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UNITED STATES A.I.D. MISSION TO PANAMA

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Dear Mark,

Attached, I am pleased to enclose the revised Strategic Objective/Results Framework papers for USAID/Panama's Strategic Objective relating to the Panama Canal Watershed (PCW).

These papers have been developed as a result of intensive conversations with the Government of Panama and consultations with other donors and partners in the environmental sector, including the Interamerican Development Bank, The Nature Conservancy, Technoserve, Georgetown University, and the United Nations Development Program. These documents have also been reviewed by Ambassador Hughes and his staff, and reflect input from the Embassy as a result of their review.

In submitting these documents to you and the Bureau, there are two important items I want to draw to your attention.

First, it is important to note that while our conversations with Panamanians have been intensive, they have not been extensive. This is because the Minister of Canal Affairs, Jorge Ritter, who heads up the GOP's negotiating team on the S.O., has requested that we limit our dialogue that led to these papers to the five leading governmental players in PCW matters, i.e., the Panama Canal Commission, the Panama Canal Authority (ex- Canal Transition Commission), INRENARE (Panamanian equivalent of the Ministry of Environment), the Interoceanic Regional Authority, and the Ministry of Planning. The rationale for his request is that the entire PCA effort is just now getting under way, and as the Panamanians start to organize themselves for the formidable task of managing the PCW (something that has never been done before) as well as operate the Canal on their own, they want to start with a small planning group and then enlarge it to include more members as they advance the process and strengthen their vision of what 2000 and beyond will look like. In essence, they

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want to keep the planning dialogue as simple and manageable (but increasingly inclusive) as possible at the outset. At this point, Ritter and his colleagues do not see enlarging the dialogue to include others such as NGO's, municipalities in the PCW and the business sector for another month or perhaps two.

While Ritter's scenario makes sense and is in accord with USAID philosophy on consensus building and so on, it has not allowed us to develop our papers in the orthodox, all inclusive manner since we established a tight deadline for getting these papers into the Bureau such that we would have some results to report on the revised S.O. when the next R4 comes due (in May, for us). As I noted, though, we and Ritter fully intend to involve the other players as the planning/conceptualization process continues, and we will be able to report on that at R4 review time.

The second point relates to the fact that we are submitting two separate and different S.O. papers under this cover. The papers describe similar activities aimed at improving management and protection of the PCW, but they envision very different scenarios. One scenario lays out a short (less than three years), non-sustainable assistance package as dictated by present plans to close USAID/Panama by September 30, 2000. The second paper calls for a longer effort (through to September 30, 2003), which we believe would result in sustainable impact in the PCW.

Approval of the longer term paper implies keeping the Mission open just that much longer, of course, and this in turn calls for high level decisions within USAID and the Department of State on which way to go. I have pointed this issue out to the Ambassador and he has indicated that he plans to make a recommendation on this to State/ARA in the near future. State will then communicate their position to you in time for the review of these papers, which is scheduled for the week of March 2-6.

I think I have been clear on the foregoing two points, so I will close this long transmittal note at this point.

See you in Miami,



Lars Klassen
Director

Enclosures: a/s



REVISED PANAMA CANAL WATERSHED STRATEGIC OBJECTIVE
RESULTS FRAMEWORK NARRATIVE

Improvement in Management and Protection
of the Panama Canal Watershed
1998-2000

I. Background.

The *raison d'être* for the U.S. economic assistance program to Panama is to facilitate the implementation of the Panama Canal treaties of 1977 under which the Panama Canal and its operations will be turned over to the Government of Panama on December 31, 1999. The Panama Canal contributes substantially to Panama's economy (7-8% of GDP). Moreover, it is important to world trade and to the economic growth of the western hemisphere.¹

Environmental protection of the Panama Canal Watershed (PCW) is central to the effective long-term operation and maintenance of the Panama Canal. Water, which is the critical element in Panama Canal operations, is provided by tropical rainfall within the 326,000 hectare PCW. The water for canal operations is stored in two man-made lakes, Alajuela and Gatun, which are fed by six major rivers.

Each ship that transits the Panama Canal requires 52 million gallons of water for its transit which is flushed out to sea. At current capacity, about 40 ships a day transit the canal, hence canal operations require over 2 billion gallons of water daily. With the number of transits approaching the canal's capacity, the Panama Canal Commission (PCC) is undertaking a \$1 billion capital improvements program to allow two way traffic and to increase the canal's operating capacity by 20% by 2002. Long-term plans envision an additional expansion through the addition of a third set of locks. These plans call for significantly increased water requirements. For example, the PCC estimates that ships transiting the canal through the new locks would use 113 million gallons of fresh water, more than twice the amount currently used for transits.

In addition, the PCW supplies the potable and industrial water needs of approximately 1.5 million people who live in the Panama and Colon metropolitan areas. Current requirements are 200 million gallons per day. However, if these urban populations

¹The U.S. is the primary beneficiary of the Panama Canal. Approximately 14% of its international trade transits the canal. It is also critically important for a number of Latin American countries, especially Peru, Ecuador and Chile. From 30% to more than 60% of the international trade of these countries transits the canal each year.

continue to grow at current projections, the demand for potable water will increase by 50% by 2005.²

At noon on December 31, 1999, the PCC, a US government entity of 86 years, will cease to exist and the Panama Canal Authority (PCA), fully controlled by the Government of Panama (GOP), will assume responsibility for the operation of the canal. However, the responsibilities of the PCA will go beyond the management of the canal with a much larger mandate to protect, conserve and maintain the water resources of the canal watershed in coordination with other competent authorities.

The way the PCA will fulfill its PCW governing role has been outlined in the law creating the PCA which calls for the establishment of an Inter-Institutional Commission (IIC) comprised of an as yet-to-be determined number of public and possibly private organizations. The operational arrangements of this commission and the entire PCA are still to be defined, and indeed, the system for managing the PCW is as yet unknown.

What is known for sure is that the interests and activities of the four major groups in the PCW - the Central Government (i.e., PCA, other ministries and autonomous agencies), local governments, the private sector and non-government organizations (NGOs)/community base organizations (CBOs)-must be accommodated and effectively coordinated.

II. Problem Statement.

● Population Pressure.

In 1950, only 22,000 people lived within the PCW. The combined population of Panama City, Colon and other settlements surrounding the PCW was about 400,000. Today, there is a population of more than 160,000 people residing in the PCW, including about 60,000 people in the rural areas west of the canal.³ The remainder resides along the corridor linking the cities of Panama and Colon, roughly paralleling the Transisthmian Highway. The latter population for the most part is urban and semi-urban in nature. Approximately 1,500,000 people currently live in the metropolitan urban areas adjacent to the PCW.

Major environmental problems in the rural areas of the PCW stem from the unsustainable use of natural resources coupled with

²Projections by Inter-Carib/Nathan Associates Plan Regional Para el Desarrollo de la Region Inter-Oceanica, Informe II, Vol. 1. P. 86.

³ Oct. 1997 annual technical report of Smithsonian Tropical Research Institute/INRENARE Monitoring Program.

unplanned establishment of human settlements in the area. Population pressure and concomitant economic activity - primarily extensive cattle ranching on the west side of the canal and increasing urban and industrial growth on the east side - threaten the remaining limited forest cover. This in turn leads to increased soil degradation and water pollution in the area. Finally, newly developing economic projects in the eastern part of the PCW will encourage further immigration into the area.

- Rapid Urbanization.

Currently, urbanization appears to be a critical threat to the water supply. Recent population growth within the PCW has occurred east of the canal, principally along the transisthmian corridor between Panama City and Colon. Urbanization is moving toward and is very close to the boundaries of the Chagres National Park, the buffer zone around the principal feeder river for the canal. Economic activities, including mining and industrial development are also increasing very rapidly along this corridor. Land invasions, as well as "legal" housing developments, are occurring in areas that should be protected. With the imminent, phased departure of the U.S. military, whose bases have historically served to buffer expansion of human settlements, many areas within the lands which will have reverted to Panama by 1999 will be subject to increasing population pressure along with the environmental impact that it brings.

A direct result of unplanned urbanization, population and business growth has been solid and liquid waste which has adversely impacted the quality and quantity of the water supply. Waste generation in urban areas is increasing at a rate seven times faster than population growth.⁴ Inadequate waste disposal practices are the rule. There is only one existing "sanitary" landfill for Panama City which is located at the edge of one of the PCW national parks. The resulting eutrophic effect of the increasingly polluted rivers, creeks and lakes may soon rival sedimentation as a threat to the canal operations.

- Deforestation, soil erosion and siltation.

As a consequence of population pressure, forest cover within the PCW has been substantially reduced. In 1950, over 70 percent of the PCW was covered by forests which helped control erosion and sedimentation in its river valleys and lakes. By 1997 forest cover had been reduced to about 30 percent in the PCW's area.

A large part of this deforestation occurred between 1950 and 1980. Through increased GOP-reforestation efforts, some of which

⁴Solid Waste Management in Panama: Tropical Paradise to Garbage Dump?
by Vijay Aswani

were supported by USAID, the net deforestation rate has been reduced to about 300-400 hectares per year. The bulk of the remaining forest cover within the PCW is east of the canal in the upper Chagres River Valley and along the banks of the canal itself. These are areas which have benefitted from PCC/GOP protection efforts. These areas supply the water for Lake Alajuela, the primary source of water for electrical generation and canal operations. Overall, this region provides over 40 percent of the water for canal operations. Lake Alajuela also is the source of most of Panama City's drinking water. The sub-watersheds of the rivers flowing into Lake Alajuela are the most critical to protect because they are areas of very high rainfall and are very steeply sloped. Should deforestation occur, these conditions could result in dramatic increases in erosion, leading to rapid increases in siltation rates in Lake Alajuela. The resultant loss in storage capacity could jeopardize future canal operations.

By 1994, sedimentation into Lakes Alajuela and Gatun had reduced their storage capacity by about eight and twelve percent, respectively. However, the major increases in sedimentation evidently took place in the 1960s and 1970s. With the slow down of deforestation, sedimentation rates for Lake Alajuela appear to have held steady or declined since 1980.⁵ While sedimentation of Lake Alajuela and Gatun does not represent a significant problem at current sedimentation rates, adequate water resources for canal operations remain a critical concern to the U.S. after responsibility for canal operations is transferred to Panama. Should current GOP efforts to protect forest cover in Lake Alajuela's sub-watersheds falter, erosion and sedimentation rates could accelerate dramatically. Additionally, most of the areas of the west bank of the canal have succumbed to deforestation. Increasing water supply demands makes forest coverage recuperation compulsory, especially in the buffer zones and sub-watersheds of two main rivers (i.e., Gatun and Chagres) feeding the system.

- Policy, Legal and Institutional issues.

Currently, the GOP policy formulation and decision making process on environmental matters in the PCW is fragmented among numerous public institutions with different jurisdictional mandates over the environment. Coordination is limited, often leading to conflictive interventions, duplication of effort, resource

⁵ Active protection of Lake Alajuela sub-watershed began around 1980. Chagres National Park was created in 1984. As a result of GOP efforts, supported by USAID projects, protection of the forest cover in these areas has been increasingly effective. Forest cover within the Chagres National Park has increased during the 1990s primarily through natural regeneration of former cattle pastures.

misallocations and implementation of unsustainable management and protection practices.

Upon the transfer of the canal and its operations to the GOP, a new entity, the Panama Canal Authority (PCA), will assume management and operation of the canal. Law 19 of June 11, 1997, which created the PCA, recognizes the importance of the PCW to canal operations and mandates "the protection, conservation, and maintenance of the water resources of the canal watershed in coordination with the competent authorities". This law gives the PCA responsibilities that go far beyond those of the PCC for watershed management and protection. The law also recognizes the need for effective inter-institutional coordination and mandates creation of an Inter-Institutional Commission (IIC) to deal with this. Currently, there are a dozen institutions with specific, legally mandated environmental functions in the PCW, not including the recently created PCA, which does not become operational until December 31, 1999. However, beyond the law, nothing has been written to describe how the law should be implemented or how the PCA would work with other GOP entities, or other players in the PCW such as municipalities, NGOs and the business sector.

Key instruments for the management and protection of the PCW are the Regional Land Use Plan (covering the entire PCW) and the related General Land Use Plan for the canal operating sub-areas prepared by the Inter-Oceanic Regional Authority (ARI) and included in Law 21 of July 2, 1997. Here again, policies and regulations need to be developed to make these plans work. Moreover, the top-down process in defining the long range land uses for the PCW without adequate consultation and support of the people being affected could lead to widespread practices contrary to the Regional Plan. Deterrent measures by ARI and eventually by the PCA will be limited because of the high cost of policing actions of nearly 160,000 people now living in the watershed and the urbanization pressures from the cities of Panama and Colon.

From the foregoing, it can be seen that the GOP has enacted a number of basic laws to address critical environmental issues. However, much remains to be accomplished. For example, while Laws 19 and 21 are good starts, most of the regulatory and policy framework that will implement these laws, has not been written. The GOP still has not enacted a general environmental law. The latest version of a draft bill is expected to be enacted into law by the Legislative Assembly during this current calendar year. Additionally, the GOP is also considering amending the current forestry incentive law to provide adequate incentives to small and medium size producers. A national environmental strategy is pending which, among other items, will facilitate the systematic formulation and implementation of policies that provide incentives for socially acceptable and ecologically sustainable economic growth and development. Also pending is the development

of a national environmental action plan that outlines the specific activities to be implemented, within a given time period, and identifies the magnitude and the sources of required financial and other resources.

In addition, the framework laws and regulations of the public institutions actively engaged in the Panama Canal Watershed must be reviewed and harmonized to eliminate potential conflicts in the performance of their functions. These institutions are: The Legislative Assembly, the Ministry of Planning and Economic Policy, the Institute of Renewable Natural Resources (INRENARE), the Ministry of Foreign Relations, the Interoceanic Regional Authority, the Ministry of Education, the Ministry of Housing, the Ministry of Health, the Ministry of Public Works, the Institute of Water & Sewers, the Institute of Hydrological Resources and Electrification and the Ministry of Agricultural Development.

In sum, most of the basic framework laws have been passed but several important ones are still pending. More important is the fact that all of the implementing regulations necessary to administer and manage the PCA and through it, the PCW, remain to be developed, with the exception of those pertaining to the operation of the canal itself. In essence, the task of setting up the organizational and policy structure for running the PCW is just now getting underway.

III. Other Donors/USAID Regional and Central Programs.

Over the past eight months, USAID has engaged in a steady dialogue with other potential donors in an effort to determine their interests and to encourage their involvement in activities that would address some of the issues and problems in the PCW. The results have not been very encouraging.

- Inter-American Development Bank (IDB).

The IDB is the lead donor in Panama, with a projected \$800 million loan program over the next few years. IDB assistance is far ranging and supports major GOP initiatives in agriculture, health services, education, housing and infrastructure, i.e., road construction, urban potable water and sanitation systems. Currently, the IDB is assisting the GOP to develop a National Environmental Strategy. The IDB estimates a year to two years will pass before this strategy is completed. Further, IDB has indicated that it would welcome USAID's participation in this effort. IDB's portfolio of new projects during the next three years includes one major program in the Darien, to include environmental activities, but no activities are contemplated specifically for the PCW.

- World Bank.

The World Bank has been assisting the GOP in the environmental area as part of an integrated development program in the Darien province. It is also involved in developing a project related to the Atlantic Biological Corridor, in the context of the Mesoamerican Corridor. None of these activities directly impacts on the PCW. The World Bank has no additional environmental activities planned in the near future and is not involved in the PCW.

- European Union.

The EU currently does not provide any major support in the environmental area in Panama.

- Japan.

Japan has assisted the GOP to establish a training center to provide environmental education and awareness, as well as training in forestry and agro-forestry techniques. This center is located in the central provinces of Panama and its sphere of actions does not impact directly on the PCW. Recently, Japanese officials indicated to USAID that, under the Common Agenda initiative, they are considering establishing a similar center inside the PCW, probably in 1999 or the year 2000.

- USAID Regional and Central Programs.

The regionally supported (G-CAP) environmental program - PROARCA - is currently providing assistance addressing coastal zone management issues (COSTAS) and the related local empowerment for stewardship (LEPPI) in the Bocas del Toro region (Costa Rica border area). While attempts are being made to encourage the establishment of relevant PROARCA environmental programs in the PCW, to date, no activities have been initiated. The LEPPI Program has worked closely with USAID/Panama and has begun studies for a new activity in the PCW. USAID/LAC Bureau provided funding through FY 97, via the Parks in Peril program, to support activities in several parks within Panama, however, these parks are all outside the PCW.

In conclusion, USAID is currently the only donor that significantly supports the GOP in environmental activities in the Panama Canal Watershed.

IV. Sustainability.

It is not within USAID's capability to assure, with Panamanian partners, that a comprehensive and effective watershed management and protection for the PCW is fully operational on a sustainable

basis in this paper's timeframe. The scope of the effort is too broad and will take at least five years to be fully institutionalized. USAID's planning horizon is less than three years (September 30, 2000). A key Panamanian organization, the PCA, will not be operational before December 31, 1999. The development of appropriate economic alternatives for PCW residents requires far more time and goes beyond the scope of USAID's resources. There will be limited opportunities for significant increases in the role that local government and NGOs/CBOs can play in watershed management and protection. That is, within a two to three-year timeframe (given required close-out activities), it will be difficult to focus on increasing participation of beneficiaries (customers) in decision-making for PCW management and protection -- a major impediment to achievement of a sustainable protection and management system for the Panama Canal Watershed. Nevertheless, it is feasible for USAID and its Panamanian partners to implement programs and activities that will result in some improvement in PCW management and protection efforts.

(See also Annex 2 - Two Year Development Time-Line.)

V. USAID Development Hypothesis.

The operating hypothesis for the 1998-2000 scenario is straightforward: USAID has mandated the closure of its Mission to Panama by September 30, 2000. At the same time, USAID and the Department of State have agreed that, within that time frame, it is in the USG's foreign policy interests to provide the fullest support possible to the GOP as it prepares to take on sole management responsibility for the Panama Canal and the PCW.

The development hypothesis, then, is that addressing socio-economic and institutional coordination issues over a two year period will improve the effectiveness of PCW management and protection efforts. This, in turn, will result in greater attention to deforestation, soil erosion, pollution, and other negative environmental trends which directly affect the PCW and operation of the Panama Canal.

The Mission's assessment is that within that short period of time, we cannot expect to achieve the sustainable situation that is described in the 1998-2003 scenario. There are a number of important things that we can and should do, however, which will lay the groundwork for future work to be done by the GOP, other sectors of Panamanian society, and other donors. The major thrust of work under the short term scenario is institutional development and strengthening to prepare Panamanian organizations to manage the PCW in the best manner possible beginning in the year 2000.

In summary, we expect to do the following:

1. Work with Panama to set up the PCA and related support organizations. This will include help on organization, development of operating policies and regulations, training of personnel and establishment of revenue generating mechanisms for the PCA system. Particular emphasis will be placed on assisting the IIC, the planning/technical support entity mandated by Law 19, to prepare for the inauguration of the PCA.

2. Work to ensure that the monitoring and evaluation unit is up and running, that it has a secure home organization, and that it provides information useful to determining progress against the Objective's overall indicators.

3. Work to ensure that the park system in the PCW is functioning well and forms the basis for expansion of the forest cover.

4. Initiate work with municipalities, especially in the land use planning area, and strive to ensure that that planning is coordinated with the work of the PCA. Emphasis will be placed on solid waste management planning.

5. Initiate dialogue between the PCA and other important sectors in the PCW (municipalities, NGO's/CBO's, private sector) so as to encourage future collaboration of all sectors with the PCA and partner agencies in implementing Laws 19 and 21.

6. Initiate modest agroforestry technical assistance and training activities with NGO's with the knowledge that these efforts are intended to address urgent forest cover needs on a short term basis and the intent that follow on/expansion work would be supported by the GOP/other donors.

7. Pursue other donor support to follow on USAID work in all of the above areas.

VI. The Results Framework.

A. The Strategic Objective: Improvement in Management and Protection of the Panama Canal Watershed.

Indicators of achievement of the strategic objective are:

1) **The percentage of land use in the PCW which is compatible with the approved Regional Plan increased.**

This indicator is a measure of the effectiveness of the management and protection efforts which will be reflected in patterns of land use that are compatible with protection of water resources. This indicator will be constructed around the actual and proposed land uses contained in Law 21 Regional Plan, as

modified by the on-going analysis of satellite imagery and/or aerial photography results.⁶

2) **Forest coverage in the PCW increased.**

B. Intermediate Results. There are four major intermediate results which, if attained, will result in achievement of the strategic objective. These are:

I.R. 1. Institutional arrangements for effective PCW management and protection adopted.

Oversight and coordination of decision-making for effective watershed management and protection require adequate policies and regulations, funding, and effective communication and consensus building. Faced with the transfer of the Canal, the GOP has passed new laws and has created new entities. However, implementation arrangements need to be developed for all of these mandates and more. Similarly, while there are potential sources of financing (i.e., Ecological Trust Fund, canal tolls, revenue-sharing, income accruing to the PCA once the GOP water company (IDAAN) is privatized and the new company begins paying the PCA for raw water), actual arrangements assuring an adequate and timely flow of funds for watershed management and protection are not yet in place.

Indicator 1.1. Inter-Institutional Commission (II) and subordinate administrative entity established and operational.

Law 19 gives the PCA the responsibility for management, maintenance, use and conservation of the water resources of the PCW but mandates that the PCA "shall approve the strategies, policies, programs and projects, both public and private, that may affect the watershed." The Law further specifies that the PCA "Board of Directors shall appoint and regulate an Inter-Institutional Commission on the Canal Watershed, which shall be coordinated and governed by the Authority to coordinate the activities of the government and non-governmental organizations." It is anticipated that the IIC will be created in 1998 as an intermediate policy body but it is not yet clear how it will operate. There have been a number of verbal and written proposals for the creation of some type of administrative entity subordinate to the IIC.

The PCA has requested technical assistance from USAID to help address the formation of the IIC. Technical assistance is being

⁶ This indicator will be constructed around the actual and proposed land use contained in the ARI Regional Plan, as modified by the on-going analysis of satellite imagery and/or aerial photography.

provided in support of this effort under an existing Cooperative Agreement with the International Executive Service Corps (IESC).

USAID has arranged to provide training programs (under the CLASP II Project and by means of a PASA with the Federal Mediation and Conciliation Service) in team/consensus building and conflict resolution, aimed at principals of the PCA and its IIC. It is essential that there be effective inter- and intra-institutional cooperation among the various entities which will be responsible for operation of the Panama Canal and management of the PCW. These training programs will bring together executive and middle management officials of the PCA, the Inter-Oceanic Regional Authority, and the National Institute for Renewable Natural Resources (INRENARE).

Key focus areas for USAID include the clear delineation and agreement on the roles and responsibilities of public institutions and the involvement of civil society, local government, and the business sector in the IIC; the scope of the IIC mandate; and the structure and functions of a subordinate administrative entity.

It is also essential that NGOs, CBOs, local governments and the private sector - particularly micro- and small-scale businesses located within the PCW play a role in the protection of the PCW. In this regard, under the auspices of our New Partnership Initiative (NPI) the Mission has been instrumental in securing a USAID/Washington sub-grant from IFES to the local Chapter of Transparency International to develop actionable plans for this representation. IFES-Transparency International will begin by organizing several seminars to discuss how civil society can participate in the transition of the Panama Canal from the USG to the GOP and the protection and sustainable use of natural resources of the Panama Canal Watershed.

To ensure that this process is not another U.S. activity, the Mission encouraged IFES to establish this partnership with a local NGO. Together, they can co-lead this initiative to gain the full support and participation of the private sector, grassroots organizations and NGOs.

Due to the present sensitivities of the PCA in establishing the membership of the IIC, we have not yet conceived the actual role of the private sector into the operations of the IIC. We will, however, push for private sector representation and we will include an understanding of their presence on the IIC in policy dialogue matters undertaken with the GOP.

Indicator 1.2. Core Policy/legal/regulatory instruments adopted.

To date regulations have not been issued for the implementation of Law 19, the organic Law of the Panama Canal Authority, or Law 21, which establishes the Regional Land Use Plan. In addition, the laws and regulations of other GOP entities will need to be reviewed and in some cases, revised to ensure compatibility and complementarity in the operations of all the entities that will work with the PCA. Finally, it is anticipated that a new environmental and a municipal reform law will be passed shortly. These laws will necessitate that a clear set of regulations be in place to be functional and to avoid conflicts with other laws and inherent in the laws themselves. There may be a number of other laws/policies which provide incentives and disincentives that are inappropriate for effective watershed management protection and that will need to be revised, e.g., the Forestry Incentives law (and the GOP loan program to cattle ranchers).

USAID has begun to help Panama in this respect in three ways. First, we are arranging to bring in U.S. experts (through the International Executive Service Corps) with experience in designing organizational policies and regulatory systems to implement complicated legislation which requires several independent bodies to work together harmoniously. This will supplement policy formulation and planning assistance already underway under the MARENA project. Second, we are arranging a new Policy Formulation training program which will expose key policy-makers (from INRENARE and other entities) to practical approaches to policy-making that Panamanian officials will be able to incorporate into their daily routines. Third, we have scheduled environmental awareness training --directed at different target groups, such as small farmers, cattle ranchers, teachers, and non-governmental organizations-- to help insure that residents of the PCW understand how the new laws and governmental policies will impact on them. This is just the beginning, of course. The Mission expects to augment this effort considerably as the policy formulation process advances.

Indicator 1.3. Financing arrangements for key PCW management and protection activities.

Funding for PCW management and protection must be assured on a continuing basis. Funding mechanisms must be established and commitments for continuing funding flows must be obtained. While it may be feasible to obtain funds from international donors, e.g., the Inter-American Development Bank, for institutional strengthening support and/or implementation of specific watershed management and protection programs, sustained watershed management and protection efforts will require that funding from Panamanian sources be assured. Fortunately, several potential sources exist.

The Ecological Trust Fund (FIDECO) has already been established. FIDECO generates approximately \$1.5 million annually for

programs, much of which is allocated to PCW protection. Fifty percent of FIDECO generated funds go to the Institute for Renewable Natural Resources (INRENARE), the organization in charge of parks and protected areas. The other half goes to NGO activities of which 65 percent is for programs in the PCW. Possible actions/activities could include efforts to increase the size of the trust fund through contributions from other international or bi-lateral donors.

The PCW is responsible for the management, maintenance use, and conservation of the water resources of the PCW. Article 75 of Law 19 provides that tolls will be set to cover the costs of operating the canal, including "...support for water resources protection..." The amount of funding proceeds from tolls required for water resources protection and the mechanisms for collecting and expending these funds must be identified and operationalized.

The GOP is planning to privatize the "Instituto de Acueductos y Alcantarillados Nacionales" (IDAAN) within the next two years. IDAAN currently uses more than 150 million gallons per day of raw water from Lakes Alajuela and Gatun. It does not pay for use of the raw water. It is expected that a privatized entity would either pay for raw water from these lakes or otherwise provide some funding for the protection of the watershed. Specific arrangements must be negotiated and agreed upon.

As mentioned elsewhere, USAID is the only donor that is substantively involved in the region at present. The challenge of the PCW and its management and protection outweighs the resources we and the GOP are bringing to bear on it at present, and that situation will continue for the foreseeable future. The presence of USAID over the short or medium term notwithstanding, the GOP will have a difficult task of going it alone on the PCW, technically and financially. In consequence, a major operating objective of USAID and the GOP in the coming months and years will be to solicit significant other donor money for and work in the PCW.

Illustrative tools and tactics: For I.R. 1, USAID can provide specialized technical assistance to the PCA and its IIC in organizational development, law and finance. In the latter case, one appropriate mechanism may be technical assistance efforts to expose the IIC to revenue generating activities in analogous situations in the U.S., e.g., fishing and camping licenses, recreational water use fees, etc.

Partners: Panama Canal Authority; the PCA Inter-Institutional Commission (when established); the Panama Canal Commission; INRENARE; MIPPE; ARI; NGOs; local authorities, private sector representatives.

I.R. 2. PCW Monitoring and Evaluation (M&E) System Institutionalized.

Indicator 2.1. Monitoring program is operational and sustainable.

A monitoring program to measure forest cover, hydrology, biodiversity, and human settlements (addressing demographic composition) has been established through a grant agreement with the Smithsonian Tropical Research Institute (STRI). Monitoring program staff have been trained and are establishing baselines in the above areas. The monitoring program must become a monitoring system that will routinely carry out monitoring activities over the long-term. This program is currently scheduled to be transferred to INRENARE in June 1998 but there are questions about INRENARE's financial and organizational capacity to continue the monitoring program. The monitoring program must find a permanent home in which it can function effectively to provide information to the PCW decision-making process. All baselines must be established and regular reporting institutionalized.

The current monitoring program has been fairly well established in STRI in preparation for transfer to INRENARE. However, as the process of consolidation between entities responsible for management of the Panama Canal Watershed after January 2000 proceeds, there is a strong possibility that current staff may be assigned to other functions, and that the INRENARE monitoring program may itself undergo changes. As issues of managerial responsibility, the need for various types of financial support, and capacity building are addressed, an alternative organizational "home" for the monitoring program might be the PCA or the IIC rather than INRENARE. In any case, USAID will offer training assistance to help the Panamanians establish and maintain a strong monitoring and evaluation function within the appropriate managerial entity. Because of the possibility that some staff may move on eventually, a training program needs to be established. Additional financial support and capacity building will be required.

Illustrative Tools and Tactics: Possible extension of the grant to STRI. Technical assistance as well as training and support of additional monitoring and evaluation staff.

Partners: INRENARE, PCA, IIC.

I.R. 3. Protected Area Management Systems Functioning Effectively.

Indicator 3.1. INRENARE managing protected areas in the PCW effectively.

This indicator is intended to determine the status/health of the protected areas that USAID has been supporting. INRENARE is doing a reasonable job of managing protected areas currently designated as National Parks (which represent 40 percent of the PCW). USAID is supporting the provision of essential infrastructure, park guard training, and the development and implementation of park use and management plans. These plans recognize the existence of populations and economic activities within the boundaries of the protected areas, but they also establish norms for the types of activities which should occur within park boundaries. INRENARE and NGOs should focus on developing economic alternatives that are compatible with appropriate land use within protected area boundaries as a corollary to I.R. 3.

Illustrative tools and tactics: Continued support to complete protected area infrastructure, train park guards, and refine management plans. Support for pilot economic alternatives.

Partners: INRENARE, PCA, Natura, NGOs and ARI.

I.R. 4. Local Capacity to Protect and Manage the PCW Increased.

Participation by local political authorities, the business community and civil society in the formulation and implementation of PCW management and protection efforts has been absent to date. Successful long-term protection of the PCW will require the active involvement of local political authorities at the municipal ("distrito") and ("corregimiento") levels. It will also benefit greatly from increased participation by civil society and the business community in the PCW decision-making process. The intent of activities under this I.R. is to involve local authorities, NGO's and businessmen in the important task of land use management (particularly as pertains to the management of solid waste) and the related theme of ongoing reforestation activities. While we expect that these same groups will be involved in the overall planning and conceptual issues at PCA/IIC management level, the urgent need for local land use planning, especially the control of waste and the need to carry out remedial environmental activities are concerns that merit quick attention at the grassroot level. With this urgency in mind and acknowledging that sustainability of these efforts is not an achievable goal in this timeframe scenario, USAID will provide technical assistance and training programs that will help to strengthen these watershed management and protection effort. As part of the donor solicitation process, USAID and the GOP will make a special effort to ensure that follow-up (after USAID) takes place in these areas.

Indicator 4.1 Key Municipalities in the PCW with capacity to establish and implement local land use plans, with emphasis on solid waste management.

PCW municipalities currently have personnel responsible for the review and approval of construction plans and to enforce construction building codes. There are also planning departments in some municipalities. Environmental units are present in the Panama City Municipality, and in some others. These different organizational structures provide the basis for structuring planning departments with a focus on the definition of land use plans (including landfills) for "Corregimientos" in the PCW based on the Regional Land Use Plan in Law 21.

Indicator 4.2 Pilot agro-forestry activities identified and ongoing.

There are a number of pilot agro-forestry and agro-silvo-pastoral projects underway or planned in the PCW which are being financed by USAID or FIDECO. ARI, NGOs and INRENARE are well engaged as implementing organizations. These pilot activities will take several years to produce demonstrable results and lead to diffusion of technologies.

Illustrative tools and tactics: USAID and FIDECO grants to NGOs. USAID funding of INRENARE agro-forestry efforts. Possible outside technical assistance to improve quality of pilot agro-forestry activities. Continued training of community leaders and progressive farmers in the PCW in agro-forestry techniques and project formulation. Support for NGO and CBO (community-based organizations) strengthening in project formulation and implementation.

Partners: PCA, Fundacion Natura, NGOs, ARI, INRENARE, MIPPE, private sector representatives.

USAID/PANAMA

RESULTS FRAMEWORK FOR THE STRATEGIC OBJECTIVE
(1998-2000)

(02/06/98)

STRATEGIC OBJECTIVE STATEMENT	IMPROVEMENT IN MANAGEMENT AND PROTECTION OF THE PANAMA CANAL WATERSHED (PCW)			
SOI OVERALL INDICATORS	1 Percentage of land use in the PCW which is compatible with the approved Regional Plan increased 2 Forest coverage in the PCW increased			
INTERMEDIATE RESULTS	<p>IR-1</p> <p>Institutional Arrangements for Effective PCW Management and Protection Adopted.</p> <p>Partners ACP/ICC, PCC, ARI, INRENARE, MIPPE, Local Authorities, NGOs, Private Sector Representatives</p>	<p>IR-2</p> <p>PCW Monitoring and Evaluation (M&E) System Institutionalized</p> <p>Partners INRENARE, ACP, PCC, STRI</p>	<p>IR-3</p> <p>Protected Area Management Systems Functioning Effectively</p> <p>Partners INRENARE, ACP, ARI, NATURA, NGOs</p>	<p>IR-4</p> <p>Local Capacity to Protect and Manage the PCW Increased</p> <p>Partners Local Authorities ACP, MIPPE, INRENARE, NATURA, NGOs</p>
KEY ACTIVITIES (INDICATORS)	<p>KA 1 1</p> <p>Inter-Institutional Commission (IIC) and subordinate administrative entity established</p>	<p>KA-2 1</p> <p>Monitoring Program is operational</p>	<p>KA 3 1</p> <p>INRENARE managing three protected areas in the PCW effectively</p>	<p>KA 4 1</p> <p>Key Municipalities in the PCW with capacity to establish and implement local land use plans with emphasis on integrated solid waste management systems</p>
	<p>KA-1 2</p> <p>Core policy/legal/regulatory instruments adopted</p>			<p>KA 4 2</p> <p>Pilot Agro Forestry activities identified and ongoing</p>
	<p>KA 1 3</p> <p>Financing arrangements for key PCW management and protection activities in place</p>			

STRATEGIC OBJECTIVE: Improvement in Management and Protection of the Panama Canal Watershed (PCW)			
SO OVERALL INDICATOR No 1: Percentage of land use in the PCW which is compatible with approved Regional Plan increased			
<p>UNIT OF MEASURE: ●Percentage (of hectares)</p> <p>SOURCE: ●INRENARE/STRI GIS reports ●ARI GIS reports ●Ground verification</p> <p>INDICATOR DESCRIPTION: ●Percentage of land use (measure in hectares) which is compatible with the Regional Plan The indicator is the sum of the number of hectares of each major category (mentioned below) which conforms to the planned use</p> <p>COMMENTS: (1) The Regional Plan for the PCW, which covers a total area of 286,880 hectares (excluding lakes and rivers), establishes five major categories of land use based on technical criteria which are compatible with maximum water availability for Canal operations; (2) The Plan, which was approved by law in 1997, will serve as a framework for land use decision-making in the PCW.</p>	YEAR	PLANNED	ACTUAL
	1997	BASELINE	51
	1998	51	
	1999	51	
	2000	52	

STRATEGIC OBJECTIVE: Improvement in Management and Protection of the Panama Canal Watershed (PCW).			
SO OVERALL INDICATOR No. 2: Forest coverage in the PCW increased			
UNIT OF MEASURE: ●Hectares (cumulative) SOURCE: ●INRENARE/STRI GIS reports ●ARI GIS reports INDICATOR DESCRIPTION: ●Hectares under forest cover (including lightly and heavily disturbed forest) in the PCW COMMENTS:	YEAR	PLANNED	ACTUAL
	1997	<i>BASELINE</i>	141,100
	1998	141,300	
	1999	142,300	
	2000	143,300	

STRATEGIC OBJECTIVE: Improvement in Management and Protection of the Panama Canal Watershed (PCW)			
RESULT NAME (IR-1): Institutional Arrangements for Effective PCW Management and Protection Adopted			
INDICATOR (KA-1.1): Inter-Institutional Commission (IIC) and subordinate administrative entity established			
UNIT OF MEASURE: ●yes/no SOURCE: (a) ACP reports (b) ACP/IIC reports INDICATOR DESCRIPTION: ●Establishment of the IIC and subordinate administrative entity to strengthen coordination among public and private institutions in the PCW. COMMENTS.	YEAR	PLANNED	ACTUAL
	1997	<i>BASELINE</i>	(a) no
	1998	IIC established	
	1999	Subordinate entity established	
	2000	Decision-Making mechanisms partially in place	

USAID/Panama

STRATEGIC OBJECTIVE: Improvement in Management and Protection of the Panama Canal Watershed (PCW).			
RESULT NAME (IR-1): Institutional Arrangements for Effective PCW Management and Protection Adopted			
INDICATOR (KA-1.2): Core policy/legal/regulatory instruments adopted			
UNIT OF MEASURE: ●Number of core policies established, laws passed, or regulations approved (cumulative) SOURCE: ●ACP/IIC reports ●La "Gaceta Oficial" INDICATOR DESCRIPTION: ●Core policies established, laws passed; or regulations approved and implemented to partially guaranty effective inter-institutional management and protection of the PCW COMMENTS:	YEAR	PLANNED	ACTUAL
	1997	<i>BASELINE</i>	0
	1998	2	
	1999	4	
	2000	5	

a:so2000.ind (FFrederick-02/06/98-PRodriguez-02/07/98).

USAID/Panama

STRATEGIC OBJECTIVE: Improvement in Management and Protection of the Panama Canal Watershed (PCW)			
RESULT NAME (IR-1): Institutional Arrangements for Effective PCW Management and Protection Adopted			
INDICATOR (KA-1.3): Financing arrangements for key PCW management and protection activities in place			
UNIT OF MEASURE: (a) Number of sources/arrangements functioning (b) \$ million available annually SOURCE: ● ACP financial reports ● Fundacion Natura financial reports ● GOP budget reports INDICATOR DESCRIPTION: ● Funding available annually through different sources to finance key protection activities and management of the PCW COMMENTS: Consultants report for the Interoceanic Regional Plan estimates that the annual costs for comprehensive protection and management of the PCW are in the range of \$8 million to \$16.5 million per year.	YEAR	PLANNED	ACTUAL
	1997	<i>BASELINE</i>	(a) 2 (b) 2
	1998	(a) 2 (b) 2	
	1999	(a) 2 (b) 2	
	2000	(a) 3 (b) 8	

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USAID/Panama

STRATEGIC OBJECTIVE: Improvement in Management and Protection of the Panama Canal Watershed (PCW)			
RESULT NAME (IR-2): PCW Monitoring and Evaluation (M&E) System Institutionalized			
INDICATOR (KA-2 1): Monitoring Program is operational			
UNIT OF MEASURE: ●Cardinal scale - maximum of 3 SOURCE: ●STRI reports ●INRENARE/ACP reports ●GOP budget INDICATOR DESCRIPTION: (1) a definitive institutional home, (2) permanent core staff; and (3) minimum budget for program and operating expenses Each factor is weighted as 1 point. COMMENTS:	YEAR	PLANNED	ACTUAL
	1997	<i>BASELINE</i>	0
	1998	1	
	1999	2	
	2000	2	

a:so2000.ind (FFrederick-02/06/98-PRodriguez-02/07/98).

USAID/Panama

STRATEGIC OBJECTIVE. Improvement in Management and Protection of the Panama Canal Watershed (PCW)			
RESULT NAME (IR-3). Protected Area Management Systems Functioning Effectively			
INDICATOR (KA-3 1). INRENARE managing three protected areas in the PCW effectively			
<p>UNIT OF MEASURE: ●Number of protected areas with a score of 4.5 or better on a 5 point scale</p> <p>SOURCE: ●INRENARE reports ●Independent evaluators reports</p> <p>INDICATOR DESCRIPTION: ●The indicator (developed by The Nature Conservancy/TNC) is composed of 18 factors each of which is ranked using a scale of 1 to 5 to measure the degree of success in park protection and management.</p> <p>COMMENTS: Two of the five existing parks in the PCW were evaluated in 1997 by TNC's Park in Peril Program. The average score for the two parks was 4.2.</p>	YEAR	PLANNED	ACTUAL
	1997	<i>BASELINE</i>	0
	1998	1	
	1999	2	
	2000	3	

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STRATEGIC OBJECTIVE Improvement in Management and Protection of the Panama Canal Watershed (PCW)			
RESULT NAME (IR-4): Local Capacity to Protect and Manage the PCW Increased			
INDICATOR (KA-4.1): Key Municipalities in the PCW with capacity to establish and implement local land use plans with emphasis on integrated solid waste management systems.			
UNIT OF MEASURE: ●Number of organizational units. SOURCE: ●Municipalities reports ●MIPPE/MGJ reports INDICATOR DESCRIPTION: ●Number of planning/zoning or similar organizational units established and functioning in key municipalities in the PCW (Panama City excluded) COMMENTS:	YEAR	PLANNED	ACTUAL
	1997	<i>BASELINE</i>	0
	1998	0	
	1999	0	
	2000	1	

USAID/Panama

STRATEGIC OBJECTIVE: The Improvement in Management and Protection of the Panama Canal Watershed (PCW)			
RESULT NAME (IR-4): Local Capacity to Protect and Manage the PCW Increased			
INDICATOR (KA-4.2): Pilot Agro-Forestry activities identified and ongoing			
UNIT OF MEASURE: (a) number of pilot projects (cumulative) (b) number of persons (cumulative) SOURCE: ●INRENARE reports ●ARI reports ●Fundacion NATURA reports ●TechnoServe reports ●IIE reports INDICATOR DESCRIPTION: ●Number of ongoing pilot projects and number of persons directly participating in the projects COMMENTS:	YEAR	PLANNED	ACTUAL
	1997	BASELINE	(a) 1 (b) 19
	1998	(a) 1 (b) 19	
	1999	(a) 2 (b) 79	
	2000	(a) 3 (b) 129	

a:so2000 ind (FFrederick-02/06/98-PRodriguez-02/07/98).

DEVELOPMENT TIMELINE FOR TWO-YEAR SCENARIO

1998

Inter-Institutional Commission established. Pre-operations planning initiated.

Draft PCA/IIC organizational/operating policies developed.

Recruiting of PCA/IIC staff begins.

Training of PCW Monitoring and Evaluation team completed; decision taken on final location of team taken.

First group of Panama Canal labor mediators trained (under Special Objective).

Initial training courses in management, planning and tracking provided to PCA/IIC staff.

Consultations with NGO's/CBO's, local governments, business groups begins regarding implementing regulations/policies for PCW (i.e., implementation of Law 19); drafting of regulations begins.

Studies of laws/regulations governing non-PCA/PCC entities (IIC members) begins to determine how they overlap/conflict/complement.

Studies for initial agroforestry activities completed and initial agroforestry activities begun.

Park use and management plans for two to three parks completed.

Municipal Development Law passed; drafting of implementing regulations/policies begins; initial talks with municipalities on implementing regulations of law and land use planning begins. Land use plans to place special emphasis on Solid Waste Management.

General Environmental law enacted.

Forestry incentives law amended.

Training of municipality staff in land-use planning begins.

Mission works with GOP and AID/W to encourage other donors to

invest in PCW.

1999

(1999 will be election year; uncertain as to how much can be accomplished during this time, with possible slow down starting in latter half of 1998).

PCW monitoring and evaluation unit operating on limited basis (limited defined as being new, understaffed, and possibly under new management).

Training of PCA/IIC staff continues; PCA/IIC begins limited operations (in absence of full set of completed/approved regulations/policies).

Studies of laws for non-PCA entities (IIC members) completed. Drafting of laws/regulations required to address findings of study begins.

First round of labor mediation training evaluated; second group of mediators begins training; GOP/PCA establishes permanent cadre/ organization of mediators. (under Special Objective).

Conversations/consensus building between PCA/IIC and major players regarding implementation of Law 19 continue in concert with continued work on development of regulations/policies. It is important to note these regulations and those pertaining to the municipalities will need to address the critical issue of financing/sustainability.

Talks continue with municipalities regarding Municipal Law implementing regulations; first drafts of land use plans completed and under discussion with communities, PCA, ARI, etc.

Implementation of park use and management plans for two to three parks underway.

Development of National Environmental Strategy initiated.

Mission continues working to get other donors into PCW.

2000

(USAID assistance drops off sharply as closeout work takes effect; USAID involvement in the following would be limited by that process).

PCC closes-out; PCA officially assumes charge of Canal and PCW.

PCA/IIC fully staffed; USAID supported training of staff terminates.

Drafting of PCA/IIC implementing regulations/policies completed; consensus reached with other sectors in PCW; documents submitted to cabinet and President for review and approval.

Revised laws/regulations affecting non-PCA entities (IIC members) completed and sent to Legislature or cabinet/President as appropriate.

Key municipalities trained in development of land use plans (including solid waste management component).

Municipal Development Law implementing regulations/policies completed and submitted to cabinet/President for review/approval.

Mission continues working to get other donors into PCW; first donor's projects approved. (Japan: Environmental Training Center).

Limited agroforestry projects up and running; limited impact registered.

Two to three parks running effectively pursuant to park use and management plans.

Training started for NGO's to enable them to work with municipalities and PCA on environmental issues/decisions, and to develop environmentally friendly projects.

Forest cover in the watershed stabilizes/shows small increase.

USAID undertakes final evaluation of program.

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SUBJECT: REVIEW OF USAID/PANAMA FY 1996-1999 RESULTS
REVIEW AND RESOURCES REQUEST (R4)

1. SUMMARY. THE DAEC REVIEW OF USAID/PANAMA'S RESULTS REVIEW AND RESOURCE REQUEST (R4) WAS HELD ON APRIL 25, 1997, AND CHAIRED BY AA/LAC MARK SCHNEIDER. USAID/PANAMA WAS REPRESENTED BY ACTING MISSION DIRECTOR ROBERT HELLYER, PROGRAM OFFICER JOSLYN FEARON, AND CHIEF OF THE OFFICE OF DEMOCRATIC GOVERNANCE JOSEPH CARROLL. THE MEETING WAS ALSO ATTENDED BY REPRESENTATIVES OF PPC, M, G/ENV, G/DG, STATE/ARA, AND ALL APPROPRIATE LAC BUREAU OFFICES. THE AA/LAC COMPLIMENTED THE MISSION FOR SEVERAL REMARKABLE ACHIEVEMENTS IN RE-SHAPING ITS DEMOCRACY AND GOVERNANCE ACTIVITIES SO THAT THEY SERVE THE ENTIRE PORTFOLIO AND IN MEETING THE SPECIAL OBJECTIVE (SPO) TARGETS. IN THE MATTER OF THE STRATEGIC OBJECTIVE (SO), HE INSTRUCTED THE MISSION TO: (1) RE-FORMULATE ITS RESULTS FRAMEWORK INDICATORS AT STRATEGIC OBJECTIVE AND INTERMEDIATE RESULTS LEVELS TO REPRESENT CLEARLY THE REQUIREMENTS NECESSARY TO ACCOMPLISH THE MANAGEMENT AND PROTECTION OF THE PANAMA CANAL WATERSHED (PCW) BY THE MISSION'S EXIT DATE; (2) INTENSIFY EFFORTS TO MONITOR PROGRESS-TO-DATE; AND (3) SECURE FIRM GOP AND OTHER DONOR COMMITMENTS FOR CONTINUED

ACTION IN THIS AREA FOLLOWING THE MISSION'S PLANNED CLOSE-OUT IN 2000. FOR THE REVISION OF THE SO'S RESULTS FRAMEWORK, INDICATORS, AND SUPPORTING NARRATIVE, THE MISSION SHOULD TAKE INTO CONSIDERATION THE ISSUES RAISED AND THE GUIDANCE PROVIDED BELOW. MISSION IS REQUESTED TO

SUBMIT THE REVISED RESULTS FRAMEWORK AND ACCOMPANYING DOCUMENTATION NOT LATER THAN SEPTEMBER 30, 1997, FOR REVIEW IN USAID/WASHINGTON. THE BUREAU HAS SET ASIDE STAFF RESOURCES TO ASSIST THE MISSION IN THIS EXERCISE. END SUMMARY.

2. ISSUES RESOLVED AT THE DAEC REVIEW INCLUDED THE FOLLOWING:

A. PCW STRATEGIC OBJECTIVE: AN ISSUE WAS RAISED AS TO WHETHER IT IS REALISTIC TO EXPECT THAT OTHER DONOR COMMITMENTS AND INCREASED GOP SUPPORT AND CAPACITY WILL BE IN PLACE BEFORE THE MISSION'S PLANNED CLOSE-OUT IN 2000. THE R4'S ANALYSIS POINTED TO THE INADEQUATE INSTITUTIONAL CAPACITY OF INRENARE, THE LIMITED SUPPORT OF THE GOP AND THE REALITY THAT, UP TO NOW, NO OTHER DONORS ARE WORKING TO ASSURE SUSTAINABLE MANAGEMENT OF THE PCW.

CONCERNS WERE EXPRESSED ABOUT THE GOP'S "SHARED VISION" WITH USAID AS TO PROVIDING NECESSARY REFORMS AND RESOURCES TO ENSURE INSTITUTIONAL STRENGTHENING AND SUSTAINABILITY. SUBSTANTIAL CONCERN WAS EXPRESSED WITH REGARD TO THE MISSION'S ATTEMPT TO REFORMULATE THE SO AND REVISE ITS MANAGEMENT CONTRACT WITHOUT SUFFICIENT CONSULTATION WITH USAID/W. IN THIS REGARD, REVIEWERS EXPRESSED THE NEED FOR THE MISSION TO REVIEW WHERE THE SO IS HEADED IN ITS FINAL YEARS, WHAT CAN REALISTICALLY BE EXPECTED TO BE ACCOMPLISHED AND RATIONALIZE ITS PERFORMANCE TABLES. IT WAS AGREED THAT THERE IS AN URGENT NEED FOR A REVIEW OF THE STRATEGIC OBJECTIVE, ASSUMPTIONS, RESULTS FRAMEWORK, INDICATORS AND ACCOMPANYING NARRATIVE. THE MISSION AGREED TO BEGIN IMMEDIATE COLLABORATION WITH ITS VIRTUAL TEAMS TO CLARIFY ITS STRATEGIC OBJECTIVE AND TO CONSULT WITH THE GOP AND KEY DONORS IN ORDER TO ENSURE ADEQUATE GOP SUPPORT AND DONOR COMMITMENT. THE MISSION REQUESTED, AND USAID/W AGREED, TO FIELD A TEAM TO PANAMA TO ASSIST THE MISSION IN REVALIDATING ITS SO RESULTS FRAMEWORK.

THE MISSION EXPLAINED THAT IT PLANS TO CONTINUE SUPPORT FOR INRENARE TO: (1) DEVELOP AN OVERALL STRATEGIC PLAN; (2) DEVELOP MONITORING CAPABILITIES IN THE PCW; (3) IMPLEMENT REFORESTATION PROGRAMS; (4) ADEQUATELY PATROL AND PROTECT NATIONAL PARKS IN THE PCW; AND (5) SECURE ADDITIONAL SUPPORT FROM OTHER DONORS AND THE GOP.

HOWEVER, BECAUSE OF THE UNCERTAINTY OF THE SUCCESS OF THESE EFFORTS AND THE DIMINISHING LIKELIHOOD OF HAVING ADEQUATE COP SUPPORT AND OTHER DONOR COMMITMENTS IN PLACE BEFORE USAID'S DEPARTURE, THE DAEC ADVISED THE MISSION TO CARRY OUT, IN CONCERT WITH THE EMBASSY, THE FOLLOWING ACTIONS: (1) DEVELOP STRATEGIES AND APPROACHES ENSURING SUSTAINABLE MANAGEMENT AND PROTECTION OF THE PCW; (2) PRESS OTHER DONORS - PARTICULARLY THE IDB, THE EU AND THE JAPANESE (IN CONJUNCTION WITH THE LAG BUREAU'S EFFORTS AT THE FORTHCOMING EU SUMMIT AND THE COMMON AGENDA MEETING WITH THE GOVERNMENT OF JAPAN) - TO PROVIDE FINANCIAL AND OTHER SUPPORT FOR OUR SHARED VISION FOR THE FUTURE, AND ENCOURAGE THE COP TO IMPLEMENT THE NECESSARY REFORMS; AND (3) DEVELOP AND DELIVER, AT THE UPCOMING GOP-SPONSORED UNIVERSAL CONGRESS ON THE PANAMA CANAL, A PRESENTATION ON THE IMPORTANCE OF THE SUSTAINABLE MANAGEMENT AND PROTECTION OF THE PCW.

B. OVERALL PROGRAM ISSUE: AN ISSUE HAS RAISED AS TO WHETHER THE MISSION WOULD BE ABLE TO DISBURSE PROPOSED FUNDING LEVELS (AN R4 REQUEST OF DOLS 3.3 MILLION IN FY 98 AND DOLS 6.4 MILLION IN FY 99) BY MISSION CLOSE-OUT IN 2000 AND ACHIEVE PERFORMANCE TARGETS, GIVEN PRESENT RATE OF PROGRESS AND PIPELINE. IN A SIDE MEETING, IN CONSULTATION WITH THE BUREAU AND BASED ON THE CASE THE MISSION MADE IN ITS ABILITY TO DRAW DOWN THIS PIPELINE, THE MISSION AND BUREAU AGREED ON PLANNING FIGURES OF DOLS 3.3 MILLION IN FY 98 (DOLS 2.87 MILLION FOR THE SO AND DOLS 430 THOUSAND FOR THE SPO) AND DOLS 5.3 MILLION IN FY 99 (DOLS 2.8 MILLION FOR THE SO AND DOLS 2.5 MILLION FOR THE SPO). THE HIGHER FUNDING LEVEL FOR FY 1999 IS TO ENSURE AN ORDERLY CLOSE-OUT OF THE PROGRAM.

C. ADMINISTRATION OF JUSTICE: AN ISSUE HAS RAISED AS TO WHETHER THE LAC BUREAU AND THE MISSION SHOULD REVISE THE PRESENT MANAGEMENT CONTRACT THIS YEAR TO REINSTATE A DEMOCRACY AND GOVERNANCE STRATEGIC OBJECTIVE (SO) OR CREATE AN ADDITIONAL SPECIAL OBJECTIVE (SPO). AT LAST YEAR'S R4 REVIEW, THE MISSION HAS INSTRUCTED TO CLOSE OUT ITS DEMOCRACY AND GOVERNANCE SO. AS EARLY AS 1995, THE INTER-AMERICAN DEVELOPMENT BANK (IDB) STATED THAT THEY WERE GOING TO ACCELERATE THEIR DESIGN OF AN ADMINISTRATION OF JUSTICE PROJECT, SO AS TO PROVIDE A BRIDGE FROM OUR OWN AOJ PROJECT, PRIOR TO ITS ORIGINAL SEPTEMBER 1996 PACD, TO THE INITIATION OF THE IDB PROJECT.

THE IDB, IN SPITE OF NUMEROUS ENTREATIES MADE BY THE COP AND USAID, HAS NOT COMPLETED ITS DESIGN EFFORTS. THE DAEC RECOGNIZED THE MISSION'S SERIOUS CONCERNS THAT THE COP MAY LOSE GAINS THAT HAVE BEEN MADE IN THE AOJ AREA. HOWEVER, THE MISSION HAS DONE ALL IT CAN TO BRIDGE THE GAP BETWEEN OUR AOJ PROJECT AND THE PROPOSED IDB PROJECT, INCLUDING EXTENDING THE AOJ PROJECT UNTIL JULY 1997 TO ACCOMMODATE FINAL DELIVERY OF COMMODITIES AND A PROJECT EVALUATION. A MAJOR HIATUS IS NOW ANTICIPATED BETWEEN THE END OF OUR ACTIVITIES IN THE JUSTICE SECTOR AND THE START-UP OF THE IDB EFFORT. THIS IS PARTICULARLY DISTURBING AT THIS JUNCTURE BECAUSE: 1) PUBLIC CONFIDENCE IN THE COP JUSTICE SYSTEM HAS DECLINED; 2) THE PLANNED INTER-AGENCY EVALUATION OF THE JUSTICE SYSTEM HAS NOT YET TAKEN PLACE. THEREFORE, A DETERMINATION HAS NOT BEEN MADE AS TO WHAT HAS BEEN ACCOMPLISHED, WHAT STILL NEEDS TO BE DONE AND WHAT LESSONS CAN BE LEARNED; AND 3) THE MISSION HAS NO RESOURCES TO CONTINUE ASSISTANCE IN THE SECTOR. THE ARA REPRESENTATIVE INDICATED REAL CONCERN ABOUT SUPPORTING AN EMBASSY REQUEST FOR CONTINUED FUNDING TO ICITAP UNTIL SOME DETERMINATION CAN BE MADE ABOUT THE EFFECTIVENESS AND IMPACT OF THE ICITAP PROGRAM.

IN SPITE OF THE CONTINUING NEEDS, THE MISSION CANNOT CONTINUE ITS DEMOCRACY AND GOVERNANCE EFFORTS DUE TO RESOURCE CONSTRAINTS. THEREFORE, IT WAS AGREED THAT USAID/W WOULD MAKE FURTHER REPRESENTATIONS AT THE HIGHEST LEVEL OF THE IDB TO CONVEY OUR CONCERN REGARDING THEIR FAILURE TO BEGIN THEIR AOJ ACTIVITIES.

D. PROPOSED ELECTIONS ASSISTANCE: AFTER THE R4 WAS SUBMITTED TO USAID/W, THE GOP REQUESTED DOLS 3 MILLION IN ASSISTANCE FOR THE 1999 ELECTIONS. THE EMBASSY RECOMMENDED AT LEAST PARTIAL SUPPORT FOR THIS REQUEST.

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IT WAS AGREED THAT THE REQUEST FOR ELECTIONS SUPPORT SHOULD RECEIVE PRIORITY WASHINGTON RESPONSE. HOWEVER, ELECTIONS SUPPORT CANNOT ENTAIL REOPENING A MISSION DEMOCRACY SO OR ACTIVITY, IN LIGHT OF AGENCY GUIDANCE REGARDING PROGRAMS SCHEDULED FOR CLOSE OUT AND THE LACK OF RESOURCES FOR FOR SUCH AN ACTIVITY. IT WAS DECIDED THE CURRENT PROPOSAL WOULD NOT BE APPROVED. THE GOP'S FORMAL REQUEST DID NOT CONTAIN A LINE ITEM FOR ELECTION OBSERVERS AND WAS HEAVILY SKEWED TOWARDS COMMODITIES. IF THE GOP WERE INTERESTED IN ELECTION OBSERVERS - AN EMBASSY COUNTER-OFFER TO THEIR PROPOSAL - THE ARA REPRESENTATIVE INDICATED THAT STATE WOULD CONSIDER AN APPROPRIATE LEVEL OF ESF SUPPORT. IT WAS AGREED THAT ASSISTANCE COULD NOT CREATE ANY MANAGEMENT BURDEN ON THE USAID MISSION. SEPTTEL FOLLOWS ON THIS ISSUE.

3. THE DAEC WAS DEEPLY CONCERNED WITH THE STATUS OF THE STRATEGIC OBJECTIVE AND, PARTICULARLY, THE PCW ECOLOGICAL MONITORING PROGRAM BEING IMPLEMENTED BY THE SMITHSONIAN TROPICAL RESEARCH INSTITUTE (STRI). TO DATE, ONLY PRELIMINARY INFORMATION HAS BEEN RECEIVED. WATERSHED ECOLOGICAL INFORMATION IS CRUCIAL FOR USG DECISION MAKERS, AND THE EMBASSY IS PURSUING EFFORTS TO SECURE THE HIGHEST LEVEL OF GOP COMMITMENT TO WATERSHED MANAGEMENT AND PROTECTION.

THE DISCUSSION CENTERED AROUND THE PURPOSE OF THE STRI/INRENARE WATERSHED ECOLOGICAL MONITORING PROGRAM, I.E., THE DEVELOPMENT OF A SYSTEM FOR EVALUATING AND MONITORING THE DISTRIBUTION AND STATUS OF NATURAL RESOURCES IN THE PCW AND THE CAPACITY WITHIN INRENARE TO CARRY ON WITH SUCH MONITORING ACTIVITIES AFTER THE COMPLETION OF THE STRI GRANT IN JUNE 1998.

THE SLOW START-UP BY STRI HAS DELAYED ESTABLISHMENT OF AN EVALUATION/MONITORING SYSTEM AND DEVELOPMENT OF BASELINE DATA. MOST IMPORTANTLY, THE MISSION HAS NOT RECEIVED THE REQUIRED INFORMATION ON FOREST COVER OR HOW IT RELATES TO THE PCW HYDROLOGY. IT IS THE VIEW OF THE LAC BUREAU AND G/ENV THAT THIS PORTION OF THE MONITORING PROGRAM IS THE MOST CRUCIAL. THESE DELAYS MAY WELL IMPACT NEGATIVELY ON THE ENTIRE MONITORING PROGRAM. AS MATTERS PRESENTLY STAND (NO VALID COLLECTION AND ANALYSIS OF DATA FOR THE FOREST COVER INDICATOR AND AN EXCESSIVELY DELAYED SUBMISSION OF STRI'S REPORTS), IT IS POSSIBLE THAT THE MONITORING PROGRAM MAY NOT FULLY ACHIEVE ANTICIPATED RESULTS BY THE END OF STRI'S GRANT AGREEMENT (JUNE 1998). GIVEN THE HIGH LEVEL INTER-AGENCY INTEREST IN THE WATERSHED, IT WAS AGREED THAT CONSULTATIONS SHOULD BE HELD BETWEEN LAC/W AND THE SMITHSONIAN AT THE HIGHEST LEVEL IN WASHINGTON AND BETWEEN THE MISSION AND STRI IN PANAMA, IN ORDER TO ESTABLISH AN ADEQUATE RESOLUTION WITH APPROPRIATE TIMELINES. SINCE STRI CONTINUES TO BE OUT OF COMPLIANCE WITH THE GRANT, CONSIDERATION SHOULD BE GIVEN TO TERMINATING THE GRANT IF THE AFOREMENTIONED CONSULTATIONS DO NOT RESULT IN SOME CONCRETE ACTIONS.

4. ISSUES AND CONCERNS RESOLVED PRIOR TO THE DAEC REVIEW INCLUDED THE FOLLOWING WITH REGARD TO THE PCW STRATEGIC OBJECTIVE:

A. THE MISSION HAS INITIATED SEVERAL ACTIVITIES, AND

PROPOSED A NUMBER OF NEW ACTIVITIES UNDER ITS REFORESTATION PROGRAM. GIVEN THE COMPLEXITY OF THE MISSION'S PROGRAM AND THE SUBSTANTIAL USAID EXPERIENCE (BOTH SUCCESSES AND FAILURES) OF REFORESTATION EFFORTS IN THE HEMISPHERE, IT WAS AGREED THAT THE MISSION WOULD PROVIDE A DRAFT OF ITS REFORESTATION PROGRAM TO LAC/RSD/E AND G/ENV FOR TECHNICAL REVIEW, AND THAT A TDY WOULD BE SCHEDULED TO PROVIDE TECHNICAL ASSISTANCE ON THE MISSION'S REFORESTATION PROGRAM.

B. AN ISSUE AROSE ON THE STEPS BEING TAKEN TO CORRECT THE PROBLEMS IDENTIFIED IN THE RECENT EVALUATION OF FIDECO, THE \$25 MILLION ECOLOGICAL TRUST FUND, ESTABLISHED IN FY 1995, TO PROVIDE FUNDING FOR COP AND NGO ENVIRONMENTAL ACTIVITIES IN PANAMA. AFTER DISCUSSION, THE ISSUE HAS RESOLVED THAT IN RESPONSE TO THE EVALUATION'S FINDINGS PERTAINING TO THE MANAGEMENT, BUDGETING AND PERSONNEL OF FUNDACION NATURA (THE ORGANIZATION THAT OVERSEES FIDECO), THE FOLLOWING MEASURES ARE NOW BEING IMPLEMENTED:

NEW BY-LAWS FOR FUNDACION NATURA WERE AGREED UPON BY ALL DONORS, INCLUDING USAID, THE GOP AND THE NATURE CONSERVANCY (TNC), THE LATTER OF WHICH HAS TAKEN APPROPRIATE STEPS TO ENSURE THEIR IMPLEMENTATION. THESE NEW BY-LAWS SHOULD HELP FUNDACION NATURA BECOME A MORE EFFICIENT AND RESPONSIVE ORGANIZATION. A TRAINING PROGRAM FOR THE FOUNDATION'S BOARD OF DIRECTORS IS CURRENTLY UNDERWAY. THE FOUNDATION'S BUDGET WILL NOT BE BASED ON A PERCENTAGE OF ANNUAL RESOURCES PROGRAMMED BUT, RATHER, ON THE FOUNDATION'S NEED TO IMPLEMENT ITS PROPOSED PROGRAM. (THE BUDGET FOR 1998 IS ALMOST DOLS 55,000 LESS THAN THE FOUNDATION REQUESTED TO IMPLEMENT ITS ACTIVITIES APPROPRIATELY AND ACHIEVE THE EXPECTED RESULTS). FINALLY, THE FOUNDATION HAS SELECTED A NEW DIRECTOR WHO IS EXPECTED TO BE ON BOARD IN MAY.

C. IT HAS CONCLUDED THAT, IN ITS PLANNED REVIEW OF THE SO RESULTS FRAMEWORK, THE MISSION SHOULD ASSESS WHETHER IT IS WITHIN ITS MANAGEABLE INTEREST TO PLAY A ROLE IN THE PREPARATION OF THE PANAMA ENVIRONMENTAL ACTION PLAN. THE IDB HAS EXPRESSED AN INTEREST IN COLLABORATING ON THIS ACTIVITY. INVOLVEMENT BY USAID COULD FURTHER BROADEN INSTITUTIONAL STRENGTHENING OBJECTIVES OF THE MISSION'S PROGRAM AND PROVIDE A SOUND POLICY CONTEXT FOR THE PCW MANAGEMENT AND PROTECTION ACTIVITIES. HOWEVER, EVEN WITH TECHNICAL SUPPORT FROM G/ENV AND LAG/RSD, THIS ACTIVITY MAY STRETCH THE MISSION'S LIMITED STAFF RESOURCES.
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