeed, one should be quite suspicious of a five-year development plan which is implemented precisely according to its original schedule....If actual implementation turns out to be as forecast in the plan, something may have gone wrong (1976: 22).

Development plans seldom make allowance for contingencies. Project URBE was beset by more than its share, but was incapable of self-direction.

B. Inter-agency coordination.

The ministries which were jointly implicated in Project URBE saw no advantage to subordinating parochial interests to the achievement of a common goal. At the first opportunity, each ministry converted the funding available from the project to the advancement of its own policy objectives. The most flagrant

examples of this were the home improvement loan program in the Ministry of Housing and the national bank for small business plan within the Ministry of Commerce and Industry. But other examples abound. The question of whether ministry resources are to serve the goals of the project, or whether project resources are to serve the goals of each ministry was never resolved. One suspects that it will recur, here and elsewhere.

C. Interplay between planning and implementation.

In the case of this project, and with most others, the group which conceived the plan (Rhoda 1982) had no responsibility for its implementation; ul Haq notes this as a fatal weakness of development as a political and economic process. He concludes, "The planners should keep evaluating the plan constantly, so that timely corrections can be made in its direction" (1976: 21). The opportunity for each ministry to pursue its independent objectives at the expense of the project was a primary result of the separation of planning from implementation.

3. PROJECT URBE AS REGIONAL INTERVENTION.

It is possible to conclude that a regional development plan was not implemented as originally designed. It is too early to conclude that the objectives of employment generation through urban based agricultural processing industries will not be achieved. The termination date of the project (May 31, 1983) has been extended. Funding for incomplete subprojects remains available and most of it will eventually be expended for objectives similar to those intended.

While local involvement through town planning appears unlikely, the interplay between transport terminals, industrial parks and loan supported enterprises may still be attained to some degree. Meanwhile, a valuable lesson can

be learned from the differential levels of accomplishment achieved among the several types of projects intended to stimulate agricultural productivity.

The strength of the small business loan program was concentrated in the area of food sales and food processing (Table 4), and the success of this component was the result of the perceptions of local entrepreneurs concerning potential returns to investment in this area. The indifferent outcome of the agro-industry loan program reflects the failure of local entrepreneur response to materialize, and the inadequacy of government sponsored research and promotion to substitute for it.

This generalization is strengthened by the exceptions to it. The two outstanding successes in the loan program are the fertilizer factory and the seed production enterprise. Both are operated by experienced management and related to perceived demand for the product. The disastrous honey-production enterprises, on the other hand, were stimulated by promotion from the Ministry of Agriculture. The entrepreneurs who responded were largely inexperienced and the demand for the product proved to be minimal.

What has been demonstrated here is a laboratory example of the superiority of "bottom up" versus "top down" development promotion. Small scale loan recipients, responding to perceived market processes, were successful. The agro-processing operations, which resulted largely from administrative initiatives, were not. This observation should be qualified by the admission that the research originally proposed in support of agro-industries was never completed, and the part which was performed was of doubtful value.

Whatever the reasons, the management capacity required for larger scale undertakings was lacking in the years following 1978. As Roberts (1978) noted (earlier in this paper), it is possible for small scale enterprise to combine

modern technology with labor intensive organization to meet many of the domestic requirements of an expanding economy. However, production of processed agricultural raw materials for export involves crossing a threshold to a type of organization which is both qualitatively and quantitatively more complex.

It is necessary for any developing country desiring a market share for its agricultural exports to cross this threshold. The transition is often accomplished by the entry of multinational corporations bearing with them both organizational skills and technology. Project URBE attempted to promote the indigenous development of these prerequisites. Thus far, success has been limited.

The essential difference between what was intended for project URBE and what will eventually be achieved by it is now apparent. The mutual reinforcement between infrastructure and private enterprise was to be achieved as part of the project design. The essential elements have been and will be put in place, but the achievement of productive articulation between them must be left to the operation of market forces within the urban hierarchy of the region.

End Notes

1. Between January and April, 1983, an evaluation of Project URBE was conducted in the field by a consultant team. Sponsorship was provided by Clark University under a cooperative agreement with the U.S. Agency for International Development. Team members included Robert A. and Beverly H. Hackenberg (University of Colorado), Rene Hinojosa (Michigan State University) and Arthur Murphy (University of Georgia). Detailed discussion of the content of this

paper can be found in the monograph series prepared by the evaluation team (Murphy and Hackenberg 1983; Hackenberg, Hinojosa and Hackenberg 1983a and 1983b).

2. To conserve space and focus on important components, several elements of the Project URBE outcome are not discussed in this section. The recreational and cultural centers were constructed; all are presently operating. The institutional training fellowships for study aborad were also provided. The manpower training to prepare workers for employment in loan-supported enterprises did not take place; however, this responsibility was effectively discharged by the employers themselves.

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