

**USAID/PANAMA**

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**RESULTS REVIEW-RESOURCE REQUEST  
(R4)  
1998-2000**

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**MAY 1998**

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## USAID/PANAMA

### R4 ACRONYMS

AAAS	American Association for the Advancement of Science
ADR	Alternative Dispute Resolution
AMUPA	Association of Panamanian Municipalities
ANCON	National Association for Conservation of Nature
ANDE	Fundacion ANDE (Private NGO)
ARI	Regional Interoceanic Authority
CARITAS	NGO of Archdiocese of Panama
CGR	Controller General of the Republic
CAS	Country Assistance Strategy
CATIE	Center for Research and Training in Tropical Agriculture
CBO	Community-Based Organization
CLASP	Caribbean and Latin American Scholarship Program
COSTAS	Coastal Zone Management Component of PROARCA
DA	Development Assistance
DOD	Department of Defense
DRMO	Defense Reutilization and Marketing Office
EPIQ	Environmental Policy Indefinite Quantity Contract
FCCC	Framework Convention on Climate Change
FIDECO	Ecological Trust Fund
FMCS	Federal Mediation and Conciliation Service
FMDAP	Free Market Development Advisors Program
FSN	Foreign Service National
G-CAP	Guatemala-Central America Program
GDP	Gross Domestic Product
GIS	Geographic Information System
GOP	Government of Panama
HEFTE	Hemispheric Free Trade and Enterprise Project
IBRD	International Bank for Reconstruction and Development
ICASS	International Cooperative Administrative Support Services
ICITAP	International Criminal Investigative Training Assistance Program
ICMA	International City Managers Association
IDB	Interamerican Development Bank
IESC	International Executive Service Corps
IIC	Inter-Institutional Commission for the Canal Watershed
IIE	Institute of International Education
INRENARE	National Institute for Renewable Natural Resources
IPR	Intellectual Property Rights
IQC	Indefinite Quantity Contract
JCE	U.S.-Panama Joint Commission on the Environment
JICA	Japan International Cooperation Agency
LAC	Bureau for Latin America and the Caribbean

LEPPI Local Environmental Policy and Program Initiative  
 MCC Multilateral Counternarcotics Center  
 MDP Municipal Development Project  
 M&EU Monitoring and Evaluation Unit  
 MGJ Ministry of Government and Justice  
 MHT Ministry of the Treasury  
 MIDA Ministry of Agricultural and Livestock Development  
 MIF Multilateral Investment Fund  
 MIPPE Ministry of Planning and Economic Policy  
 MITRADEL Ministry of Labor Development  
 MOU Memorandum of Understanding  
 MPP Mission Performance Plan  
 NATURA Foundation for the Conservation of Natural Resources  
 NGO Non-Governmental Organization  
 NPI New Partnership Initiative  
 OE Operating Expenses  
 OYB Operational Year Budget  
 PASA Participating Agency Services Agreement  
 PCA Panama Canal Authority  
 PCC Panama Canal Commission  
 PCW Panama Canal Watershed  
 PiP Parks in Peril Project  
 PROARCA Regional Environmental Project for Central America  
 PSC Personal Services Contract  
 PVO Private Voluntary Organization  
 RAF Financial Management Reform Project  
 RUDO Regional Urban Development Office  
 R4 Results Review and Resource Request  
 SEGIR Support for Economic Growth and Institutional Reform  
 SIAFPA Public Sector Integrated Financial Management System  
 SO Strategic Objective  
 SOW Scope of Work  
 SpO Special Objective  
 STRI Smithsonian Tropical Research Institute  
 TNC The Nature Conservancy  
 UNDP United Nations Development Program  
 USAID United States Agency for International Development  
 USDH U.S. Direct Hire  
 USIS United States Information Service  
 USG United States Government  
 WTO World Trade Organization  
 Y2K Year 2000

## I. OVERVIEW AND FACTORS AFFECTING PROGRAM PERFORMANCE

### A. Context and Outlook

This past year saw substantial U.S. and Panamanian efforts to accelerate the Canal transition process, as the end of the century approaches. The Government of Panama (GOP) has become increasingly active in planning for and working towards transfer of the Canal and reversion of other properties held by the U.S. The Mission has developed better and closer relationships with counterparts in order to better respond to and support Panamanian initiatives during the transition. In so doing, the Mission met its targets related to management and protection of the Panama Canal Watershed (PCW), and in facilitating the transfer of the Canal and formerly U.S.-owned properties to Panama.

In this R4, USAID proposes the establishment of a new Special Objective (SpO) for the Administration of Justice. Last year, the Mission ended its involvement in this area because of funding constraints. However, continued demonstrable weaknesses in the system and the acknowledged fact that the justice system -- particularly the criminal and commercial systems, which underpin virtually everything -- have led to a reconsideration of that decision. The Country Team has identified improvement in the justice system as one of its highest U.S. Government's (USG) Mission Performance Plan (MPP) priorities. In returning to the sector, USAID will work to support that goal, and assist in bringing about systemic changes in the Administration of Justice.

Strategic Objective (SO): Improvement in the Institutional Capacity to Manage and Protect the Panama Canal Watershed. The GOP passed legislation in mid-1997 which established the PCW as a legal entity, and set up the Panama Canal Authority (PCA) to manage it. At the end of 1999, the PCA officially will begin managing and protecting the PCW and assume control and operation of the Panama Canal. The Mission continued to consolidate a variety of disparate activities within its one SO in order to provide maximum support to Panama in implementing Law 19, the new PCA law. Under the revised SO, the Mission is preparing Panamanian institutions and citizens to administer the Watershed, and to ensure that its land, water and natural resources are used in a sustainable manner. The SO was revised in March 1998; this R4 addresses guidance provided by the LAC Bureau when it reviewed the revised SO.

Special Objective: To Facilitate the Smooth Transfer of the Panama Canal, and the Productive Use of the Reverted Properties. Last year also witnessed the passage of legislation (Law 21) which lays out the use plans for the reverted areas and watershed. As with the SO, the Mission is moving to assist the GOP in implementing the law, and in so doing, is complementing the work of Panama in establishing PCW management and protection systems. In the months remaining before the transfer, and until the Mission closes out, we will continue to place major emphasis on strengthening the institution involved in managing reverted properties to ensure the maximum generation of employment and revenues to Panama.

USAID's planned closeout date remains September 30, 2000. This short timeframe underscores the need for increased donor support in the areas of interest to the U.S. and Panama, and the need to examine approaches for implementing programs after close-out. USAID will work to maximize our chances of achieving these objectives.

## **B. Relationship to U.S. Policy Interests**

The principal justification for USAID assistance to Panama continues unchanged: to support U.S. foreign policy objectives aimed at successful implementation of the Panama Canal Treaties of 1977. Assistance to Panama is clearly in the U.S. national interest, since the United States is a primary beneficiary of the Canal. Approximately 12% to 14% of its international maritime trade transits the Canal. It is also critically important for a number of Latin American countries, especially Peru, Ecuador and Chile, since 30% to 60% of their seaborne trade passes through the Canal each year. Equally important, the Canal contributes substantially to Panama's economy, providing some 7% to 8% of gross domestic product (GDP). Environmental protection and sustainable management of the PCW is vital to safeguarding the fresh water resources upon which the Canal depends. Additionally, well-planned, productive use of the reverted areas will help offset the loss of income resulting from the closure of the U.S. military bases, contribute to political stability, and help preserve the ecology of the Canal Watershed.

Success in mounting a sustainable management and protection program for the PCW and in disposing of reverted properties will depend substantially on fair and transparent justice systems. If the reliability of those systems cannot be assured reasonably, USG and American business interests are at risk, as is Panama's ability to attract business investment. Working with Panamanians to bring about fundamental improvements in laws, codes, procedures and regulations pertaining to the criminal and commercial justice systems will be absolutely essential to the furtherance of U.S. National interests.

The USAID program is an integral part of the U.S. Mission Performance Plan (MPP). USAID contributes directly to the goals of: counternarcotics by supporting a strengthened criminal justice system; open markets by enhancing and solidifying trade liberalization initiatives, and by supporting resolution of intellectual property rights (IPR) disputes through a strengthened commercial justice system; global economic growth by facilitating the transfer of the Panama Canal and the productive use of formerly U.S.-owned properties; democracy by seeking fundamental changes in Panamanian criminal and commercial justice systems, and promoting a strengthened civil society; humanitarian assistance by improving the quality of life for Panama's under-privileged population and, under special circumstances, mitigating disaster hardships; and environment by promoting the sustainable management and protection of Panama's most important natural resource, the PCW.

**COMMON OBJECTIVES**

**Development Assistance Committee (DAC), Summit of the Americas, United States Government (USG),  
United States Agency for International Development in Panama (USAID/PANAMA), and Government of Panama (GOP).**

DAC GOALS	SUMMIT OF THE AMERICAS	U.S. NATIONAL INTERESTS/ STRATEGIC GOALS	U.S. Mission Goals		USAID/PANAMA STRATEGIC OBJECTIVE AND SPECIAL OBJECTIVE/TARGETS	GOP TARGETS
			STATEMENT	Rating (1 - 10)		
c) Implementation of national strategies for sustainable development in all countries by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015.	IV. Guaranteeing sustainable development and conserving our natural environment for future generations  22. Partnership for biodiversity 23. Partnership for pollution prevention.	III. Global Issues 14. Secure a sustainable global environment in order to protect the US and its citizens from the effects of international environmental degradation.	XI. To promote the rational and sustainable protection of Panama's most important natural resource: The Panama Canal Watershed.	8	S.O. Improvement in institutional capacity to manage and protect the Panama Canal Watershed (PCW).  1. Land use in the PCW compatible with the approved Regional Plan.  2. Institutional arrangements and management practices for execution of the Regional Plan recognized and supported by key PCW stakeholders.	- Implementation of Law 19 (June 11, 1997) concerning the establishment of the Panama Canal Authority's Inter-Institutional Commission to oversee the conservation, protection, and management of the PCW.  - Implementation of Law 21 (July 2, 1997) concerning the change in land use from environmentally degrading activities to sustainable practices as established in the Regional Plan for the PCW.
a) A reduction by one-half in the proportion of people living in extreme poverty by 2015.	III. Promoting Prosperity through Economic Integration and Free-Trade.  9. Free Trade in the Americas 15. Tourism	II. ECONOMIC PROSPERITY 3. Open foreign markets to free the flow of goods, services and capital. 5. Increase global economic growth. 6. Promote broad-based economic growth in developing and transitional economies.  VI. Humanitarian response 13. Prevent or minimize the human costs of conflict and natural disasters.	II. To obtain GOP commitments to enhance and solidify trade liberalization initiatives.  IV. To facilitate the transfer of the Panama Canal and the Productive Use of the Reverted Properties in the Canal Area.  X. Improve the quality of life of Panama's underprivileged population.	7	SpO.: To facilitate the smooth transfer of the Panama Canal as provided in the 1977 Treaties, and the productive use of the reverted areas.  - The Panama Canal Authority (PCA) assumes canal management and operations in a smooth and seamless manner, and transit continues uninterrupted.  - Economic contribution of Reverted Areas attains by December 31, 1999, a level equivalent to at least 50% of level attributable to U.S. military presence on December 31, 1994.  - DOD-generated excess property allotted to USAID transferred to GOP agencies and NGOs for productive reuse.	-Implementation of Law 19 (June 11, 1997) concerning the establishment of the Panama Canal Authority for the assumption of canal management and operations on December 31, 1999.  - Implementation of Law 21 (July 2, 1997) concerning the establishment of specific land-use categories as established in the General Plan for the reverted properties in the canal area.

DAC GOALS	SUMMIT OF THE AMERICAS	U.S. NATIONAL INTERESTS/ STRATEGIC GOALS	U.S. Mission Goals		USAID/PANAMA STRATEGIC OBJECTIVE AND SPECIAL OBJECTIVE/TARGETS	GOP TARGETS
			STATEMENT	Rating (1 - 10)		
Qualitative Factors to Achieve the Goals						
- Capacity development for effective, democratic and accountable governance.	<p>I. Preserving and strengthening the community of democracies of the Americas.</p> <p>1. Strengthening Democracy. 3. Invigorating society and community participation. 5. Combating corruption.</p>	<p>V. Democracy</p> <p>12. Increase foreign government adherence to democratic practices and respect for human rights.</p>	<p>IX. Consolidate Panama's democratic institutions and practices and promote increased respect for human rights. Seek fundamental changes in Panamanian criminal and commercial law.</p>	9	<p>New proposed SpO: To facilitate legal and policy changes required to sustain fair, fast and independent criminal and commercial justice systems.</p>	<p>Improve the judicial system by shortening court response time, guaranteeing due process and lowering barriers to citizens access while enhancing quality, efficiency and transparency of legal actions and proceedings to improve relations between the State and civil society.</p>

### **C. Factors Affecting Performance**

*Legal/Regulatory* -- Two important new laws were passed in mid-1997: (1) Law 19, which establishes the PCW as a legal entity and the PCA; and (2) Law 21, which establishes land use plans for the Watershed and for Canal operating areas. Delays in their enactment hampered mission performance towards its objectives. For example, the enactment of Law 19 was delayed for approximately nine months, then seven additional months passed before the Board of Directors of the PCA were appointed. Implementing regulations and policies have not been written for either of the laws, aside from the adaptation of earlier documents pertaining solely to Canal operations.

*Institutional* -- A serious problem to date has been the multiple roles of Minister for Canal Affairs. He chairs the Board of Directors of the PCA, is also Vice Chairman of the Panama Canal Commission, and is the Chief Negotiator for the Multilateral Counternarcotics Center. Each of these activities in itself is more than a full-time job. This has affected focus and leadership on key PCW, and decision making processes regarding the watershed have been delayed. The decision of the Board of Directors of the PCA to give priority to the adaptation of policies and regulations pertaining to Canal operations is a reasonable one. However, because of this, not enough attention or leadership is being provided to other equally important areas, such as the PCW. The Minister and some Board members have acknowledged this fact and are adopting measures to address this in the most effective manner possible. Further exacerbating matters is the fact that the Minister of Canal Affairs has now been named to the Committee for President Perez-Balladares' upcoming reelection campaign.

*Changes in the Management Contract* -- Pursuant to guidance provided during the April 1997 review of USAID's FY1996-1999 Results Review and Resource Request (R4) document, the Mission conducted an extensive re-formulation of its PCW Strategic Objective. This in-depth review provided an opportunity to address those requirements necessary to manage and protect the PCW in view of the proposed September 2000 close-out. Specifically, the Strategic Objective was changed to focus on the improvement of the "institutional" capacity to manage and protect the PCW. However, reaching agreement on its re-formulation left the Mission without a clear consensus on future direction for most of the reporting period.

*Staffing* -- During the year, USAID has been hampered by U.S. staffing difficulties that resulted in only a skeletal U.S. staff. This problem has effected overall implementation, with concomitant slow drawdown of portfolio pipeline. USAID has been proactive in addressing these issues by adding three new U.S. environmental professionals. It also is looking to fill a recently vacated and critically needed direct-hire slot to manage and direct the Mission's technical office. To increase program effectiveness, USAID also plans to procure institutional contractors to implement specific activities in institution building, municipal development, environmental education, and communication within the SO, and do the same thing (i.e., hire institutional contractors) for certain elements of the current and possibly, new SpOs.

#### **D. Climate Change and the Panama Canal Watershed**

In mid-April 1998, INRENARE, the National Institute for Renewable Natural Resources, hosted a workshop on the "Joint Implementation" and "Clean Development Mechanisms" which allowed for parties to the Kyoto Convention to engage in joint ventures for reducing greenhouse gas emissions. The workshop provided an opportunity for Panamanian Government institutions, private sector and civil society to further their understanding of the Framework Convention on Climate Change (FCCC), clean development mechanisms, carbon sequestration projects, greenhouse gas issues relevant to Panama and their associated risks and costs; and to establish an operational Panamanian Joint Implementation Office.

Workshop participants envisioned a national entity with broad representation, run by the private sector, but operating in accordance with national government priorities. The forestry sector was chosen as the key sector. The reforestation of the PCW and reverted areas were identified as top national priorities. An inter-institutional commission on Joint Implementation was formed with representative members from the GOP, and the Panamanian NGO and business communities to continue the process of institution building in coordinating Joint Implementation and Clean Development activities in Panama.

This emerging institutional arrangement represents a potentially important sustainable financial mechanism to support (1) reforestation and other conservation activities in the PCW by the private sector long after USAID departs; and (2) USG policy to promote meaningful participation by developing countries in reducing greenhouse gas emissions.

#### **E. 1997-1998 Accomplishments by Agency Goals**

*Goal 1: Broad-based economic growth and agricultural development encouraged.*

##### Panama Canal Transfer

- In June 1997, the GOP enacted Law 19 that legally creates the PCA, which will assume management and operation of the Canal on December 31, 1999.
- USAID has assisted the PCA in the design of its public information plan for the transition process; the provision of technical assistance and training for the development of its human resource capacity for labor mediation and conciliation; and the integration with the newly created GOP financial management system.

##### Reversion of Property

- In July 1997, the GOP enacted Law 21 which governs the land use of the reverted areas.
- The Regional Interoceanic Authority's (ARI) institutional capacity was strengthened through the development of improved strategic planning and the provision of improved technologies, i.e. technical assistance, training, geographic information systems, etc.

- USAID assistance was instrumental in the GOP streamlining procedures for local and international investment and commerce, and adopting public policies for investment development, i.e., upgraded industrial property rights (IPR) standards and streamlined customs procedures. Additional assistance aimed at upgrading the Panamanian capital market is ongoing.

Excess Property

- In CY 1997, USAID's excess property program transferred some \$4.4 million of commodities (valued at acquisition cost) from closing military installations and the Panama Canal Commission to some 124 non-government organizations (NGOs) and 136 GOP agencies.

*Goal 2: Democracy and good governance strengthened*

- Last year, the GOP made remarkable progress in modernizing its financial management system with the implementation of the USAID-funded on-line, integrated budgeting, allocation, accounting, and audit system (SIAFPA), designed to improve the capacity and integrity of public sector finance.
- USAID sponsored a series of field trips and workshops for GOP political leaders, including the President of the Republic and his cabinet, PCW mayors, and legislators, to raise awareness to the interrelationship between good governance, sustainable economic development, and environmental protection and management of the PCW.
- The New Partnership Initiative (NPI) is supporting the Panamanian chapter of Transparency International in its efforts to strengthen the role of NGOs to participate in the decision making process, particularly with regard to sustainable land uses and management of the reverted properties in the PCW.

*Goal 3: Human capacity built through education and training*

- Through the Mission's largest training program (CLASP), human capacity building is being addressed through a number of training modalities -- targeting a variety of PCW stakeholders that range from campesinos to GOP professionals. The participants are selected on a gender-disaggregated basis which considers the role and responsibilities of women in Panamanian society and the needs of women and girls to improve these roles and increase household incomes.

*Goal 5: The world's environment protected for long-term sustainability.*

- Following passage of Law 19, USAID provided technical assistance to the PCA to support development of institutional arrangements for the management and protection of the PCW.

- The U.S.-Panama Joint Commission on the Environment (JCE), created under the 1977 Panama Canal Treaties to monitor environmental matters in the Canal area, issued a resolution recognizing the importance of the USAID-supported PCW Monitoring and Evaluation Unit (M&EU), and urged the GOP to guarantee its institutionalization.
- INRENARE has made impressive progress in establishing an operational system of national parks within the PCW. All five parks have been demarcated, with four having the essential infrastructure in place.
- An innovative, hands-on program to train farmers in the PCW in agroforestry techniques was developed to encourage better land conservation practices and reduce the deleterious accumulation of sediment.

*Goal 6: Lives saved; suffering associated with natural disasters or man-made disasters reduced.*

- Some \$2.5 million in food aid and material assistance (repairs or digging of wells, and construction of potable water systems, and water tanks, as well as fire fighting equipment) was provided to help address the critical needs of approximately 280,000 individuals affected by the El Nino-induced drought.

## II. PROGRESS TOWARD OBJECTIVES

**Summary Table**

Objective Name	Rating	Evaluation findings
SO: Improvement in institutional capacity to manage and protect the Panama Canal Watershed	Met	1. <u>Significant Evaluation Findings:</u>  Rating based on recent S.O. revision and LAC Bureau approval in April 1998 and self-appraisal on performance pursuant to DAEC guidance cable (State 62911, April 8, 1998).  2. <u>Corrective actions the unit expects to take:</u>  N/A
SpO: To facilitate the smooth transfer of the Panama Canal, as provided in the 1977 Treaties, and the productive use of reverted properties.	Met	1. <u>Significant Evaluation Findings:</u>  N/A  2. <u>Corrective actions the unit expects to take:</u>
New proposed SpO: To facilitate legal and policy changes required to sustain fair, fast and independent criminal and commercial and justice systems.	New	1. <u>Significant Evaluation Findings:</u>  N/A  2. <u>Corrective actions the unit expects to take:</u>  N/A
Percent funding through NGOs and PVOs: FY98 49%; FY99 22%; FY00 20%		

\* Performance rating covers the period from April 1997 to May 1998. The Mission cites performance as being against 1998 targets in all cases.

## A. STRATEGIC OBJECTIVE

<b>SO: Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed</b>	
SO Indicator 1:	Land use in the PCW compatible with the approved Regional Plan.
SO Indicator 2:	Institutional arrangements and management practices for execution of the Regional Plan recognized and supported by key PCW stakeholders.

*Overview* -- Protecting the water resources of the Canal requires protection and management of the PCW that naturally supplies and moderates inflow. Recognizing the significance of the PCW to the long-term interests of both the Governments of Panama and of the United States, the program of USAID is focused on a single Strategic Objective to improve the institutional capacity to manage and protect the PCW.

The revised strategic objective was approved in March 1998 and reflects an emphasis on institutionalization of the mechanisms that are being set in place. The revised strategic objective was discussed with the four key GOP agencies: PCA, INRENARE, ARI, and MIPPE. The Mission plans to go full speed ahead implementing its strategy until closeout in 2000.

U.S. National Interest -- **Score: 8** -- Managing and protecting the PCW supports the broader U.S. National Interest of "securing a sustainable global environment in order to protect the U.S. and its citizens from the effects of international environmental degradation". Maintaining the input of fresh water necessary for continued ship transit supports the U.S. National Interest of promoting "broad-based economic growth" for Panama as well as global economic growth.

USAID has established two indicators to measure progress towards achievement of the Strategic Objective. The first indicator reflects on-the-ground progress in changing land-use patterns in accord with the Regional Land Use Plan contained in Law 21. Given that the Regional Plan was developed to manage and protect the PCW, achievement of its targeted land use goals is a proxy for achievement of the USAID's strategic objective. The percentage of land use in the watershed compatible with the approved Regional Plan provides concrete indication of the effectiveness of the institutions, policies and practices that USAID plans to support. The second SO-level indicator reflects institutional performance through stakeholder awareness and support of institutional arrangements. Participation of various PCW stakeholders, including communities, NGOs, private sector interests, and GOP actors, in management and protection of the watershed will be crucial for achievement of the S.O.

## 1. Performance Analysis

Summary and Rating of Performance -- **Rating: Met** -- USAID has made modest progress over reporting period towards achievement of the revised Strategic Objective. Because the baseline values for the Strategic Objective indicators are just being established, our assessment of performance relies upon the values of the indicators at the intermediate results level, and the progress made against them. In assigning a rating of "Met", the Mission took into account a variety of facts that included prior years indicators that still apply, work done by the Mission during the rating period prior to SO's revision, and progress made against newly approved indicators. Our qualitative assessment is that, taking into account all of these factors, plus changes that occurred in the PCW and GOP, and in the USAID Program, progress can be qualified as acceptable. The closest equivalent to this in the R4 rating system is "met".

<b>SO: Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed</b>
IR-1: Institutional Arrangements for Effective PCW Management and Protection Adopted.
IR-2: PCW Monitoring and Evaluation (M&E) System Institutionalized.
IR-3: Protected Areas Management Systems Functioning Effectively.
IR-4: Local Capacity to Protect and Manage the PCW Increased.

IR-1: Institutional Arrangements for Effective PCW Management and Protection Adopted.

*Inter-Institutional Commission and subordinate administrative entity established* --The GOP, with USAID assistance, made modest progress during the reporting period, improving institutional arrangements for effective management and protection of the PCW. Law 19 (see below) recognizes the need for effective inter-institutional coordination and mandates the creation of an Inter-Institutional Commission for the Canal Watershed (IIC) as part of the PCA to coordinate the activities of government and non-government organizations in the watershed. Recent assistance from USAID has focused on identification of alternative modalities for the structure of the nascent IIC through a volunteer advisor from the USAID-sponsored International Executive Service Corps program (IESC). The initial members of the IIC - PCA, ARI and INRENARE - have been identified, and USAID is recruiting additional IESC consultants to identify other member groups and set up the Commission's organizational structure. Given the myriad of activities burdening the technical staff that supports the PCA Board of Directors, USAID assistance has been particularly timely.

*Legal, Policy and Regulatory Instruments Adopted* --USAID provided legal and labor-related expertise in the development of the initial drafts of the framework law (Law 19) that led to the PCA. USAID is also bringing IESC personnel to Panama to assist the PCA in establishing its watershed management and protection policies and procedures. To promote a

land use planning process for the watershed, USAID also provided technical assistance in preparing the scope of work for the Regional Land Use Plan for the PCW. Recognizing the need to legally incorporate more progressive, participatory approaches to watershed management, USAID provided additional technical assistance to government agencies and NGOs to propose and draft a new Municipal Reform draft law, and propose adjustments to the existing Forestry Incentives law. Both bills are now under review by the Executive Branch.

*Financing arrangements for key PCW management and protection activities in place --* USAID is working to identify sources and mechanisms to finance PCW management and protection activities. The Ecological Trust Fund (FIDECO), established with USAID capital assistance in 1995, generates approximately \$1.5 million annually for environmental investment programs, much of which is allocated to PCW protection. During the reporting period FIDECO provided \$805,000 to INRENARE for its programs of protection, maintenance, and operation of the protected areas. NGOs have received \$754,000 for thirty-three projects since FIDECO's inception, of which three were approved during 1997-8. The NGO projects encompass a variety of activities related to the PCW, including sustainable agriculture, conservation of biodiversity, and watershed management. The GOP has expressed interest in having FIDECO funds support priority activities with NGOs in the watershed as they are identified by the emerging IIC.

## IR-2: PCW Monitoring and Evaluation System Institutionalized.

*Monitoring and evaluation program is operational and institutionalized.*

Through a cooperative agreement with the Smithsonian Tropical Research Institute (STRI), USAID provided funding to establish a program to monitor biotic and abiotic conditions in the PCW. The program is now functioning with 24 trained staff who have established systems to collect data on forest cover, hydrology and soils, biodiversity and human settlements in the watershed. Substantial delays in the implementation of the Grant threatened the success of this critical component of the Program. This necessitated significant USAID management and time to put the Grant on track, and Grantee performance has improved. Forest cover and hydrology data is being gradually integrated through a Geographic Information System that overlays distributions of watershed variables on a base map developed from landsat images and aerial photos. Finalization of the base map has been challenging as a result of the abundant cloud cover obscuring portions of the watershed. The first complete report from the M&EU indicates significant progress in establishing baseline values. The M&EU has provided useful information to decision-makers, as evidenced by the high quality of presentations made last year by the M&EU to the PCC, the JCE, and the INRENARE. However, the identification of an appropriate institutional home for the M&EU with an adequate budget has been moving slowly. The Mission continues to discuss this issue with both the PCA and INRENARE and expects resolution before the end of the year.

### **PCW Monitoring Program Variables**

- *Forest Cover.* Forest structure, tree composition, and canopy cover were measured in 38 one-hectare parcels and 12 transects within the PCW. The EROS Data Center of the U.S. Geological Survey provided historic data for the last 30+ years which are being analyzed to yield an assessment of changes in forest cover over time. Using landsat images, aerial photos, and field inspections, the monitoring team developed a forest cover map for 85% of the watershed. In addition, aerial photos from overflights commissioned by USAID will contribute to mapping of those areas obscured by clouds in the landsat images.
- *Hydrology and Soils.* The monitoring team measured physical, chemical, and microbiological factors at fourteen sites across the PCW selected to represent the principal rivers, as well as the most impacted watersheds (whether by agriculture, urban contamination, mining, etc). The number of sites expanded in January 1998 to generate more detailed measurements of water contamination during the dry season. A sub-watershed within the PCW was selected for additional in-depth studies that compare a forested area with an agricultural, deforested area, from which the results will be extrapolated to the entire PCW using a digital land model.
- *Biodiversity.* The monitoring team established eight terrestrial transects (5 km each) and nine stream transects (200 m each) to monitor biodiversity in the PCW. Counts were made of game mammals, small mammals, amphibians, and birds. The field data is being computerized with analysis expected to start in mid-1998.
- *Human Settlements.* The monitoring team compiled and analyzed Census population data to generate the annual growth rate (AGR) of each settlement in the PCW for 1950-1990. The results indicate that the annual population growth in the PCW (4%) is substantially higher than the national population growth rate (2.1%).

## IR-3: Protected Areas Management Systems Functioning Effectively.

*INRENARE's (or successor agency) institutional capacity to manage protected areas in the PCW improved --* Because National Parks contribute to protecting the health of the PCW, USAID is assisting INRENARE with multiple activities to strengthen the functioning of these

areas. USAID is supporting the development of park use plans, which recognize the existence of populations and economic activities within the boundaries of the protected areas and establish norms for the types of activities which should occur.

USAID supported INRENARE in completing construction of seven projects for infrastructure facilities in the protected areas. Two other infrastructure projects are underway (the Altos de Campana National Park) or pending clearance by the Controller General's of the Republic (CGR) (the Atlantic portion of the Soberanía National Park). The substantial services required for infrastructure construction, coupled with INRENARE's inexperienced staff and inadequate focus on these activities, caused lengthy delays in implementation of the construction packages. Nevertheless, all completed facilities have been supplied with furniture and equipment and are in use.

To date, INRENARE has achieved a mean TNC score of 3.08 (out of a possible 5 points) for park protection. With USAID assistance, INRENARE completed delineation of the boundaries of all five national parks in the watershed, including finalizing the demarcation of the second stage of the Chagres National Park. The portion of the PCW defined by Chagres National Park is particularly vital to the functioning of the Canal as this upper section of the Chagres River basin supplies 100% of the water for Lake Alajuela (storage reservoir for canal operations) and 40% of the total water from the PCW.

IR-4: Local Capacity to Protect and Manage the PCW Increased.

Participation by local authorities and civil society is vital in the design and implementation of PCW management and protection efforts.

USAID's activities to improve local capacity have targeted three areas:

improving institutional capacity of key municipalities in the PCW to establish and implement local land use plans, to manage solid waste, and to initiate community-based (CBOs, NGO's), pilot agroforestry activities.

**PROTECTED AREAS IN THE PCW**

Late 1997 witnessed the inauguration of the infrastructure of five national parks in the PCW. Present at the kick-off ceremonies were the President of Panama, the Director of INRENARE, and the USAID/Panama Mission Director. Together these five parks form a mosaic of valuable natural habitats, offering protection to more than 50% of the land in the PCW. USAID has been instrumental in establishing the parks by supporting the provision of administrative offices, residences for park rangers, back country stations, maintenance buildings, entrance booths, and public services. In addition, USAID assistance to the Peregrine Fund made possible the release into the PCW of the first pair of captive-reared, harpy eagles (*Harpia harpyja*), a species that is endangered throughout Central America.

- Chagres National Park: Created by Executive Decree No.73 in October 2, 1998. Encompasses 135,000 hectares in the northeast of the PCW and supplies more than 40% of the water for canal operation.
- Soberania National Park: Created by Executive Decree No.13 on May 27, 1980. Encompasses 22,000 hectares at the center of the PCW. Boasts exceptional avian biodiversity and serves as an extension of Monumento Natural Barro Colorado for research and investigation.
- Cruces National Park: Created by Law No.30 in December 1992. Encompasses 4,550 hectares in the south-central PCW. Abuts Soberania National Park and provides greenspace of historical interest close to the city of Panamá.
- Altos de Campana National Park: Created by Executive Decrees No. 153 and 35 of June 1966 and April 1977 respectively. Encompasses 4,925 hectares in the southwest PCW.
- Area Recreativa del Lago Gatun: Created by Executive Decree No.88 on July 30, 1985. Encompasses 385 hectares at north and center of the PCW and provides a site for aquatic recreation.

Prior to the revised SO, the goals of the Municipal Development Project were to enhance municipal capacity to generate and manage local revenues and improve service provision, encouraging decentralization and increased citizen participation. Comprehensive municipal assessments were completed in Arraijan, La Chorrera, Capira and Portobelo to define areas of need for municipal strengthening. Although their presence impact on the PCW, the urban centers of Panama and Colon were excluded from the SO because their focus on urban issues in highly populated areas outside of the watershed necessitates a different strategic approach. USAID will target a subset of these two key municipalities through the 11 corregimientos (subunits) that are situated in the PCW (see Future Progress).

USAID also worked to encourage the GOP to increase municipal autonomy by providing technical expertise and funding for the start-up of the Association of Panamanian Municipalities (AMUPA). AMUPA gives municipalities a forum to express concerns to national-level policy makers and serves as a clearinghouse for information. Recognizing that the ability of municipalities to govern could be improved by changing legal frameworks, USAID also provided technical assistance in the drafting of a Municipal Framework bill. Workshops and seminars organized by AMUPA brought municipal leaders together to discuss the needed legislative reforms. The proposed Municipal Framework bill puts local governments on a sustainable basis by establishing national budget transfers to municipalities for distribution to the provincial, municipal and corregimiento levels.

These activities laid the foundation for future work to be completed under the two revised IR.4 indicators as follows:

*i) Institutional capacity of target municipalities in the PCW to establish and implement local land use plans improved.*

AMUPA has become operational and transformed into a structure through which the municipalities may interact with ARI regarding the development of local land use plans that are compatible with the Regional Plan.

*ii) Solid waste management in target municipalities in the PCW improved.*

The comprehensive assessments of municipal services and structures for the municipalities of Arraijan, La Chorrera, Capira, Portobelo funded by USAID during the last year included analysis of solid waste problems and potential solutions.

*Community-based pilot agro-forestry activities planned and ongoing --* A USAID-sponsored program proved successful in strengthening a local NGO (TechnoServe) by sponsoring their provision of agroforestry training to 20 farmers in the PCW and resultant development of a replicable training model. The demonstrated success of the Technoserve model allowed them to secure funding through FIDECO to provide agroforestry training to an additional 100 farmers representing 20 grassroots community groups in the PCW. This kicked-off an effort to establish a network of agroforestry farms throughout areas west of the Canal. Evidence suggests that training does lead to action; ninety percent of the first 20 farmers trained subsequently adopted ecologically-sound practices on their farms that increased forest

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## **GENDER PERFORMANCE AND PROSPECTS: COULD BE BETTER**

In General, USAID/Panama's programs do not have gender-disaggregated reporting systems. USAID plans to establish these systems in preparation for next year's R4.

USAID's limited resources have not allowed for funding of any gender specific activities. The general institutional support nature of the program makes measuring gender impacts difficult. That said, USAID does have some experiences to relate.

Working through a World-WID Fellow, the USAID conducted a study in the PCW of selected communities designed to examine opportunities which support conservation, and develop options for community-based income producing activities. The preliminary findings of the study are encouraging and could lead to community-based eco-tourism activities, as well as others, which preserve the local environment and provide economically viable income-producing opportunities. The Mission expects the study to be completed in June 1998.

In the SIAFPA, nine professional women (of a group of fourteen) are working on the harmonization of SIAFPA with the PCA financial system.

In addition, the USAID largest training program (CLASP) selects all of this participants ranging from campesinos (farmers) to GOP professionals on a gender-disaggregated basis. After completing their training, they join the ranks of

coverage and minimized use of destructive slash and burn techniques. Five went on to become promoters of agroforestry through an additional activity sponsored by USAID that targeted 30 farmers from six communities in the PCW. Nurseries are currently being established for reforestation of these farmers' 1-hectare plots. Partnering with INRENARE has improved the capacity of the GOP counterpart to administer training. In addition, linkages have been established with other institutions including ARI and the Ministry of Agriculture and Livestock Development (MIDA), such that requests are now being generated for agroforestry activities from within the GOP.

## **2. Expected Progress through FY2000 and Management Actions**

USAID expects to make measurable advances through the year 2000 in improving the institutional capacity to manage and protect the PCW. Progress will be characterized by a gradual increase in the

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percentage of land use which is compatible with the approved Regional Plan. Beneficial changes in land use practices will reflect greater public awareness of the role of the watershed in providing and moderating inflow into the canal system and demonstrate the success of those institutions responsible for PCW management. Progress is also anticipated in efforts to engage other donors regarding the importance of their presence in the watershed (see Section 4 below on "Involvement of Other Donors...").

### **IR-1: Institutional Arrangements for Effective PCW Management and Protection Adopted.**

USAID will focus on improving PCW management and protection policies towards the eventual creation of a world-class system for managing the watershed. The GOP is expected to enact the new Municipal Development law and amend the Forestry Incentives law, contributing to a sound institutional structure for management of the watershed. As part of its legal and regulatory development assistance, USAID will fund a study of laws and regulations in relation to the responsibilities of relevant GOP entities. The study will identify potential conflicts, overlaps, and omissions among the newly-created laws that govern the management and protection of the watershed. USAID will assist its GOP partners to draft and implement regulations recommended by the study. Other key policy instruments to be addressed by

2000 include an Environmental Strategy and an Environmental Action Plan. USAID expects to support the IDB in developing these latter documents.

USAID will help the IIC to become operational, and will support development of subordinate administrative entities. For example, USAID assistance may facilitate the development of by-laws for the IIC and strengthen institutional capacity for enforcement of regulations. USAID will encourage the IIC's role as a conduit for consultations and consensus building between the PCA, NGOs, CBOs, local governments, and business groups.

USAID will also assist GOP officials in exploring potential financing sources for PCW management and protection. These could include water utility fees, revenues from the Canal, and/or the establishment of a foundation for PCW management, which might be funded through debt-swap agreements or the like. Climate change initiatives also appear to be a promising option. USAID will support this process and the priorities of the Panamanian institutions that will be charged with the management and protection of the PCW. We will assist the IIC in working with the PCA and stakeholders in the PCW, to adopt financially sustainable implementing regulations and policies.

IR-2: PCW Monitoring and Evaluation System Institutionalized.

USAID will work with INRENARE and the PCA to ensure that the M&EU finds a permanent home in an appropriate institution. To smooth the interface of the monitoring unit with GOP agencies, USAID plans to sponsor a workshop that highlights the utility of a scientific monitoring program for addressing the needs of watershed managers. Once situated in a permanent institutional home, the monitoring and evaluation unit will serve as a vital PCW information resource for the GOP. To respond to the enormity of this task, the monitoring unit will need to expand and increase its networks and it may have to grow in numbers. USAID will provide assistance, fostering alliances between the M&EU and NGOs that will participate in monitoring particular aspects of the watershed.

IR-3: Protected Areas Management Systems Functioning Effectively.

USAID will work with INRENARE to ensure that land use plans are completed and implemented in three or more parks in the PCW. Through USAID-sponsored training, INRENARE staff will learn to provide better visitor services and enforcement of park regulations. Surveys of park users will be carried out to characterize user profiles, from which the data will support the creation of plans to attract and serve new visitors. Investment will be made in developing the capacity of the National Park system to produce and disseminate promotional materials. USAID-sponsored construction of park facilities should be finished by December 1998 and the continual physical presence of park rangers achieved. All of these actions will contribute to increased success in park protection and management according to the TNC scoring system (see Performance Data Table).

#### IR-4: Local Capacity to Protect and Manage the PCW Increased.

USAID envisions significant progress in enhancing the ability of communities within the PCW to manage and protect their natural resources. Using as a base the comprehensive municipal assessments completed in target municipalities in the PCW, USAID will provide communities with technical assistance to heighten community awareness of the Regional Land Use Plan for the PCW, and training programs to the communities to improve solid waste management. USAID assistance to establish functioning municipal planning offices will contribute to increasing the capacity of municipalities to conduct land use planning and zoning.

USAID will support TechnoServe work to assist communities in managing farmer-based agroforestry activities. Cattle ranchers on the west side of the Canal, where deforestation is the worst, will receive training in agroforestry and other environmentally-sound techniques, such as organic production, forest products, and forest ecotourism. These activities will continue to encourage a shift in land use within the PCW towards the goals of the Regional Land Use Plan.

#### Management Actions

To ensure full programmatic effectiveness, USAID will take advantage of multiple institutional contracts. At present USAID is investigating two USAID/Washington mechanisms-- the Environmental Policy Indefinite Quantity Contract (EPIQ) and the Environmental Law Program-- to provide continued on-the-ground presence to contribute to strengthening of the IIC, PCA, and other GOP institutions. USAID is also working with the Regional Urban Development Office in Guatemala to secure institutional support (e. g., from LACUM or LAC's new Decentralization and Democratic Local Governance Project) for IR-4. Finally, to develop and implement much of the environmental education and community involvement work that is vital to the overall success of the management of the PCW, USAID will buy in to G Bureau's GreenCom program.

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#### **Strengthening NGO's for Sustainable Environmental Management**

The advancement of democratic governance in Panama is hindered by a small, weak NGO community. USAID at present is working to strengthen environmental NGOs on a limited basis.

Under the New Partnership Initiative (NPI), a sub-grant agreement was signed between the International Foundation for Election Systems (IFES) and Fundacion para el Desarrollo de la Libertad Ciudadana, (the Panamanian chapter of Transparency International). The objective is to strengthen the role of NGOs and provide opportunity for responsible civic participation in the decision-making process for the sustainable use and management of reverted properties in the canal area. To achieve this objective, a series of workshops and forums will be carried out that address specific topics and build consensus.

Simultaneously, the Mission is identifying NGOs currently working in subjects related to USAID's objectives, assessing their institutional development, and determining the best way to strengthen the capacity of a selected set of groups. The goal is the emergence of self-sufficient organizations focused on sustainable development of the PCW through ecologically-sound income-generating activities. The activity is carried out in close coordination with Fundacion NATURA, so as to improve the capacity of NGOs to access funds (approximately \$750,000 per year) from FIDECO (Ecological Trust Fund). At USAID's request, NATURA has developed a \$140,000 project specifically to develop and strengthen NGO's so that they may access FIDECO funds and in so doing, improve the environment and democratic society. Panama's largest environmental NGO, ANCON is also preparing a complementary NGO development project. USAID intends to continue providing business expertise to Fundacion NATURA through the FMDAP program.

USAID is also taking multiple management actions to better understand and respond to the key stakeholder groups in the PCW in support of the Strategic Objective. A scope of work has been developed for a survey of stakeholder knowledge and opinions that will provide a baseline measure for the new SO Indicator 2. The Mission has recently completed a study of NGOs that will provide valuable information to guide its NGO/PVO strengthening activities and implementation of the SO in general. In addition, the Mission is conducting a study of profiles of private sector entities in the PCW, a group that is particularly important for achieving maximum compliance with the Regional Land Use Plan. Finally, the Mission anticipates funding an attitudinal survey of users of National Parks and residents of Park buffer zones to provide data that supports drafting of park use plans and installation of visitor services.

### **3. Environmental Compliance**

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

### **4. Involvement of other Donors, U.S. Government Institutions, and USAID Regional or Centrally-funded Programs**

USAID will continue dialogue with the GOP's other bilateral and multilateral partners regarding the need for continued assistance in the PCW. Over the past twelve months, USAID actively engaged in a review of potential donors, other USG Institutions and/or USAID regional or centrally-funded program to determine their interests and to encourage their involvement. Below is a survey of current agendas of other donors and partners, along with plans and benchmarks for increased donor commitment and participation.

#### Donors

- *Donor Conference.* As part of its efforts to draw the attention of other donors to PCW activities, USAID has initiated talks with the GOP about holding a donor conference to highlight the importance of the watershed and discuss the challenges for management and protection. Current donor activity in Panama includes:
- *Interamerican Development Bank (IDB).* The IDB is the lead donor in Panama, with a projected \$800 million loan program over the next few years and far-ranging assistance in agriculture, health services, education, housing and infrastructure, and one new environmental project in the Darien. However, the IDB does not plan any activities in the PCW. USAID will continue to work with the GOP to review the IDB's country strategy and identify projects in the PCW that the GOP may wish to recommend to the IDB.
- *International Bank for Reconstruction and Development (IBRD).* The IBRD has been assisting the GOP in the environmental area as part of an integrated development program in the Darien province and through an Atlantic Biological Corridor project, in the context of the Mesoamerican Corridor. Neither of these activities directly effects the PCW, nor does the IBRD have any additional environmental activities planned. USAID will continue to work

with the GOP to review the Bank's country assistance strategy and will identify projects in the PCW that the GOP may wish to recommend to the Bank.

- *Japan.* Japan has helped the GOP 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 during the next two years. USAID will encourage such an undertaking. A Common Agenda delegation (comprised of representatives from JICA, Japanese and Panamanian NGOs) recently held discussions with the Mission about collaboration in the PCW. Potential areas of collaboration included: reforestation, agro-forestry, and NGO strengthening.

### Partners

- *Panama Canal Commission (PCC), United States Government.* The PCC has recently reinforced its efforts to increase the awareness of primary school children regarding the importance of protecting the PCW. In March 1998, the PCC began offering video presentations and discussions with primary students (as well as parents and teachers) in schools located in the western PCW. The program anticipates expansion to students in small towns adjacent to Madden (Alajuela) and Gatun Lakes and along rivers that are crucial sources of water for Panama Canal operations. The programs highlight the important role of the forest in filtering rainwater and reducing the erosion that causes sedimentation in the rivers and lakes that support the Canal. PCC programs will continue under the auspices of the PCA upon transfer of the Canal to Panama on December 31, 1999.

- *U. S. Peace Corps.* The U.S. Peace Corps currently has six volunteers working on an agro-forestry project in the PCW. Presently, USAID is investigating use in the PCW of the Partnership for Biodiversity program that elsewhere has combined the expertise of the U.S. Department of Interior, the Peace Corps, and a selected host-country NGO to provide capacity-building activities in park management.

- *USAID Regional and Centrally Funded Programs.* The G-CAP Program for Environment in the Central American Region (PROARCA) currently is providing assistance for coastal zone management (COSTAS) and local empowerment for environmental stewardship (LEPPI) in the Bocas del Toro region. While attempts are being made to encourage the establishment of PROARCA programs in the PCW, no activities have been initiated. However, the LEPPI program, in collaboration with USAID, has identified a community in the PCW in which it plans to initiate local empowerment activities in mid-1998. The LAC Bureau's Parks in Peril (PiP) program provided funding to activities in several Panamanian parks, including two within the PCW, through FY 1997. It is unlikely that additional PiP funds will flow to these parks. There are currently no USAID/Global Bureau activities in the PCW.

### Benchmarks for donor and partner involvement in the PCW

- GOP convenes donor conference on the watershed.

- Inclusion of one PCW environmental project in the next IDB Country Strategy paper.
- Inclusion of one PCW environmental project in the next IBRD Country Assistance Strategy document.
- Japanese NGOs starting programs in the watershed as part of the US-Japan Common Agenda Fund.
- U.S. Department of Interior and U.S. Peace Corps collaborating on biodiversity conservation projects within the watershed.

While achievement of these benchmarks is only marginally within the control of USAID, they reflect success in involving other donors and partners in the watershed.

## **5. GOP Political Will**

The Mission has actively encouraged the GOP to ensure that an institutional capacity to manage and protect the PCW is effectively functioning. USAID's revised Results Framework has been reviewed and cleared by relevant GOP members. Recent senior-level discussions with the Minister of Canal Affairs, who is also the Chairman of the Board of Directors of the PCA, the Director of INRENARE, and the Administrator of the Canal indicate a high level of commitment in addressing PCW management and institutional requirements over the next twelve months. Relations between USAID and the PCA are good. The Mission will continue to be actively engaged in high level discussions with the GOP and the PCC/PCA regarding strategies to manage and protect the PCW.

Two specific GOP actions should be noted:

- Naming of ten members to the PCA Board of Directors in January 1998.
- Passage of a Joint GOP-USG resolution in March 1998, recognizing the importance of the USAID-Supported Watershed Monitoring project and urging the GOP to guarantee its effective institutionalization and longevity.

## **6. Performance Data Tables**

**Note: Performance listed for "1998" covers the period from April 1997 to May 1998.**

**USAID/PANAMA**  
**RESULTS FRAMEWORK FOR THE STRATEGIC OBJECTIVE**  
**(1998-2000)**

**STRATEGIC  
OBJECTIVE  
STATEMENT**

**IMPROVEMENT IN INSTITUTIONAL CAPACITY TO MANAGE AND PROTECT  
THE PANAMA CANAL WATERSHED (PCW)**

**SO  
OVERALL  
INDICATORS**

1. Land use in the PCW compatible with the approved Regional Plan
2. Institutional arrangements and management practices for execution of the Regional Plan recognized and supported by key PCW stakeholders

**INTERMEDIATE  
RESULTS**

**IR-1**

**Institutional Arrangements for Effective  
PCW Management and Protection  
Adopted**

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Partners: PCA/IIC, PCC, ARI, INRENARE, MIPPE, Local Authorities, NGOs, Private sector representatives

**IR-2**

**PCW Monitoring and Evaluation  
(M&E) System Institutionalized**

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Partners: INRENARE, PCA, PCC, STRI

**IR-3**

**Protected Areas Management Systems  
Functioning Effectively**

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Partners: INRENARE, PCA, ARI, NATURA, NGOs

**IR-4**

**Local Capacity to Protect and  
Manage the PCW Increased**

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Partners: Local Authorities, PCA, MIPPE, INRENARE, NATURA, NGOs, ARI, private sector

**KEY  
ACTIVITIES  
(INDICATORS)**

**KA-1.1**

**Inter-Institutional Commission (IIC) and  
subordinate administrative entity established**

**KA-2.1**

**Monitoring Program is operational  
and institutionalized**

**KA-3.1**

**INRENARE's (or successor agency)  
institutional capacity to manage  
protected areas in the PCW improved**

**KA-4.1**

**Institutional capacity of target municipalities  
in the PCW to establish and implement  
local land use plans improved**

**KA-1.2**

**Legal/policy/regulatory instruments  
adopted**

**KA-4.2**

**Solid waste management in target  
municipalities in the PCW improved**

**KA-1.3**

**Financing arrangements for key PCW  
management and protection activities  
in place**

**KA-4.3**

**Community-based pilot agro-forestry  
activities planned and ongoing**

<b>STRATEGIC OBJECTIVE:</b> Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed (PCW)			
<b>APPROVED:</b> 03/19/98 <b>COUNTRY/ORGANIZATION:</b> USAID/PANAMA			
<b>SO OVERALL INDICATOR No. 1:</b> Land use in the PCW compatible with the approved Regional Plan			
<p><b>UNIT OF MEASURE:</b> •Percentage (of hectares)</p> <p><b>SOURCE:</b> •INRENARE/STRI GIS reports •ARI GIS reports •Ground verification</p> <p><b>INDICATOR DESCRIPTION:</b> •Percentage of land use (measured in hectares) which is compatible with the Regional Plan. Compatible refers to land use which meets the technical criteria for inclusion under one of the six land-use categories.</p> <p><b>COMMENTS:</b> (1) The Regional Plan for the PCW, which covers a total area of 326,000 hectares (including lakes and rivers), establishes six major categories of land use based on technical criteria which sustain water availability for Canal operations (2) The Regional Plan, approved by Law 21 in 1997, will serve as a framework for land use decision-making in the PCW. (3) Baseline has been established. Assessment of progress will be made upon receipt of data from GOP.</p> <p>ARI's goal is to attain full compatibility of land use with the Regional Plan within a timeframe of 20 years. Based on the actual percentage of compatibility (57%) and the 20-year timeframe, the plan is projected, at least initially, at an average rate of approximately 2% per year in order to attain the goal by the end of the planning period.</p> <p>TBD: to be determined</p>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1997	<i>BASELINE</i>	57*
	1998	59	TBD*
	1999	61	
	2000	63	

Note: Performance listed for "1998" covers the period from April 1997 to May 1998.

<b>STRATEGIC OBJECTIVE:</b> Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed (PCW)			
<b>APPROVED:</b> 03/19/98 <b>COUNTRY/ORGANIZATION:</b> USAID/PANAMA			
<b>SO OVERALL INDICATOR No. 2:</b> Institutional arrangements and management practices for execution of the Regional Plan recognized and supported by key PCW stakeholders			
<p><b>UNIT OF MEASURE:</b></p> <ul style="list-style-type: none"> <li>Percentage of key stakeholders (cumulative)</li> </ul> <p><b>SOURCE:</b></p> <ul style="list-style-type: none"> <li>Targeted, periodic surveys</li> <li>Focus Groups</li> </ul> <p><b>INDICATOR DESCRIPTION:</b></p> <ul style="list-style-type: none"> <li><i>Key PCW Stakeholders</i> are defined to include the groups that the Mission has targeted, namely GOP entities, local government, NGOs, CBOs, and the private sector.</li> <li><i>Recognized</i> means stakeholders (community-based organizations) are aware of, but not engaged in, formal management of the PCW. However, their actions may affect the PCW.</li> <li><i>Supported</i> means stakeholders in the PCW agree, or comply with, laws, policies, regulations pertaining to the management and protection of the PCW.</li> <li><i>Institutional arrangements and management practices</i> refer to components detailed in the indicator narrative, such as management of protected areas, establishment of the IIC, and institutionalization of the monitoring and evaluation plan.</li> </ul> <p><b>COMMENTS:</b></p> <p>* Baseline values will be determined by imminent survey of stakeholders (see Status of the Management Contract)</p>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1997	--	--
	1998	<i>BASELINE*</i>	TBD
	1999	TBD	
	2000	TBD	

Note: Performance listed for "1998" covers the period from April 1997 to May 1998.

<b>STRATEGIC OBJECTIVE:</b> Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed (PCW)			
<b>APPROVED:</b> 03/19/98 <b>COUNTRY/ORGANIZATION:</b> USAID/PANAMA			
<b>RESULT NAME (IR-1):</b> Institutional Arrangements for Effective PCW Management and Protection Adopted			
<b>INDICATOR (KA-1.1):</b> Inter-Institutional Commission (IIC) and subordinate administrative entity established			
<b>UNIT OF MEASURE:</b> <ul style="list-style-type: none"> <li>• yes/no</li> </ul> <b>SOURCE:</b> <ul style="list-style-type: none"> <li>• PCA reports</li> <li>• IIC reports</li> </ul> <b>INDICATOR DESCRIPTION:</b> (a) IIC established to strengthen coordination among public and private institutions in the PCW  (b) Subordinate administrative entity established to manage day-to-day operations of IIC  (c) IIC decision-making mechanisms functioning  <b>COMMENTS:</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1997	<i>BASELINE</i>	(a) no (b) no (c) no
	1998	(a) yes (b) no (c) no	(a) no (b) no (c) no
	1999	(a) yes (b) yes (c) no	
	2000	(a) yes (b) yes (c) yes	

<b>STRATEGIC OBJECTIVE:</b> Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed (PCW)			
<b>APPROVED:</b> 03/19/98 <b>COUNTRY/ORGANIZATION:</b> USAID/PANAMA			
<b>RESULT NAME (IR-1):</b> Institutional Arrangements for Effective PCW Management and Protection Adopted			
<b>INDICATOR (KA-1.2):</b> Legal/policy/regulatory instruments adopted			
<b>UNIT OF MEASURE:</b> <ul style="list-style-type: none"> <li>• Number of laws passed, policies established or regulations approved (cumulative).</li> </ul> <b>SOURCE:</b> <ul style="list-style-type: none"> <li>• PCA/IIC reports</li> <li>• La "Gaceta Oficial"</li> </ul> <b>INDICATOR DESCRIPTION:</b> <ul style="list-style-type: none"> <li>• Laws passed, policies established or regulations approved and implemented to partially guarantee effective inter-institutional management and protection of the PCW</li> </ul> <b>COMMENTS:</b>  In 1997, Laws 19 and 21 were enacted. During the 1998-2000 period the adoption of the following instruments is expected: environmental regulations for the PCA, by-laws for the IIC, amendment to the forestry incentive law, new framework law for local government, environmental strategy, and an environmental action plan.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1997	<i>BASELINE</i>	0
	1998	2	2
	1999	5	
	2000	8	

Note: Performance listed for "1998" covers the period from April 1997 to May 1998.

<b>STRATEGIC OBJECTIVE:</b> Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed (PCW)			
<b>APPROVED:</b> 03/19/98 <b>COUNTRY/ORGANIZATION:</b> USAID/PANAMA			
<b>RESULT NAME (IR-1):</b> Institutional Arrangements for Effective PCW Management and Protection Adopted			
<b>INDICATOR (KA-1.3):</b> Financing arrangements for key PCW management and protection activities in place			
<b>UNIT OF MEASURE:</b> (a) Number of arrangements (b) \$ million available annually  <b>SOURCE:</b> •PCA financial reports •Fundacion Natura financial reports (FIDECO) •GOP budget reports (INRENARE)  <b>INDICATOR DESCRIPTION:</b> •Funding available annually through different arrangements to finance key protection activities and management of the PCW  <b>COMMENTS:</b> Consultants' report for the 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. Currently the two arrangements in place are FIDECO and INRENARE's annual budget. Examples of future possible additional arrangements may include water utility fees, climate change initiative, canal revenues.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1997	<i>BASELINE</i>	(a) 2 (b) 2
	1998	(a) 2 (b) 2	(a) 2 (b) 2.1
	1999	(a) 2 (b) 2.2	
	2000	(a) 3 (b) 8	

<b>STRATEGIC OBJECTIVE:</b> Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed (PCW)			
<b>APPROVED:</b> 03/19/98 <b>COUNTRY/ORGANIZATION:</b> USAID/PANAMA			
<b>RESULT NAME (IR-2):</b> PCW Monitoring and Evaluation (M&E) System Institutionalized			
<b>INDICATOR (KA-2.1):</b> Monitoring Program is operational and institutionalized			
<b>UNIT OF MEASURE:</b> •Cardinal scale - maximum of 5  <b>SOURCE:</b> •STRI reports •INRENARE reports/PCA reports •GOP budget  <b>INDICATOR DESCRIPTION:</b> (a) Monitoring system design finalized (b) Institutional home secured (c) Minimum budget for program and operating expenses approved (d) Permanent professional staff contracted (e) Inter-agency network established  Each factor is weighted as 1 point.  <b>COMMENTS:</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1997	<i>BASELINE</i>	0
	1998	1	1
	1999	3	
	2000	5	

Note: Performance listed for "1998" covers the period from April 1997 to May 1998.

<b>STRATEGIC OBJECTIVE:</b> Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed (PCW)			
<b>APPROVED:</b> 03/19/98 <b>COUNTRY/ORGANIZATION:</b> USAID/PANAMA			
<b>RESULT NAME (IR-3):</b> Protected Area Management Systems Functioning Effectively			
<b>INDICATOR (KA-3.1):</b> INRENARE's (or successor agency) institutional capacity to manage protected areas in the PCW improved			
<p><b>UNIT OF MEASURE:</b> •Average score of protected areas.</p> <p><b>SOURCE:</b> •INRENARE reports •Independent evaluator's reports</p> <p><b>INDICATOR DESCRIPTION:</b> •The indicator (developed by The Nature Conservancy and Fundacion NATURA) is composed of 35 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><b>COMMENTS:</b> The five existing parks in the PCW were evaluated in 1997 by INRENARE and NATURA. The average score for the five parks was 3.08.</p> <p>The extensive list of ranking factors includes the existence of management plans, the demarkation of park boundaries and the provision of facilities.</p> <p>* Information not yet available since NATURA and TNC team is scheduled to perform next evaluation 3rd. Quarter CY98. Mission will press NATURA/TNC to accelerate CY99 evaluation such that results will be available.</p>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1997	<i>BASELINE</i>	3.08
	1998	3.25	TBD*
	1999	3.50	
	2000	4.00	

Note: Performance listed for "1998" covers the period from April 1997 to May 1998.

USAID/Panama

<b>STRATEGIC OBJECTIVE:</b> Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed (PCW)	
<b>APPROVED:</b> 03/19/98 <b>COUNTRY/ORGANIZATION:</b> USAID/PANAMA	

<b>RESULT NAME (IR-4):</b> Local Capacity to Protect and Manage the PCW Increased			
<b>INDICATOR (KA-4.1):</b> Institutional capacity of target municipalities in the PCW to establish and implement local land use plans improved			
<p><b>UNIT OF MEASURE:</b></p> <ul style="list-style-type: none"> <li>• yes/no</li> </ul> <p><b>SOURCE:</b></p> <ul style="list-style-type: none"> <li>• Municipalities reports</li> <li>• MIPPE/MGJ reports</li> <li>• ARI/PCA reports</li> <li>• Surveys.</li> </ul> <p><b>INDICATOR DESCRIPTION:</b></p> <p>(a) AMUPA becomes operational, facilitating implementation of the Regional Plan (Law 21) at the local level</p> <p>(b) All eleven corregimientos in the transisthmian corridor are aware of the Regional Plan (Law 21)</p> <p>(c) Four target municipalities establish organizational units for implementing local land use plans in compliance with Regional Plan (Law 21)</p> <p><b>COMMENTS:</b></p> <p>Target municipalities: Arraijan, La Chorrera, Capira and Portobelo. In 1998, assistance will be provided to work with ARI and AMUPA to develop guidelines, in compliance with PCW Regional Plan, for local land use planning.</p> <p>MIPPE: Minister of Planning and Economic Policy MGJ: Minister of Government and Justice AMUPA: Association of Panamanian Municipalities</p>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1997	<i>BASELINE</i>	(a) no (b) no (c) no
	1998	(a) yes (b) no (c) no	(a) yes (b) no (c) no
	1999	(a) yes (b) yes (c) no	
	2000	(a) yes (b) yes (c) yes	

Note: Performance listed for "1998" covers the period from April 1997 to May 1998.

USAID/Panama

<b>STRATEGIC OBJECTIVE:</b> Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed (PCW)
<b>APPROVED:</b> 03/19/98 <b>COUNTRY/ORGANIZATION:</b> USAID/PANAMA
<b>RESULT NAME (IR-4):</b> Local Capacity to Protect and Manage the PCW Increased

**INDICATOR (KA-4.2):** Solid waste management in target municipalities in the PCW improved

<b>UNIT OF MEASURE:</b> (a) number of municipalities (cumulative) (b) number of trainees (cumulative) (c) number of municipalities (cumulative) (d) number of municipalities (cumulative)	YEAR	PLANNED	ACTUAL
<b>SOURCE:</b> • Target municipality reports • Ministry of Health reports • MIPPE/MGJ reports • ARI/PCA reports • Field verification	1997	BASELINE	(a) 0 (b) 0 (c) 0 (d) 0
<b>INDICATOR DESCRIPTION:</b>  (a) Comprehensive management assessments completed in target municipalities	1998	(a) 4 (b) 0 (c) 0 (d) 0	(a) 4 (b) 0 (c) 0 (d) 0
(b) Municipal officials in target municipalities trained in solid waste management  (c) Target municipalities with comprehensive action plans	1999	(a) 4 (b) 40 (c) 2 (d) 0	(a) (b) (c) (d)
(d) Target municipalities implementing key activities defined in the action plan  <b>COMMENTS:</b>	2000	(a) 4 (b) 100 (c) 4 (d) 2	

Note: Performance listed for "1998" covers the period from April 1997 to May 1998.

USAID/Panama

<b>STRATEGIC OBJECTIVE:</b> Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed (PCW)
<b>APPROVED:</b> 03/19/98 <b>COUNTRY/ORGANIZATION:</b> USAID/PANAMA
<b>RESULT NAME (IR-4):</b> Local Capacity to Protect and Manage the PCW Increased

**INDICATOR (KA-4.3):** Community-based pilot agro-forestry activities planned and ongoing

<b>UNIT OF MEASURE:</b> (a) number of pilot projects (cumulative) (b) number of community leaders (cumulative)	YEAR	PLANNED	ACTUAL
<b>SOURCE:</b> •INRENARE reports •ARI reports •Fundacion NATURA reports •TechnoServe reports •Institute of International Education (IIE) reports	1997	BASELINE	(a) 1 (b) 19
<b>INDICATOR DESCRIPTION:</b> •Number of ongoing pilot projects and number of community leaders directly participating in the projects.	1998	(a) 2 (b) 49	(a) 2 (b) 49
<b>COMMENTS:</b> Community leaders actively engaged in community activities and/or serve as models consistent with project goals.	1999	(a) 4 (b) 129	(a) (b)
	2000	(a) 5 (b) 229	(a) (b)

Note: Performance listed for "1998" covers the period from April 1997 to May 1998.

## B. SPECIAL OBJECTIVE

<b>SpO: To Facilitate the Smooth Transfer of the Panama Canal, as Provided in the 1977 Treaties, and the Productive Use of the Reverted Properties</b>	
SpO	Indicator 1: The Panama Canal Authority Assumes Canal Management and Operations in a Smooth and Seamless Manner.
SpO	Indicator 2: Economic Contribution of Reverted Areas Attains by December 31, 1999, a level Equivalent to at Least 50% of Level Attributed to U.S. Military Presence on December 31, 1994. (Jobs, Wages and Expenditures).
SpO	Indicator 3: DOD-generated excess property allotted to USAID transferred to GOP agencies and NGOs for productive reuse.

*Overview* -- A smooth transfer of the Panama Canal and other properties to be reverted requires a first class governance structure capable of assuming the responsibility for their management and operation of the Canal in an effective and efficient manner. With this in mind, USAID is providing and will continue to provide assistance to the PCA, at both the policy and technical levels. In so doing, USAID is playing an important role in the implementation of the Torrijos-Carter Treaties of 1977, as well as promoting international trade and worldwide economic growth, thus serving U.S. foreign policy and economic growth interests.

With USAID support, the GOP can better offset the negative impact on the Panamanian economy, in terms of lost jobs and income, that results from the progressive withdrawal of U.S. military forces and related transition activities. Compared to the base year of 1994, and as a result of base closings and property reversions, by December 31, 1999, 12,300 jobs will have been lost, along with \$95 million in annual wages and \$250 million in other expenditures which accrue to the Panamanian economy. The assistance that USAID provides will help create the enabling conditions to attract investment and generate employment. The productive use of the reverted areas will promote economic prosperity and broad-based economic growth in Panama. One sector of particular interest is the maritime sector which promises to be a high growth and productive activity. Another is tourism which has the possibility of generating a large number of jobs and falls within the purview of the Summit of the Americas.

Since 1990, USAID has managed disposal of moveable, substantially depreciated property which has been declared excess by the U.S. military and the PCC. This program serves humanitarian and development purposes compatible with U.S. national interests. Besides generating goodwill among the Panamanian population, the excess property program improves the quality of life of many Panamanians, and particularly, underprivileged groups. For the next two years USAID will be reporting on a third Intermediate Result under this Special Objective. The new SpO indicator will read, "DOD-Generated Excess Property Allotted to

USAID Transferred to GOP Agencies and NGO's for Productive Reuse."

U.S. National Interest -- **Score: 7** -- Facilitating the smooth transfer of the Panama Canal and the productive use of the reverted areas supports the U.S. national interests of "Economic Prosperity" and "Global Issues." The smooth and seamless transfer of the Panama Canal is a mutual goal and economic concern for both Panama and the United States. Canal operations contribute to approximately 7-8% of the GDP of Panama. The United States is the primary user of the Canal with 12-14% of its international maritime trade transiting through the Canal. In addition, the productive use of the reverted areas is key if the loss of income and jobs from the U.S. military base closings is to be offset.

### 1. Performance Analysis

Summary and Rating of Performance -- **Rating: Met** -- USAID has made modest progress over the reporting period towards achievement of SpO. The performance rating is based primarily on IR-2, since IR-1 cannot be adequately assessed until 1999, given the brand new status of the PCA. IR-3 is strictly a function of goods transferred. With respect to IR-2, USAID has taken into account aggregate performance of the three indicators plus temporary employment trends, and has concluded that the combination of expenditures and increases in permanent employment equivalents (i.e., permanent, full time jobs plus part time jobs) are in line with trends we foresee for the period 1995-2000. On this basis, we believe that 1998 targets, on balance, have been met.

The Mission has improved the capacity of PCA to prepare for the transfer of the Panama Canal and be better positioned to assume in less than two years the full responsibility for its management and operation. With USAID assistance, ARI has improved its ability to market and promote reverted properties. Policies for investment development have been adopted and procedures streamlined. The excess property program has been successfully implementing the disposition of DOD supplies and equipment.

<b>SpO: To Facilitate the Smooth Transfer of the Panama Canal, as Provided in the 1977 Treaties, and the Productive Use of the Reverted Properties</b>
IR-1: Selected Policy and Procedures for Canal Operations Adopted.
IR-2: Enabling Conditions Established for Generating Investment and Employment in the Reverted Areas.
IR-3: Process for Disposition of DOD Excess Property Expedited.

IR-1: Selected Policy and Procedures for Canal Operations Adopted

*The new Panama Canal Authority (PCA) becomes operational* -- With the passage of Law 19 and the appointment of the Board of Directors of the PCA in January 1998, USAID began

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## **Modernization of the GOP Financial Management System Well Underway**

With USAID assistance, during the past year, the GOP made remarkable progress in creating a comprehensive financial management system. The key component of this program is the development of an integrated financial management system known as SIAFPA (its acronym in Spanish), making use of up-to-date information technology. Under the leadership of the Comptroller General of the Republic and the technical guiding of a consultant team funded by USAID, the design of SIAFPA (including tailor-made software) was completed in 1997 and implementation got underway. To date, 75% of the core computer equipment donated by USAID under the Financial Management Reform (RAF) Project 525-0306 has been installed and some sixty GOP officials and technicians have received basic training to serve as instructors for implementation of SIAFPA in all GOP agencies. USAID/W/IRM is providing valuable support for the development of SIAFPA.

When fully implemented, SIAFPA will generate on line, reliable, timely, and cost-effective information that will greatly facilitate the work of GOP officials responsible for financial management and integrity to manage public finances. This modernization program is a major step in preparation for the GOP assuming the management and operation of the Panama Canal on December 31, 1999. At present time, staff from the new Panama Canal Authority (PCA) and an Elite Group of selected professionals from the Comptroller General and the Ministries of Planning and Economic Policy and Treasury are working on harmonizing PCA financial system with SIAFPA.

Following Panama's presentation (which included a 37-minute video funded by USAID) at the "XII International Annual Conference on New Developments in Government Financial Management", held in Miami in March 1998, a participant made the following comment: "The presentation, and particularly the video tape was very well done and projected a real picture and role of the key GOP agencies responsible for SIAFPA. I especially liked the participation in the video of actual employees (not actors) in demonstrating SIAFPA capabilities. The example of how a purchase order flows and the way processing time will now be reduced from months to a matter of hours was really illustrative".

It is very likely that Panama, once SIAFPA is running at full capacity, will become a (or the) lead country in the LAC region in the way it manages public finances (benefitting, among others, Canal users).

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modules and (with USAID-sponsorship) attended the Ninth Labor Management Conference in Chicago in April 1998. The first phase of the training is expected to be completed by July 1998, followed by a second, U.S.-based phase to be completed before December 1999.

providing selected technical assistance to support the GOP in the development of an organizational structure for the PCA for Canal operations. USAID assistance in the area of Canal operations related to the SpO is focused on labor issues, public information and financial management. Given the relatively small and inexperienced technical staff which supports the Board of Directors of the PCA and which is burdened by a myriad of activities, USAID assistance to improve the institutional capacity of the PCA is critical.

*Public information plan for the transition process designed and implemented* -Based on recommendations proposed through the IESC Transition Assistance Program (TAP), the PCA Board of Directors approved in April 1998 the public information plan directed at Canal users, ship-builders and the Panamanian public that covers transition issues. Both the PCA and the PCC have prepared their respective home pages on the Internet. Efforts to coordinate information release are currently underway.

*New labor mediation and conciliation system developed* -Using USAID funding, the Federal Mediation and Conciliation Service (FMCS) is training twelve Panamanian (11 males, 1 female) mediators in alternate dispute resolution in a "Training of Trainers" Program. The development and institutionalization of an effective Labor Mediation and Conciliation System is critical because of legal mandates in Law 19 that prohibit labor strikes and work slow-downs in the operation of the Canal. To date, the mediators-in-training have completed three of four in-country training

decision has been made concerning where the new mediation unit will be permanently based. USAID is working with PCA and PCC staff as well as with the Ministry of Labor and the Ministry of Planning and Economic Policy to resolve this issue.

*PCA financial system developed in harmony with GOP new integrated financial management system (SIAFPA)* - The GOP selected fourteen professionals (five males and nine females) from the Ministries of Planning and Economic Policy, Finance and Treasury and the Comptroller General's Office to harmonize the financial management system of the PCA with the Public Sector Integrated Financial Management System (SIAFPA) being developed with USAID assistance. This USAID-sponsored training to facilitate planned harmonization is 50% completed.

#### IR-2: Enabling Conditions Established for Generating Investment and Employment in the Reverted Areas

*General land use, conservation and development plan for the interoceanic region adopted* - A major accomplishment in 1997 was the approval, in Law 21, of the General Plan for Land Use, Conservation and Development for the Interoceanic Region. The plan established eight different land use categories, ranging from urban and industrial uses to tourism, canal operations, reforestation and conservation uses. USAID funded the terms of reference for the studies that produced the plan; IDB funded the development of the plans.

*ARI's institutional capacity strengthened* -- To promote the establishment of enabling conditions for generating investment and employment, USAID has continued its wide range of assistance aimed at strengthening the institutional capacity of the Regional Interoceanic Authority (ARI), identifying obstacles to private sector investment.

USAID's support to ARI focused on information management, marketing, and asset disposition planning. To ensure high-level information services (e.g., database and maps) that are critical to ARI's role in the management and conversion of the reverted properties, USAID provided computer hardware and software to upgrade ARI's information technology capacity and sponsored training in Autocad and ESRI View. This enhanced capacity has been extremely useful, not only for the development of the Interoceanic Region, but also for protection and conservation activities in the PCW.

Because ARI's highly-motivated and well-educated staff has limited practical experience in marketing and promotion, USAID provided technical assistance through IESC volunteers to address a range of needs in the marketing area. The IESC Institutional Strengthening and Support (ISS) Program provided ARI with an umbrella mechanism capable of delivering punctual technical assistance and mentoring in key specialized areas pertinent to the conversion of the reverted properties to productive use. With USAID funding, IESC technical assistance to improve ARI's marketing strategy, to develop its 1998 Promotion Plan, and to hone its advertising and promotion skills was provided. IESC volunteers also assisted in areas such as business development criteria, development of retirement

communities, theme parks, and tourism potential of Fort Kobbe and Fort Sherman. Under USAID's sponsorship and in close collaboration with ARI, IESC organized a symposium on industrial parks that included presentations by several of ARI's mid-level professional staff. USAID also funded training and workshops for the Marketing Office to improve its tracking system of project proposals.

USAID has begun discussions with ARI regarding the harmonization of their financial system with the Public Sector Integrated Financial Management System (SIAFPA). According to the existing schedule, ARI's system will be incorporated into the SIAFPA in 1999.

Persistent and widespread management problems have affected ARI's performance over the rating period. Problems include highly centralized management and decision making processes, staff shortages, poor to non-existent customer service policies and failure to adequately educate the public as to the overall direction and progress of the operations. These problems have resulted in disaffected customers and poor public perception of ARI and its operations, and have resulted, at times, in disjointed and unrelated requests for USAID assistance. USAID has sought to structure its assistance relative to ARI by restricting itself to a small number of subject areas (e.g., management information systems, geographic information systems, planning and monitoring and evaluation). Given the aforementioned problems, however, USAID is negotiating comprehensive organization and management assistance initiative with ARI to deal with these problems.

*Public policies for investment development adopted* -- With USAID funding, Fundación ANDE continued with its efforts to improve the business climate in Panama through policy reform that will meaningfully impact investment development and job generation. As a result of these efforts, during this reporting period, the GOP approved new regulations upgrading industrial property rights to international standards, and the Cabinet approved a draft bill that will assure legal stability for both local and foreign private investment. This draft bill was submitted to the Legislative Assembly and has passed first debate (at the committee level). In addition, Fundación ANDE provided key inputs for a draft bill currently under preparation by the GOP which will upgrade and expand Panama's capital market.

*GOP's procedures for investment and business-related activities streamlined* -- With USAID support, key administrative procedures at the Customs Directorate were streamlined as part of a GOP general plan for modernizing the customs services. This improvement is already facilitating Panama's international commercial activities. In addition, legal establishment of a private sector convention and visitor bureau patterned on the U.S. model was almost completed. This represents a major step in privatizing key activities for the development of the tourism industry, traditionally managed by the public sector in Panama.

*Asset disposition plan implemented* -- ARI developed an asset disposition plan with USAID assistance which is operational. Reverted properties have been allocated in a manner that is compatible with the General Land Use, Conservation, and Development Plan. These include properties for industrial and commercial use, maritime facilities, tourism development and

**Regional Interoceanic Authority (ARI), with assistance from USAID, has made progress in allocating reverted U.S. military properties to private and public usage.**

- Direct employment: 1,074 permanent jobs generated in 1997.
- ARI has sold, rented, or otherwise disposed of approximately 8,000 hectares or 62% of the 12,945 hectares reverted to date.
- Contracts have been signed and concessions awarded for the development of 42 projects: Maritime (5), Tourism (11), Industrial (2), Housing (1), Commerce (20), Environmental (3). Another four projects are under development.
- Fort Davis and Fort Espinar: ARI has privatized 85% of the 1650 hectare Fort Davis and the 850 hectare Fort Espinar in Colon. All housing slated for sale at the two Forts was sold within one year following reversion.
- Albrook: With participation for the first time of private realtors, 102 housing units have been sold since November 1997, constituting 21.8% of 468 housing units in Albrook. ARI sold an additional 50 housing units. Total revenues generated by the sale of these 152 units at Albrook totalled \$15.0 million.
- The sale of reverted property has generated \$20.0 million for the Social Development Trust Fund and the Special Fund for Low-Cost Housing (FEVIS).
- By April 1998, ARI had transferred 86 reverted facilities (lots, buildings and housing) to NGOs (15), public and private schools (12), government entities (42), international agencies (14), and others (3).

housing developments. Public national entities, international organizations, NGOs and educational entities have benefitted in the process, as well. These entities received a total of 86 installations by April 1998. U.S. experience and elsewhere with the conversion of military bases to private productive use has demonstrated that it can take up to ten years to carry out the conversion. As a result, a "second-best" use from an economic point of view of the properties or facilities is justified to keep the installations from deteriorating.

**IR-3: Process for Disposition of DOD Excess Property Expedited**

All residual excess property left to USAID by 12/31/1999 allocated and accepted by GOP agencies and NGOs by 09/30/2000 -- The Excess Property Program receives supplies and equipment principally from closing DOD installations. Over the rating period, USAID assisted in the distribution of over \$4.4 million (valued at acquisition cost) worth of commodities to NGOs and Panamanian government agencies in all of Panama's provinces.

Since 1991, USAID has administered its excess property program through a Memorandum of Understanding with the Embassy. Working with other USG agency partners, the DOD's Defense Reutilization and Marketing Organization (DRMO), the

PCC, and DOD service components, USAID normally receives only the least desirable or marginal property not reutilized by its original owner, and not claimed by other authorized USG agencies which may need it for either their internal use or for use by their host country counterparts. Most excess property is advertised on the DRMO's worldwide web for availability to other U.S. Government agencies and other authorized claimants who have the funding to transport the property to locations outside of Panama. The property is held for 30 days by the DRMO during which time USG agencies in Panama may also claim the property. In other words, USAID is at the end of the line for receipt of excess property; and what we do not claim is then sold by the DRMO as a last resort.

### **Excess Property Program Mechanism and Cumulative Value of Distribution**

- Memorandum of Understanding with Embassy for USAID to administer program.
- Fully depreciated property that has met or exceeded its life cycle by U.S. standards.
- Depreciated value is approximately 10% of acquisition cost.
- Over \$39 million (valued at acquisition cost) worth of commodities distributed.

By definition, excess property is fully depreciated property that has met or exceeded its life cycle by U.S. standards. This translates into property that is usually in such marginal condition that it is only appreciated by those whose poverty or need level is so low that anything functional is better than nothing. In short, depreciated value is approximately 10% of acquisition cost.

Whenever possible, the DOD and the Embassy attempt to identify any property in the process of being excessed for use as "substantial benefit" negotiations whereby aggregated property is used as a quid pro quo for bargaining purposes to obtain some non-monetary benefit or concession from the Panamanian Government in exchange for the

property. (See also, Excess Property Program Table on page 48.)

## **2. Expected Progress through FY 2000 and Management Actions**

Given the foundation built over the last year with its development partners, USAID expects to make accelerate advances and better our performance through the year 2000 in facilitating the smooth transfer of the Panama Canal, and the productive use of the reverted properties. Progress will be marked by the PCA assuming Canal management and operations in a smooth and seamless manner with ship transit continuing uninterrupted. The economic contribution of reverted areas will target a level equivalent to at least 50% of the level attributable to previous U.S. military presence at the start of 1995. As September 2000 approaches, 100% of supplies and equipment released by the DOD will have been transferred to GOP agencies and NGOs. USAID expects significant progress in achieving all of the SpO's intermediate results:

### **IR-1: Selected Policies and Procedures for Canal Operations Adopted**

During the next two years, USAID will assist the PCA in developing selected by-laws for PCA Board business with respect to Canal administrative and financial affairs, and the implementation of its public information plan. Implementation of the PCA public information plan will serve to generate confidence and trust that the Canal transfer will be smooth and seamless.

PCA policies and regulations will also be developed for labor mediation processes and financial management systems, with USAID assistance. The second phase of the USAID-

funded "Training of Trainers" program for Panamanian mediators on alternate dispute resolution (ADR) will be completed. The PCA will appoint a Labor Relations Board and will institutionalize the Labor Mediation and Conciliation System. USAID will encourage the GOP to approve budgetary allocations for the institutionalization of the Labor Mediation and Conciliation System. Technical assistance will lead to full implementation by the PCA of financial systems in harmony with the GOP new integrated financial management system (SIAFPA).

In preparing the PCA to take over Canal operations, USAID will closely monitor the transition process. To date, USAID assistance has been limited to the subject noted above. It is possible, however, that additional assistance will be required with respect to Canal operations. Consequently, institutional contractors may be required to handle portions of the technical assistance support.

#### IR-2: Enabling Conditions Established for Generating Investment and Employment in the Reverted Areas

With USAID support, ARI's 1998 Promotion Plan for the disposition of reverted properties and projects according to the General Land Use, Conservation and Development Plan will have been implemented, taking into account limitations set forth by FAA Section 599 and USAID Policy Determination No. 20. The 1999 Promotion Plan will also be developed and implemented. In addition, an advertising and promotion strategy for the Interoceanic Region will be developed with the help of a USAID-funded institutional contractor.

Upgrades to the existing Geographic Information System (GIS) funded by USAID and additional information technology training will be supported. USAID will also assist with project evaluation and the implementation of the integrated financial management system (SIAFPA).

USAID will continue supporting the private sector through Fundación ANDE in its efforts to improve the business climate through policy reform and removal of bureaucratic constraints, particularly as these improvements impact the reverted areas. During the next two years the passage of the following laws is expected: 1) a law to provide legal stability for private investment (domestic and foreign); 2) a framework law for the Panamanian capital market; 3) a framework law for the development of sustainable heritage tourism (ecotourism); 4) a law to bring together under one institution all intellectual property rights (IPR) activities; and 5) an incentive law to promote business-oriented scientific and technological research. In addition, Fundación ANDE will assist the GOP in the modernization of the Public Registry Office, the privatization of key activities for the development of the tourism industry, and the re-engineering of the Directorate of Industrial Standards and Technology in compliance with the World Trade Organization (WTO) standards.

### IR-3: Process for Disposition of DOD Excess Property Expedited

Over the next two years USAID will continue working with the DOD, the CGR, and NGOs to ensure rapid transfer of excess property to the GOP and NGOs. Current projections are for an additional turnover of \$20 million (valued-at acquisition cost) during the next two years.

#### Management Actions

Full programmatic effectiveness during the next two years requires putting in place institutional contractors to complement existing mechanisms. This action will reinforce the support provided to the PCA and ARI at a crucial time, in areas of expertise and in the depth needed, to make progress towards achieving the Special Objective.

USAID is considering use of institutional contractors to deal with organization and management issues at PCA and ARI. The institutionalization of the Labor Mediation and Conciliation System before the turnover of the Canal will require Mission management close attention to ensure that this takes place. An advertising and promotion institutional contractor for ARI has been recommended by an IESC executive volunteer advisor. USAID agrees with this recommendation and will take care to ensure that any such contract complies with FAA Section 599 and PD20 requirements. To accelerate the contracting process, USAID is looking into options at Global Bureau for buy-ins for institutional strengthening. One such resource --the Support for Economic Growth and Institutional Reform Indefinite Quantity Contract (SEGIR)--will be considered to provide needed support to the PCA and ARI in the development of institutions, regulations and legislation and other services in which economic growth and governance issues merge.

### **3. Environmental Compliance**

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

### **4. Involvement of other Donors, U.S. Government Institutions, and USAID Regional or Centrally-funded Programs**

USAID maintains close contact with bilateral and multilateral donor institutions to assess current and planned activities in the reverted areas. Additional donor support to carry forward key activities initiated by USAID will be necessary beyond September 2000. However, there appears to be no strong commitment or interest on the part of other donors to expand or initiate support for the reversion process or Canal transfer issues and activities.

- *Interamerican Development Bank (IDB)*. The IDB is the lead donor in Panama. Its portfolio has included assisting ARI in meeting some of the reversion challenges it is facing.

IDB's program encourages private sector participation in the development of the reverted

areas. The program with ARI is financed under IDB's Multilateral Investment Fund (MIF).

*Sustained Economic Development.* IDB's two strategies for sustained economic development include private sector initiatives in general and development support focused on the reverted areas. The latter addresses four major challenges which are consistent with IDB's strategic framework of support for the private sector. They are i) maximize private sector participation; ii) attract foreign investment; iii) ensure maintenance of the region's assets; iv) facilitate labor retraining; v) conserve the environment; and vi) develop capacity at institutions responsible for managing the Interoceanic Region.

*Sustainable Development in the Reverted Areas.* IDB has also been willing to support the identification and mitigation of environmental impacts in connection with the privatization of assets in the reverted areas. Technical cooperation initiatives have been identified to assist ARI in preparing required environmental impact studies.

*Modernization of Financial Administration.* IDB is following up on the successful USAID Financial Management Reform (RAF) Project with the public sector. One of the objectives of the IDB program is to strengthen public sector financial management. Ongoing close collaboration with the RAF project will assure complementarity and avoid duplication of efforts.

In general, USAID will continue to maintain close contact with the IDB, both in Panama and Washington.

- *International Bank for Reconstruction and Development (IBRD).* The IBRD has not been involved in assisting the GOP in the reversion process. However, it is now revising its 1995 Country Assistance Strategy (CAS). Given limited resources available and the anticipated Mission close out in September 2000, USAID has initiated contact with the IBRD to share information and discuss possible future involvement in the reversion process and Canal issues.

## **5. GOP Political Will**

USAID has approached top management at the PCA to discuss the GOP's commitment to high priority issues concerning structures, organization and policies. Similar meetings have been held at the PCC which is working in close coordination with the PCA to ensure a smooth transition process. Collaboration and attention to the issues have been achieved. Active dialogue will continue. USAID is engaging the Minister of Planning and Economic Policy regarding budgetary implications of institutionalizing the labor mediation system.

The recently appointed PCA Board is meeting weekly to address various issues. The Director of USAID has begun a series of individual consultations with each board member to discuss where the PCA most needs assistance in becoming operational. These one-on-one meetings will be followed by a round table dialogue with all the board members for additional

consensus-building on USAID assistance to the PCA.

PCA interest in collaborating with USAID Mission is high. Relationship between USAID and the PCA are good. PCA staff has worked closely with USAID staff during the rating period.

ARI is finalizing its review of a draft Memorandum of Understanding (MOU) with USAID on a Strategic Plan of Assistance which lays out a firm ARI commitment to monitor for results against assistance provided. USAID expects to sign this MOU with ARI before the June review of the R4. While the level of commitment appears satisfactory, collaboration and teamwork are sometimes hampered by political relationships and hidden agendas.

Both the PCA and ARI are aware of the Special Objective's goals and time line. High level consultations with our GOP counterparts have made possible a consensus. Our partners are in concert with the orientation of the Mission's Program.

**USAID/PANAMA**

**RESULTS FRAMEWORK FOR SPECIAL OBJECTIVE**

<p>SPECIAL OBJECTIVE STATEMENT</p>	<p align="center"><b>TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF THE REVERTED PROPERTIES</b></p>		
<p>SpO OVERALL INDICATORS</p>	<p>1. The Panama Canal Authority (PCA) assumes Canal management and operations in a smooth and seamless manner</p>	<p>2. Economic contribution of Reverted Areas attains by Dec. 31, 1999, a level equivalent to at least 50% of level attributable to U.S. military presence on Dec. 31, 1994</p>	<p>3. DOD-generated excess property allotted to USAID transferred to GOP agencies and NGOs for productive reuse</p>
<p>INTERMEDIATE RESULTS</p>	<p align="center">IR-1</p> <p align="center">Selected policies and procedures for Canal operations adopted</p> <hr/> <p align="center">Partners: PCA, PCC, MIPPE, CGR, MHT, MITRADEL, ANDE, UNDP</p>	<p align="center">IR-2</p> <p align="center">Enabling conditions established for generating investment and employment in the reverted areas</p> <hr/> <p align="center">Partners: ARI, IDB, MIPPE, ANDE, CGR</p>	<p align="center">IR-3</p> <p align="center">Process for disposition of DOD excess property expedited</p> <hr/> <p align="center">Partners: DOD, CGR, NGOs</p>
<p>KEY ACTIVITIES</p>	<p align="center">KA-1.1</p> <p align="center">The new Panama Canal Authority (PCA) becomes operational</p>	<p align="center">KA-2.1</p> <p align="center">General Land Use, Conservation and Development Plan for the Interoceanic Region adopted</p>	
	<p align="center">KA-1.2</p> <p align="center">Public Information Plan for the transition process designed and implemented</p>	<p align="center">KA-2.2</p> <p align="center">ARI's institutional capacity strengthened</p>	
	<p align="center">KA-1.3</p> <p align="center">New Labor Mediation and Conciliation System developed</p>	<p align="center">KA-2.3</p> <p align="center">Public policies for investment development adopted</p>	
	<p align="center">KA-1.4</p> <p align="center">PCA financial system developed in harmony with GOP new integrated financial management system (SIAFPA)</p>	<p align="center">KA-2.4</p> <p align="center">GOP's procedures for investment and business-related activities streamlined</p>	
		<p align="center">KA-2.5</p> <p align="center">Asset Disposition Plan implemented</p>	

USAID/Panama

<p><b>SPECIAL OBJECTIVE:</b> To facilitate the smooth transfer of the Panama Canal, as provided in the 1977 Treaties, and the productive use of the reverted properties</p>			
<p><b>APPROVED:</b> 05/20/97      <b>COUNTRY/ORGANIZATION:</b> USAID/PANAMA</p>			
<p><b>SpO OVERALL INDICATOR No. 1:</b> The Panama Canal Authority (PCA) assumes Canal management and operations in a smooth and seamless manner</p>			
<p><b>UNIT OF MEASURE:</b> • yes/no</p> <p><b>SOURCE:</b> • PCC/PCA reports • Canal users • Public news</p> <p><b>INDICATOR DESCRIPTION:</b> • Transit through the Panama Canal is interrupted due to management and/or political reasons</p> <p><b>COMMENTS:</b> Target applies to year 2000 only.</p>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1998	BASELINE	no
	1999	no	
	2000	no	

Note: Performance listed for "1998" covers the period from April 1997 to May 1998.

<p><b>SPECIAL OBJECTIVE:</b> To facilitate the smooth transfer of the Panama Canal, as provided in the 1977 Treaties, and the productive use of the reverted properties</p>																					
<p><b>APPROVED:</b> 05/20/97      <b>COUNTRY/ORGANIZATION:</b> USAID/PANAMA</p>																					
<p><b>SpO OVERALL INDICATOR No. 2:</b> Economic contribution of reverted areas attains by December 31, 1999, a level equivalent to at least 50% of level attributable to U.S. military presence on December 31, 1994</p>																					
<p><b>UNIT OF MEASURE:</b>                  (a) Number of jobs (yearly basis)                  (b) \$ million (yearly basis)                  (c) \$ million (yearly basis)</p> <p><b>SOURCE:</b>                  • ARI reports                  • CGR reports</p> <p><b>INDICATOR DESCRIPTION:</b>                  (a) Permanent direct jobs generated by productive activities in the reverted areas                  (b) Wages generated by productive activities in the reverted areas                  (c) Expenditures generated by productive activities in the reverted areas</p> <p><b>COMMENTS:</b> Economic contribution to Panama attributable to the U.S. military presence in January 1995 is summarized as follows:</p> <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: center;"><u>Baseline</u></td> <td style="text-align: center;"><u>Target</u></td> </tr> <tr> <td>-total jobs</td> <td style="text-align: right;">12,300*</td> <td style="text-align: right;">6,150</td> </tr> <tr> <td>-total wages</td> <td style="text-align: right;">\$ 95 million</td> <td style="text-align: right;">48.5 million</td> </tr> <tr> <td>-total expenditures</td> <td style="text-align: right;">\$250 million</td> <td style="text-align: right;">125.0 million</td> </tr> </table> <p>* non-U.S. DOD employees and PSCs</p> <p>(a) Temporary/construction jobs represent a relatively greater share of job generation in the initial conversion/development phase of the reverted facilities. Temporary direct employment is reported as follows:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>1996</td> <td style="text-align: right;">1875</td> </tr> <tr> <td>1997</td> <td style="text-align: right;">50</td> </tr> <tr> <td>1998</td> <td style="text-align: right;">4838</td> </tr> </table> <p>Wages for 1997 and 1998 are rough estimates.</p> <p>Expenditures include investment expenditures and consumption expenditures.</p>		<u>Baseline</u>	<u>Target</u>	-total jobs	12,300*	6,150	-total wages	\$ 95 million	48.5 million	-total expenditures	\$250 million	125.0 million	1996	1875	1997	50	1998	4838	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
		<u>Baseline</u>	<u>Target</u>																		
	-total jobs	12,300*	6,150																		
	-total wages	\$ 95 million	48.5 million																		
	-total expenditures	\$250 million	125.0 million																		
	1996	1875																			
	1997	50																			
1998	4838																				
	1995	BASELINE	(a) 0 (b) 0 (c) 0																		
	1996	(a) 600 (b) 3.8 (c) 3.0	(a) 0 (b) n.a (c) 120.0																		
	1997	(a) 600 (b) 3.8 (c) 10.0	(a) 700(a) (b) 2.0 (c) 133.2																		
	1998	(a) 1200 (b) 7.6 (c) 35.0	(a) 1074(a) (b) 6.0 (c) 80.0																		
	1999	(a) 1200 (b) 15.2 (c) 35.0	(a) (b) (c)																		
	2000	(a) 2550 (b) 17.6 (c) 46.0	(a) (b) (c)																		

Note: Performance listed for "1998" covers the period from April 1997 to May 1998.

<b>SPECIAL OBJECTIVE:</b> To facilitate the smooth transfer of the Panama Canal, as provided in the 1977 Treaties, and the productive use of the reverted properties			
<b>APPROVED:</b> 05/20/97 <b>COUNTRY/ORGANIZATION:</b> USAID/PANAMA			
<b>SpO OVERALL INDICATOR No. 3:</b> DOD-generated excess property allotted to USAID transferred to GOP agencies and NGOs for productive reuse			
<p><b>UNIT OF MEASURE:</b>  <b>(a)</b> Percentage  <b>(b)</b> \$ million</p> <p><b>SOURCE:</b></p> <ul style="list-style-type: none"> <li>• DOD reports</li> <li>• USAID/Panama reports</li> <li>• CGR reports</li> <li>• GOP agencies records</li> <li>• NGO records</li> </ul> <p><b>INDICATOR DESCRIPTION:</b></p> <p>(a) Percentage of DOD-generated excess property (equipment and materials) allotted to USAID that is transferred to GOP agencies and NGOs for 2000 only.</p> <p>(b) Dollar value of goods actually transferred (at acquisition cost) show for 1995 through 1999.</p> <p><b>COMMENTS:</b></p> <p>Planned 100% signifies that the intent of the Mission is to dispose 100% of materials received in a given planning period. Mission has no way of knowing from period to period as to how much materials the DOD will transfer. For this reason, we do not cite any specific planned figures in any given period.</p> <p>* \$695,000 from January 1997 - April, 1998 period.</p> <p>** Figures are in CY basis. Next year figures will be adjusted to show deliveries by R4 reporting period.</p>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995	<i>BASELINE</i>	
	1996	<b>(a)</b> N/A <b>(b)</b>	<b>(a)</b> N/A <b>(b)</b> 4.5
	1997	<b>(a)</b> N/A <b>(b)</b>	<b>(a)</b> N/A <b>(b)</b> 4.4
	1998	<b>(a)</b> N/A <b>(b)</b>	<b>(a)</b> N/A <b>(b)</b> 0.7*
	1999	<b>(a)</b> N/A <b>(b)</b>	<b>(a)</b> N/A <b>(b)</b>
	2000	<b>(a)</b> 100% <b>(b)</b>	<b>(a)</b> <b>(b)</b>

Note: Performance listed for "1998" covers the period from April 1997 to May 1998.

**SPECIAL OBJECTIVE:** To facilitate the smooth transfer of the Panama Canal, as provided in the 1977 Treaties, and the productive use of the reverted properties

**APPROVED:** 05/20/97      **COUNTRY/ORGANIZATION:** USAID/PANAMA

**RESULT NAME (IR-1):** Selected policies and procedures for Canal operations adopted

**INDICATOR (KA-1.1 through 1.4 as shown in the Results Framework)**

**UNIT OF MEASURE:** Number of policies and procedures

**SOURCE:**

- PCA reports
- The "Gaceta Oficial"
- Public survey
- FMCS reports
- RAF consultants team reports
- CGR/MIPPE/MHT reports
- Newspapers and other public media reports

**INDICATOR DESCRIPTION:** Policies and procedures that will strengthen the institutional capacity of PCA to deal with the transition on a variety of issues, i.e., labor, public information, financial systems.

**COMMENTS:** Partners: PCA, MIPPE, MITRADEL, CGR, MHT, ANDE, IDB, UNDP

1998:

- PCA Framework Law 19 enacted
- Ten PCA Board Directors appointed and performing
- PCA Board of Directors approved Public Information Plan
- FMCS/PCA selected 12 candidates for "Training of Trainers" Program
- FMCS began "Training of Trainers" Program on ADR
- Groundwork for harmonization of PCA financial system with SIAFPA initiated

Key Activities supporting intermediate results:

- The new Panama Canal Authority (PCA) becomes operational
- Public Information Plan for the transition process designed and implemented
- New Labor Mediation and Conciliation System developed
- PCA financial system developed in harmony with GOP SIAFPA.

PIP = Public Information Plan  
 APP = Administrative Policies and Procedures  
 FS = Financial Systems

YEAR	PLANNED	ACTUAL
1996	Baseline	
1997	-Framework Draft Bill, 1 -PIP Designed	-Framework Draft Bill, 1 -PIP Designed
1998	-Law Enacted, 1 -PIP Approved -APP, 2 -FS Harmonization Initiated	-Law Enacted, 1 -PIP Approved -APP, 2 -FS Harmonization Initiated
1999	-FS, Harmonization Completed -PIP Implemented -APP, 2	
2000	-FS, Implemented -APP, 2	

Note: Performance listed for "1998" covers the period from April 1997 to May 1998.

USAID/Panama

**SPECIAL OBJECTIVE:** To facilitate the smooth transfer of the Panama Canal, as provided in the 1977 Treaties, and the productive use of the reverted properties.

**APPROVED:** 05/20/97 **COUNTRY/ORGANIZATION:** USAID/PANAMA

**RESULT NAME (IR-2):** Enabling Conditions established for generating investment and employment in the reverted areas

**INDICATOR (KA-2.1 through 2.5 as shown in the Results Framework)**

**UNIT OF MEASURE:** Number of plans and policies

**SOURCE:**

- ARI reports
- The "Gaceta Oficial"
- IESC reports
- ANDE
- RAF consultants team reports
- Newspapers and other public media reports

**INDICATOR DESCRIPTION:** Laws, policies and plans that will provide the institutional arrangements necessary to promote investment and employment generation the reverted areas.

**COMMENTS:** Partners: ARI, MIPPE, CGR, MHT, ANDE, IDB, UNDP 1998:

- General Land Use, Conservation and Development Plan became Law of the Republic (Law 21)
- 1998 Promotion Plan developed and adopted
- Marketing and information technology staff trained
- Regulations upgrading intellectual property rights to international standards approved
- Administrative procedures at Customs Directorate streamlined
- Of the 155 housing units sold, 152 are in Albrook

Key Activities supporting intermediate results:

- General Land Use, Conservation and Development Plan for the Interoceanic Region adopted
- ARI's institutional capacity strengthened
- Public policies for investment development adopted
- GOP's procedures for investment and business-related activities streamlined
- Asset disposition plan implemented

ADP/H = Asset Disposition Plan/Housing

ADP/CC = Asset Disposition Plan/Contracts Closed

FS/HI = Financial System Harmonization Initiated

FS/I = Financial System Implemented

PI = Plans

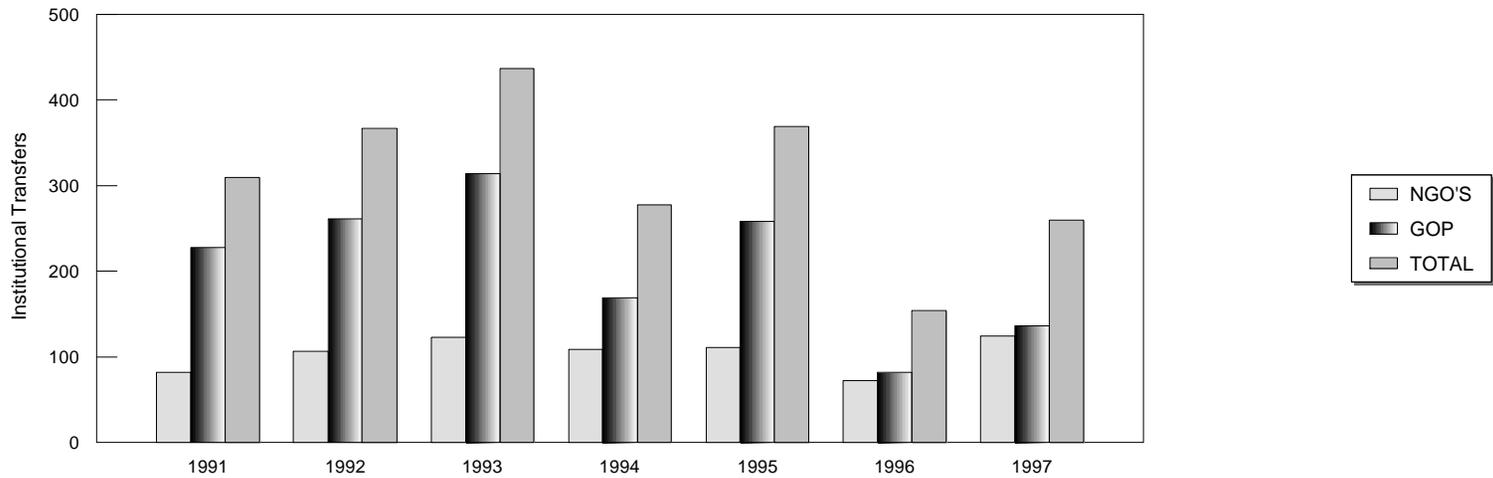
PPA = Public Policies Adopted

PS = Procedures Streamlined

YEAR	PLANNED	ACTUAL
1996	Baseline	
1997	PI, 2 ADP/H, 300 ADP/CC, 10 PPA, 1	PI, 2 ADP/H, 303 ADP/CC, 13 PPA, 1
1998	Law Enacted, 1 PI, 2 PPA, 1 PS, 1 ADP/H, 300 ADP/CC, 20	Law Enacted, 1 PI, 2 PPA, 1 PS, 1 ADP/H, 155 ADP/CC, 29
1999	PI, 1 FS/HI, 1 PPA, 2 PS, 2 ADP/H, 500 ADP/CC, 25	
2000	PI, 1 FS/I, 1 PPA, 1 PS, 1 ADP/H, 500 ADP/CC, 25	

Note: Performance listed for "1998" covers the period from April 1997 to May 1998.

### Excess Property Program



YEAR	Institutions/ Agencies			VALUE (Original Acquisition Cost)		
	NGO'S	GOP	TOTAL	NGO'S	GOP	TOTAL
1991	82	228	310	\$716,694.83	\$3,458,150.17	\$4,174,845.00
1992	106	261	367	\$1,874,104.00	\$2,731,725.00	\$4,605,829.00
1993	123	314	437	\$1,352,563.00	\$12,536,574.00	\$13,896,444.00
1994	109	169	278	\$946,680.00	\$2,611,732.00	\$3,558,412.00
1995	111	258	369	\$843,918.00	\$2,736,408.00	\$3,580,326.00
1996	72	82	154	\$1,188,747.00	\$3,286,538.00	\$4,475,285.00
1997	124	136	260	\$1,856,339.00	\$2,552,431.00	\$4,408,770.00
<b>GRAND TOTAL</b>						<b>\$39,049,370.00</b>

### **III. STATUS OF THE MANAGEMENT CONTRACT**

The Mission is proposing several changes and refinements to the management contract pursuant to recent instructions from USAID/Washington to develop an Administration of Justice Special Objective and LAC Bureau's guidance relating to the recently revised PCW SO results framework. Additionally, we are proposing some refinements to the "Canal Transition/Reversion" Special Objective.

#### **1. New Special Objective for the Improved Administration of Justice**

The most important change proposed to the management contract of 1997 involves the creation of a Special Objective for the Administration of Justice. The Panamanian justice system is an inquisitory process which is slow, complex and non-transparent. It is difficult to understand or access for both Panamanians and non-Panamanians. By its very nature, it is susceptible to manipulation. On May 8, 1998, Panamanian President Perez-Balladares joined a rising number of prominent decision makers charging that the system is "on the verge of collapse". This development only underscores the growing number of Panamanians concerned with the fairness and transparency of the justice system.

Since Panama's return to democracy in 1990, efforts have been made to re-establish independent judicial institutions, strengthen operations and modernize laws. USAID began its administration of justice project in 1991. In 1995, budget stringencies forced USAID to reduce its presence worldwide. In the case of Panama, the Mission was instructed to phase out its Democracy and Governance Strategic Objective. In September 1997, with the exception of some small purchases, the Mission's justice activity came to an end. Our 1997 program evaluation revealed that the justice activity was successful, particularly with the formation of integrated teams of judges and prosecutors, and in training judges, prosecutors and public defenders. Moreover, the activity's termination ahead of schedule left some programs unfinished.

In 1995, we began urging IDB to develop a follow-on justice sector program to complement USAID's efforts. On March 25, 1998, the IDB approved an \$18.9 million Administration of Justice project which represents an excellent continuation to our earlier activity. However, as with our earlier activity, it does not adequately address the requirement for fundamental systemic change.

Problems in Panamanian criminal and civil justice have caused tension within the United States and in Panama in both political and business circles. Resolution of these issues is one of the highest priorities for the U.S. and Panama, because without it all other development and commercial objectives are placed at risk. It is clearly in the interest of both of our nations to support changes that will result in an independent and effective justice system that promotes confidence in Panama as a country and an economy.

The rationale for establishing this special objective for administration of justice is based on ADS Section 201.5.10c which states that a Special Objective can be justified if the activity represents a special interest which merits further exploration. The justification, description and expected progress through 2000 for the new SpO can be found in Annex 1.

## **2. Strategic Objective for the "Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed" -- Changes and Refinements**

During the March 1998 review of the revised SO, USAID was instructed to reformulate the proposed SO to focus the effort towards institutional strengthening. Thus, the new SO reads: "Improvement in institutional capacity to manage and protect the PCW."

Additionally, USAID was instructed to identify a corresponding SO indicator and, where appropriate, IR indicators that would measure institutional performance. The new SO indicator reads: "Institutional arrangements and management practices for execution of the Regional Plan recognized and supported by key PCW stakeholders." The intent was to develop an indicator that would capture success across all four IRs in the performance of organizations in protection and management of the PCW. This includes performance not only of institutions such as the PCA/IIC, but also performance of the M&EU, of INRENARE's park management programs, municipal authorities, and the organizations promoting agroforestry in the PCW.

With respect to the indicator, USAID decided to go straight to the stakeholders for an indication of whether the relevant GOP and NGOs are successfully positioned, engaged, and equipped to manage and protect the PCW. The measurement of percentage change in recognition and support for institutional arrangements and management practices by key PCW stakeholders will serve as a proxy for measurement of institutional performance. The indicator is worded to reflect the SO as follows:

- 'Stakeholders' includes all the groups USAID has targeted as significant for PCW protection and management. These include GOP entities, local government, NGOs and CBOs, and the private sector.
- 'Recognized' means stakeholders (e.g., community-based organizations) are aware of, but not engaged in, formal management of the PCW. However, their actions may affect the PCW.
- 'Supported' means stakeholders in the PCW agree or comply with laws, policies and regulations pertinent to management and protection of the PCW.
- 'Institutional arrangements and management practices' refers to components detailed in the indicator narrative, such as management of protected areas, establishment of the IIC, and institutionalization of the monitoring and evaluation plan.

In response to the agreement with USAID/Washington to focus the SO towards institutional

strengthening, USAID also identified IR-level indicators that will measure organizational performance. USAID has developed two revised IR-level indicators under IR-4, "Local capacity to protect and manage the PCW increased". These revisions were also deemed necessary as the previous single indicator was confusing as it proposed to measure two different areas:

KA-4.1 "Institutional capacity of target municipalities in the PCW to establish and implement local land use plans improved."

KA-4.2 "Solid waste management in target municipalities in the PCW improved."

### **3. Special Objective "To Facilitate the Smooth Transfer of the Panama Canal, as provided in the 1977 Treaties, and the Productive Use of the Reverted Properties" -- Changes or Refinements**

As the GOP develops more systematic reporting for the reverted areas the economic contribution and national accounts, adjustments may be introduced to the data now being reported for the overall SpO Indicator #2 -- currently related to the economic contributions of reverted areas under ARI's responsibilities.

A new SpO indicator #3 has been created to incorporate an ongoing activity and performance of the DOD-generated excess property program. The new SpO indicator reads: "DOD generated excess property allotted to USAID transferred to GOP agencies and NGOs for productive reuse".

After reviewing the SpO results framework, USAID has reworded its first intermediate result and created a new intermediate result -- with a corresponding indicator -- to read "Selected Policies and Procedures for Canal Operations Adopted". Such a rewording will more closely reflect the program's emphasis on information plans, labor relations policies and financial systems related to Canal operations, and will differentiate the PCA's support activities performed under SpO from those performed under the SO, where the emphasis is on policy and regulatory frameworks to manage and protect the PCW.

## IV. RESOURCE REQUEST

### 1. Financial Plan

To achieve the anticipated results established in the SO, SpO and the proposed SpO frameworks, USAID has budgeted \$8.58 million in DA financial resources and \$1.75 million in ESF in the period FY1998-2000. To achieve the SO, \$4.38 million in DA resources are budgeted and \$4.2 million in DA resources are allocated for the achievement of the SpO. With respect to the proposed SpO, Mission is requesting \$1.75 million in ESF.

USAID requests these amounts and has allocated them among the SO and SpOs for the following reasons:

ESF funds have been requested for the proposed new SpO to supplant scarce USAID/W DA resources available for administration of justice programs, and to meet this unplanned need beginning in FY1998.

USAID believes that the bulk of DA will funds should be directed toward the SO over the planning period. As we state elsewhere, the Mission, intends to apply maximum management attention and staff and financial resources to implementing this Objective, our highest DA-funded priority, now that we have consensus on its structure and direction. The time remaining to achieve the SO's objectives is short, but we expect that, in using large institutional contracts to accelerate project implementation, we will also substantially increase our chances of success and not incidentally, our expenditure rates.

This same philosophy applies to the existing SpO, albeit to a more modest extent. Nevertheless, time is of the essence and we plan to take the same institutional contract (high expenditure) approach in implementing this objective.

*Strategic Objective* -- The \$4.38 million in DA resources will finance the activities described in the "Expected Progress through the FY2000 and Management Actions" section for the achievement of the SO. These relate to ongoing activities, i.e. the monitoring and evaluation and management of protected areas in the PCW, as well as those related to the development, establishment and pre-operation planning of essential institutions, i.e., the PCA and IIC. The progressive incorporation of local authorities and communities in decision making processes and implementation of environmentally sound activities in the PCW will also be addressed.

*Special Objective* -- Under the SpO, \$4.2 million in DA resources will assist the GOP to develop the policies and regulations required for the newly established PCA to effectively assume the responsibility of the operation of the Panama Canal. Resources in the form of technical assistance and some material aid will also be dedicated toward the institutional improvement of ARI, particularly as related to the implementation of the General Development and Asset Disposition Plans.

*Proposed Special Objective* -- ESF resources in the amount of \$1.75 million will be required to implement the proposed SpO during the FY1998-2000 period. Funds will be used to finance technical assistance, training and limited commodities to achieve the expected results. Activities under the proposed SpO are planned to begin in late FY1998 with \$250,000.

*Pipeline* -- The \$14.7 million pipeline at the end of FY1997 is about 60% higher than the \$8.8 million that was projected in the last R4. This is the result of a number of factors that have affected program performance during the past year. For the most part these factors are non-recurrent and will not influence current and future implementation efforts.

The major factor affecting performance was USAID's effort to extensively reformulate the SO as agreed to during the April 1997 R4 review. As a result of the review, the Mission deliberately slowed down or even stopped, several activities so as to allow time for reformulation of their future directions. For example, the reforestation of approximately 1,500 hectares in the PCW, at an estimated cost of \$1.5 million, was not implemented, since this activity was eliminated. Also, only \$314,000 were expended of the \$2.4 million planned for training under the CLASP-II project. Finally, only \$356,000 of the almost \$1.0 million planned under the Municipal Development Project were expended since the activity also came to a halt.

Another \$600,000 that were to have been spent to support two protected areas on the west bank of the Canal were also unspent. This was the result of the GOP decision to postpone declaration of the areas as being protected.

Another factor significantly affecting program implementation was the severe staffing shortages experienced during the reporting period. With the planned recruitment of additional staff and contractors, implementation -and expenditures- will accelerate significantly.

## **2. Prioritization of Objectives**

Current USAID activities address the achievement of the SO and the reversion SpO. USAID is proposing an additional SpO to address shortcomings in Panama's justice system. When approved, this proposed SpO will become USAID's highest priority, with the SO and existing SpO to follow. All three objectives address the US foreign policy objective aimed at the successful implementation of the 1977 Panama Canal Treaties in an integrated manner.

Current plans are to terminate all activities by the end of FY 2000. Activities being implemented and planned under these objectives are extremely important to the achievement of US foreign policy objectives. Even under the most severe budget limitations, efforts should be made to support these activities. However, if USAID experiences budget cuts of 25%, it would be forced to eliminate IR-1 and severely curtail IR-2 of the existing SpO in the first instance. Deeper cuts, equivalent to 50% would force the elimination of the SpO completely. Beyond that, we would radically reduce activities under IR3 and IR4 of the SO

while seeking to maintain full implementation of IR-1 and IR-2 of the SO as well as the AOJ Special Objective.

### **3. Linkages with Centrally Funded Mechanisms**

At the DAEC review of March 19, 1998 it was agreed that USAID would continue to work at full speed to provide assistance through September 30, 2000, despite anticipated diminished Mission capacity to initiate and manage new and on-going activities. To help meet the challenge, USAID will access assistance mechanisms provided by the LAC and Global Bureaus. While details remain to be finalized, the following represents a preliminary view of the linkages with centrally funded mechanisms under consideration.

The Mission will buy-in to G/ENV's Environmental Policy IQC (EPIQ) to provide technical assistance to complement IESC Volunteers, FMDAP fellows and other technical and management advisors. The focus will be primarily on activities related to the achievement of the existing Strategic and Special Objective, will include development of workplans, identification of needs for additional specific expertise and provide for short-term experts not available through volunteer programs and training other than through existing Mission programs. The Mission is also examining options for assistance in other strategic areas such as through the Environmental Law Program, GreenCom's program on environmental education, the ICMA support mechanism and other instruments as deemed necessary, to provide support in the development and implementation of the program. Out-year options and G-CAP and AID/W management in limited or non-presence scenarios after FY 2000 are considered in Section V of this R4.

USAID will also request assistance from G-CAP and G/ENV to develop a Climate Change Initiative as a source of financial resources for management and protection activities in the PCW.

The resources listed in field support are preliminary estimates which will be adjusted as the details are finalized. We want to stress that the resources cited above and listed in the Global Support Table are preliminary. USAID plans to provide a much more detailed procurement strategy and preliminary scopes of work on major institutional contracts at the R4 review scheduled in late June.

### **4. Workforce and Operating Expenses**

USAID plans to reduce its project portfolio from nine projects from the end of FY 1997 to six as of the end of FY 1999. This takes into account reinitiation of a Justice sector activity. Nevertheless, the fixed costs for responsible program implementation will remain or perhaps even increase, as we proceed with a full court press, so we do not foresee a reduction in the ratio of FSN staff to OYB or to pipeline.

The above notwithstanding, we have had to take draconian steps in the past two years in terms of OE and staffing levels. This has adversely affected program implementation, as we mention above. In FY 1996, we took a reduction of USDH staffing from five to four positions. In FY 1998, we took another unexpected cut from four to three USDHs. At the same time, we absorbed one USPSC within our current OE budget. During the period 1996-1998, seven FSN positions were also abolished.

To remain programmatically viable through FY2000, we have had to maximize utilization of program staffing and funding mechanisms. We have complemented regular staffing with two program-funded PASAs and one AAAS Fellow. Nevertheless, their presence does add to the administrative burden of OE-funded support personnel. USAID is also considering the recruitment of four USPSCs and one FSN on which there are no ceiling constraints. The USPSCs will provide management support for the local capacity building activities of the SO, Canal transition activities under the SpO, assisting in the coordination of the Sustainable Development Office, and GreenCom environmental awareness and education activities. The FSN will provide management support to implement the justice improvement activities. In addition, USAID is attempting to fill a recently and critically needed USDH position, the incumbent of which will direct the Office of Sustainable Development which is responsible for implementation of the SO and SpOs.

The extremely heavy workload implicit in the large number of personal and institutional contract services discussed above will require the Mission to secure short-term or TDY contract management assistance in the near future. Contract management assistance, aimed at expediting program implementation, would include the development of scopes of work, MAARD preparation, preparation of advertisements (i.e., RFPs, RFBs, solicitations, CBDs, etc.) and final contracting agreements.

We have restructured our Financial Management Section to become more substantively engaged in program accounting by transferring all accounting input functions (MACS and MACSTRAX) to El Salvador. Additionally, the cashier functions have been limited to a minimum of activities; accommodation exchange (on an emergency basis) has been added to our ICASS workload. The de minimus cost of this additional ICASS service was the only increased ICASS purchase which was supported by our analyses, given the economies of scale we achieve through a single-support team for both office and residential maintenance.

We will continue to optimize OE expenditures. However, after nearly eight years, FSN salary wages have been revised upward and we will be struggling within our current OE budget constraints to absorb this contingency as well as Y2K compliance over the 1998-2000 planning period.

Finally, assuming Mission close-out in September 2000, we will require an additional amount of approximately \$700,000 for severance payments (involuntary separation) for our FSN employees in that same year. We have also included an approximate amount of \$40,000 in

our FY 2000 OE budgets for lump-sum payments to our FSNs for accrued vacation pay at separation.

USAID FY 2000 BUDGET REQUEST BY PROGRAM/COUNTRY

Country/Program: PANAMA  
Scenario: Base Level

S.O. #	Title	Approp. Acct	Bilateral/Field Support	Est. SO Pipeline End of FY 99	Estimated Total	FY 2000										Est. Expend. FY 00	Est. Total Cost life of SO	Future Cost (POST 2000)	Year of Final Oblig.
						Basic Education	Agric.	Other Growth	Pop	Child Survival	Infectious Diseases	HIV/AIDS	Other Health	Environ	D/G				
Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed.																			
S.O.	DA	Bilateral		3,656	100									100		2,741	35,543	0	00
		Field Spt			400									400		400	1,000		
		Total		3,656	500	0	0	0	0	0	0	0	0	500	0	3,141	36,543	0	
To Facilitate the Smooth Transfer of the Panama Canal, as provided in the 1977 Treaties, and the productive use of the reverted properties.																			
Sp.O.	DA	Bilateral		3,640	0										690	12,215	0	00	
		Field Spt			0										300	500			
		Total		3,640	0	0	0	0	0	0	0	0	0	0	990	13,215	0		
To Facilitate Legal and Policy Changes Required to Sustain Fair, Fast and Independent Criminal and Commercial Justice Systems																			
Sp.O.	ESF	Bilateral			1,000									1,000	850	1,750	0	00	
		Field Spt			0												0		
		Total		0	1,000	0	0	0	0	0	0	0	0	1,000	850	1,750	0		
		Bilateral			0												0	XX	
		Field Spt			0												0		
		Total		0	0	0	0	0	0	0	0	0	0	0			0		
		Bilateral			0												0	XX	
		Field Spt			0												0		
		Total		0	0	0	0	0	0	0	0	0	0	0			0		
		Bilateral			0												0		
		Field Spt			0												0		
		Total		0	0	0	0	0	0	0	0	0	0	0			0		
		Bilateral			0												0		
		Field Spt			0												0		
		Total		0	0	0	0	0	0	0	0	0	0	0			0		
		Total Bilateral		7,296	1,100	0	0	0	0	0	0	0	100	1,000					
		Total Field Support		0	400	0	0	0	0	0	0	0	400	0					
		<b>TOTAL PROGRAM</b>		<b>7,296</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>500</b>	<b>1,000</b>			<b>0</b>		

FY 2000 Request Sector Totals -- DA	
Econ Growth	0
[Of which Microenterpris	0]
HCD	0
PHN	0
Environment	500
[Of which Biodiversity]	0]
Democracy	0
Humanitarian	0

FY 2000 Request Sector Totals -- ESF	
Econ Growth	0
[Of which Microenterprise]	0]
HCD	0
PHN	0
Environment	0
[Of which Biodiversity]	0]
Democracy	1,000
Humanitarian	0

FY 2001 Target Program Level	0
FY 2002 Target Program Level	0
FY 2003 Target Program Level	0

USAID FY 1999 Budget Request by Program/Country

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Country/Program: PANAMA  
Scenario: Base Level

S.O. #	Title	Approp. Acct	Bilateral/Field Support	Est. SO Pipeline End of FY 98	Estimated Total	FY 1999											Future Cost (POST 2000)	Year of Final Oblig.		
						Basic Education	Agric.	Other Growth	Pop	Child Survival	Infectious Diseases	HIV/AIDS	Other Health	Environ	D/G	Est. Expend. FY 99			Est. Total Cost life of SO	
Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed.																				
S.O.	DA	Bilateral		5,910	1,940			0						1,940		4,144	35,543	0	00	
		Field Spt			250									250		300	1,000			
		Total		5,910	2,190	0		0	0	0	0	0	0	2,190	0	4,444	36,543	0		
To Facilitate the Smooth Transfer of the Panama Canal, as provided in the 1977 Treaties, and the productive use of the reverted properties.																				
Sp.O.	DA	Bilateral		2,065	2,400			2,400								775	12,215		00	
		Field Spt			250			250								300	1,000			
		Total		2,065	2,650	0		2,650	0	0	0	0	0	0	0	1,075	13,215	0		
To Facilitate Legal and Policy Changes Required to Sustain Fair, Fast and Independent Criminal and Commercial Justice Systems																				
Sp.O.	ESF	Bilateral			500										500	475	1,750		00	
		Field Spt			0														0	
		Total		0	500	0		0	0	0	0	0	0	0	500	475	1,750	0		
		Bilateral			0									0					0	XX
		Field Spt			0														0	
		Total		0	0	0		0	0	0	0	0	0	0	0			0		
		Bilateral			0														0	XX
		Field Spt			0														0	
		Total		0	0	0		0	0	0	0	0	0	0	0			0		
		Bilateral			0														0	XX
		Field Spt			0														0	
		Total		0	0	0		0	0	0	0	0	0	0	0			0		
		Bilateral			0														0	
		Field Spt			0														0	
		Total		0	0	0		0	0	0	0	0	0	0	0			0		
Total Bilateral				7,975	4,840	0		2,400	0	0	0	0	0	1,940	500					
Total Field Support				0	500	0		250	0	0	0	0	0	250	0					
<b>TOTAL PROGRAM</b>				<b>7,975</b>	<b>5,340</b>	<b>0</b>		<b>2,650</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,190</b>	<b>500</b>			<b>0</b>		

Econ Growth	2,650
[Of which Microenterprise]	[]
HCD	0
PHN	0
Environment	2,190
[Of which Biodiversity]	[]
Democracy	0
Humanitarian	0

Econ Growth	0
[Of which Microenterprise]	[]
HCD	0
PHN	0
Environment	0
[Of which Biodiversity]	[]
Democracy	500
Humanitarian	0

FY 2001 Target Program Level	0
FY 2002 Target Program Level	0
FY 2003 Target Program Level	0

USAID FY 1998 Budget Request by Program/Country

Country/Program: PANAMA  
Scenario: Base Level

S.O. #	Title	Approp. Acct	Bilateral/Field Support	Est. SO Pipeline End of FY 97	Estimated Total	FY 1998											Future Cost (POST 2000)	Year of Final Oblig.	
						Basic Education	Agric.	Other Growth	Pop	Child Survival	Infectious Diseases	HIV/AIDS	Other Health	Environ	D/G	Est. Expend. FY 98			Est. Total Cost life of SO
Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed.																			
S.O.	DA	Bilateral		12,200	1,440			0						1,440		7,830	35,543	0	00
		Field Spt			250									250		150	1,000		
		Total		12,200	1,690	0	0	0	0	0	0	0	0	1,690	0	7,980	36,543	0	
To Facilitate the Smooth Transfer of the Panama Canal, as provided in the 1977 Treaties, and the productive use of the reverted properties.																			
Sp.O.	DA	Bilateral		2,527	1,300			1,300								1,862	12,215	0	00
		Field Spt			250			250								150	1,000		
		Total		2,527	1,550	0	0	1,550	0	0	0	0	0	0	0	2,012	13,215	0	
To Facilitate Legal and Policy Changes Required to Sustain Fair, Fast and Independent Criminal and Commercial Justice Systems																			
Sp.O.	ESF	Bilateral			250										250	45	1,750	0	00
		Field Spt			0													0	
		Total		0	250	0	0	0	0	0	0	0	0	0	250	45	1,750	0	
		Bilateral			0									0				0	XX
		Field Spt			0									0				0	
		Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral			0													0	XX
		Field Spt			0													0	
		Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral			0													0	XX
		Field Spt			0													0	
		Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral			0													0	
		Field Spt			0													0	
		Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
		Bilateral			0													0	
		Field Spt			0													0	
		Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Bilateral				14,727	2,990	0		1,300	0	0	0	0	0	1,440	250				
Total Field Support				0	500	0		250	0	0	0	0	0	250	0				
<b>TOTAL PROGRAM</b>				<b>14,727</b>	<b>3,490</b>	<b>0</b>	<b>0</b>	<b>1,550</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,690</b>	<b>250</b>				<b>0</b>	

Econ Growth	1,550
[Of which Microenterpris]	0
HCD	0
PHN	0
Environment	1,690
[Of which Biodiversity]	0
Democracy	0
Humanitarian	0

Econ Growth	0
[Of which Microenterprise]	0
HCD	0
PHN	0
Environment	0
[Of which Biodiversity]	0
Democracy	250
Humanitarian	0

FY 2001 Target Program Level	0
FY 2002 Target Program Level	0
FY 2003 Target Program Level	0

INSERT FIELD SUPPORT CHART

Workforce

USAID/Panama FY 1998 On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff	
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other			
	U.S. Direct Hire	1.5				0.5	1			3							
Other U.S. Citizens: 1/ OE Internationally Recruited					0.5			0.5		0.5						0.5	1
OE Locally Recruited Program - (PASA & PSC)	4.5				1.5			0								0	0
FSN/TCN Direct Hire: OE Internationally Recruited								0								0	0
OE Locally Recruited								0								0	0
FSN/TCN Non-Direct Hire: OE Internationally Recruited								0						1		1	1
OE Locally Recruited Program	9.5				0.5	1		0.5	2	3	20.5				25.5	26	
					3.5			14							0	14	
Total Staff Levels	15.5	0	0	0	6.5	2	0	24	2	3	21	0	0	1	27	51	
TAACS								0								0	0
Fellows	1							1							0	1	

1/ Excluding TAACS and Fellows

Workforce

USAID/Panama FY 1999 Target On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff	
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other			
	U.S. Direct Hire	1.5				0.5	1			3							
Other U.S. Citizens: 1/ OE Internationally Recruited OE Locally Recruited Program - (PASA & PSC)					0.5			0.5		0.5						0.5	1
	4.5				1.5			0								0	0
								6								0	6
FSN/TCN Direct Hire: OE Internationally Recruited OE Locally Recruited								0								0	0
								0								0	0
FSN/TCN Non-Direct Hire: OE Internationally Recruited OE Locally Recruited Program						0.5		0					1			1	1
	9.5				3.5	1		0.5	2	3	20.5				25.5	26	
								14							0	14	
Total Staff Levels	15.5	0	0	0	6.5	2	0	24	2	3	21	0	0	1	27	51	
TAACS Fellows	1							0							0	0	
								1							0	1	

1/ Excluding TAACS and Fellows

USAID/Panama FY 1999 Request On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff	
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other			
	U.S. Direct Hire	1.5				0.5	1			3							
Other U.S. Citizens: 1/ OE Internationally Recruited OE Locally Recruited Program - (PASA & PSC)					0.5			0.5		0.5						0.5	1
	4.5				1.5			0								0	0
								6								0	6
FSN/TCN Direct Hire: OE Internationally Recruited OE Locally Recruited								0								0	0
								0								0	0
FSN/TCN Non-Direct Hire: OE Internationally Recruited OE Locally Recruited Program						0.5		0					1			1	1
	9.5				3.5	1		0.5	2	3	20.5				25.5	26	
								14							0	14	
Total Staff Levels	15.5	0	0	0	6.5	2	0	24	2	3	21	0	0	1	27	51	
TAACS Fellows	1							0							0	0	
								1							0	1	

1/ Excluding TAACS and Fellows

Workforce

USAID/Panama FY 2000 Target On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
	U.S. Direct Hire	1.5				0.5	1			3						
Other U.S. Citizens: 1/ OE Internationally Recruited OE Locally Recruited Program - (PASA & PSC)	4.5				0.5	1.5		0.5 0 6			0.5				0.5 0 0	1 0 6
FNSN/TCN Direct Hire: OE Internationally Recruited OE Locally Recruited								0 0							0 0	0 0
FNSN/TCN Non-Direct Hire: OE Internationally Recruited OE Locally Recruited Program	9.5				0.5	3.5	1	0 0.5 14	2	3	20.5		1	1 25.5 0	1 26 14	
Total Staff Levels	15.5	0	0	0	6.5	2	0	24	2	3	21	0	0	1	27	51
TAACS Fellows	1							0 1							0 0	0 1

1/ Excluding TAACS and Fellows

USAID/Panama FY 2000 Request On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
	U.S. Direct Hire	1.5				0.5	1			3						
Other U.S. Citizens: 1/ OE Internationally Recruited OE Locally Recruited Program - (PASA & PSC)	4.5				0.5	1.5		0.5 0 6			0.5				0.5 0 0	1 0 6
FNSN/TCN Direct Hire: OE Internationally Recruited OE Locally Recruited								0 0							0 0	0 0
FNSN/TCN Non-Direct Hire: OE Internationally Recruited OE Locally Recruited Program	9.5				0.5	3.5	1	0 0.5 14	2	3	20.5		1	1 25.5 0	1 26 14	
Total Staff Levels	15.5	0	0	0	6.5	2	0	24	2	3	21	0	0	1	27	51
TAACS Fellows	1							0 1							0 0	0 1

1/ Excluding TAACS and Fellows



Workforce

OE Internationally Recr	0	0	0	0	0.5	0	0	0.5	0	0	0.5	0	0	1	1.5	2
OE Locally Recruited	0	0	0	0	0.5	0	0	0.5	2	3	20.5	0	0	0	25.5	26
Total OE Funded Staf	1.5	0	0	0	1.5	1	0	4	2	3	21	0	0	1	27	31
Program Funded	14	0	0	0	5	1	0	20	0	0	0	0	0	0	0	20
<b>Total FY 2000 Request</b>	<b>15.5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6.5</b>	<b>2</b>	<b>0</b>	<b>24</b>	<b>2</b>	<b>3</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>27</b>	<b>51</b>

FY 2001 Estimate:																
U.S. Direct Hire	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Internationally Recr	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Locally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total OE Funded Staf	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Program Funded	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total FY 2000 Target</b>	<b>0</b>															

MISSION: USAID/Panama

USDH STAFFING REQUIREMENTS BY SKILL CODE

BACKSTOP (BS)	NO. OF USDH EMPLOYEES IN BACKSTOP FY 98	NO. OF USDH EMPLOYEES IN BACKSTOP FY 99	NO. OF USDH EMPLOYEES IN BACKSTOP FY 2000	NO. OF USDH EMPLOYEES IN BACKSTOP FY 2001
01SMG	1	1	1	0
02 Program Off.	1	1	1	0
03 EXO				
04 Controller				
05/06/07 Secretary				
10 Agriculture.				
11Economics				
12 GDO	1	1	1	0
12 Democracy				
14 Rural Dev.				
15 Food for Peace				
21 Private Ent.				
25 Engineering				
40 Environ				
50 Health/Pop.				
60 Education				
75 Physical Sci.				
85 Legal				
92 Commodity Mgt				
93 Contract Mgt				
94 PDO				
95 IDI				
Other*				
<b>TOTAL</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>0</b>

\*please list occupations covered by other if there are any

Operating Expenses

<b>Org. Title: USAID/PANAMA</b>		<b>Overseas Mission Budgets</b>														
<b>Org. No: 525</b>		<b>FY 1998</b>			<b>FY 1999 Target</b>			<b>FY 1999 Request</b>			<b>FY 2000 Target</b>			<b>FY 2000 Request</b>		
<b>OC</b>		<b>Dollars</b>	<b>TF</b>	<b>Total</b>	<b>Dollars</b>	<b>TF</b>	<b>Total</b>	<b>Dollars</b>	<b>TF</b>	<b>Total</b>	<b>Dollars</b>	<b>TF</b>	<b>Total</b>	<b>Dollars</b>	<b>TF</b>	<b>Total</b>
<b>Org. Title: USAID/PANAMA</b>		<b>Overseas Mission Budgets</b>														
<b>Org. No: 525</b>		<b>FY 1998</b>			<b>FY 1999 Target</b>			<b>FY 1999 Request</b>			<b>FY 2000 Target</b>			<b>FY 2000 Request</b>		
<b>OC</b>		<b>Dollars</b>	<b>TF</b>	<b>Total</b>	<b>Dollars</b>	<b>TF</b>	<b>Total</b>	<b>Dollars</b>	<b>TF</b>	<b>Total</b>	<b>Dollars</b>	<b>TF</b>	<b>Total</b>	<b>Dollars</b>	<b>TF</b>	<b>Total</b>

Operating Expenses

Org. Title: USAID/PANAMA Org. No: 525 OC		Overseas Mission Budgets														
		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
		Dollars	TF	Total												
11.1	Personnel compensation, full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.1	Base Pay & pymt. for annual leave balances - FNDH			0			0			0			0			0
	Subtotal OC 11.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11.3	Personnel comp. - other than full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.3	Base Pay & pymt. for annual leave balances - FNDH			0			0			0			0			0
	Subtotal OC 11.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11.5	Other personnel compensation	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.5	USDH			0			0			0			0			0
11.5	FNDH			0			0			0			0			0
	Subtotal OC 11.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11.8	Special personal services payments	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.8	USPSC Salaries	70.8		70.8	95		95	95		95	100		100	100		100
11.8	FN PSC Salaries	628.2		628.2	796.5		796.5	796.5		796.5	883		883	883		883
11.8	IPA/Details-In/PASAs/RSSAs Salaries			0			0			0			0			0
	Subtotal OC 11.8	699	0	699	891.5	0	891.5	891.5	0	891.5	983	0	983	983	0	983
12.1	Personnel benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	USDH benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	Educational Allowances	34.2		34.2	34.2		34.2	34.2		34.2	34.2		34.2	34.2		34.2
12.1	Cost of Living Allowances			0			0			0			0			0
12.1	Home Service Transfer Allowances			0			0			0			0			0
12.1	Quarters Allowances			0			0			0			0			0
12.1	Other Misc. USDH Benefits	5		5	3		3	3		3	3		3	3		3
12.1	FNDH Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	Payments to the FSN Separation Fund - FNDH			0			0			0			0			0
12.1	Other FNDH Benefits			0			0			0			0			0
12.1	US PSC Benefits	30		30	55		55	55		55	60		60	60		60
12.1	FN PSC Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	Payments to the FSN Separation Fund - FN PSC	22.8		22.8	15		15	15		15	16		16	16		16
12.1	Other FN PSC Benefits	5.6		5.6	6		6	6		6	706.4		706.4	706.4		706.4
12.1	IPA/Detail-In/PASA/RSSA Benefits			0			0			0			0			0
	Subtotal OC 12.1	97.6	0	97.6	113.2	0	113.2	113.2	0	113.2	819.6	0	819.6	819.6	0	819.6
13	Benefits for former personnel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13	FNDH	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13	Severance Payments for FNDH			0			0			0			0			0
13	Other Benefits for Former Personnel - FNDH			0			0			0			0			0
13	FN PSCs	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13	Severance Payments for FN PSCs			0			0			0			0			0
13	Other Benefits for Former Personnel - FN PSCs			0			0			0			0			0

Operating Expenses

Org. Title: USAID/PANAMA Org. No: 525 OC		Overseas Mission Budgets														
		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
		Dollars	TF	Total												
Subtotal OC 13.0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21	Travel and transportation of persons	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21	Training Travel	18		18	15		15	15		15	3.5		3.5	13.5		13.5
21	Mandatory/Statutory Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21	Post Assignment Travel - to field	2		2			0		0				0			0
21	Assignment to Washington Travel	1.1		1.1			0		0				0			0
21	Home Leave Travel	2		2	4.3		4.3	4.3		4.3	2.1		2.1	2.1		2.1
21	R & R Travel	3		3	2.4		2.4	2.4		2.4	2.4		2.4	2.4		2.4
21	Education Travel	1		1	1.5		1.5	1.5		1.5	1.5		1.5	1.5		1.5
21	Evacuation Travel	0		0			0		0				0			0
21	Retirement Travel	0		0			0		0				0			0
21	Pre-Employment Invitational Travel	0		0			0		0				0			0
21	Other Mandatory/Statutory Travel	0		0			0		0				0			0
21	Operational Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21	Site Visits - Headquarters Personnel	6.9		6.9	7.6		7.6	7.6		7.6	3		3	7.8		7.8
21	Site Visits - Mission Personnel	6.3		6.3	6.3		6.3	6.3		6.3	4.6		4.6	6.3		6.3
21	Conferences/Seminars/Meetings/Retreats	2.2		2.2	3		3	3		3	1.9		1.9	3		3
21	Assessment Travel	5.6		5.6	5.5		5.5	5.5		5.5	6.1		6.1	6.5		6.5
21	Impact Evaluation Travel	0		0			0		0				0			0
21	Disaster Travel (to respond to specific disasters)	0		0			0		0				0			0
21	Recruitment Travel	0		0			0		0				0			0
21	Other Operational Travel	9.5		9.5	8		8	8		8	8		8	8		8
Subtotal OC 21.0		57.6	0	57.6	53.6	0	53.6	53.6	0	53.6	33.1	0	33.1	51.1	0	51.1
22	Transportation of things	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
22	Post assignment freight	33.2		33.2			0		0				0			0
22	Home Leave Freight	1		1	2		2	2		2	1		1	1		1
22	Retirement Freight	0		0			0		0				0			0
22	Transportation/Freight for Office Furniture/Equip.	0		0			0		0				0			0
22	Transportation/Freight for Res. Furniture/Equip.	0		0			0		0				0			0
Subtotal OC 22.0		34.2	0	34.2	2	0	2	2	0	2	1	0	1	1	0	1
23.2	Rental payments to others	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.2	Rental Payments to Others - Office Space	108.9		108.9	112.2		112.2	112.2		112.2	112.2		112.2	112.2		112.2
23.2	Rental Payments to Others - Warehouse Space	16.2		16.2	16.2		16.2	16.2		16.2	16.2		16.2	16.2		16.2
23.2	Rental Payments to Others - Residences	101.8		101.8	96		96	96		96	96		96	96		96
Subtotal OC 23.2		226.9	0	226.9	224.4	0	224.4	224.4	0	224.4	224.4	0	224.4	224.4	0	224.4
23.3	Communications, utilities, and miscellaneous charge	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.3	Office Utilities	40		40	40		40	40		40	38		38	40		40
23.3	Residential Utilities	30		30	30		30	30		30	28.5		28.5	30		30
23.3	Telephone Costs	37		37	32		32	32		32	32		32	32		32
23.3	ADP Software Leases	0		0			0		0				0			0

Operating Expenses

Org. Title: USAID/PANAMA Org. No: 525 OC		Overseas Mission Budgets														
		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
		Dollars	TF	Total												
23.3	ADP Hardware Lease	0		0		0		0		0		0		0		0
23.3	Commercial Time Sharing	0		0		0		0		0		0		0		0
23.3	Postal Fees (Other than APO Mail)	0		0		0		0		0		0		0		0
23.3	Other Mail Service Costs	0		0		0		0		0		0		0		0
23.3	Courier Services	5		5	5		5	5	5	5		5	5	5		5
	Subtotal OC 23.3	112	0	112	107	0	107	107	0	107	103.5	0	103.5	107	0	107
24	Printing and Reproduction	14		14	14		14	14		14	14		14	14		14
	Subtotal OC 24.0	14	0	14	14	0	14	14	0	14	14	0	14	14	0	14
25.1	Advisory and assistance services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.1	Studies, Analyses, & Evaluations	0		0		0		0		0		0		0		0
25.1	Management & Professional Support Services	0		0		0		0		0		0		0		0
25.1	Engineering & Technical Services	0		0		0		0		0		0		0		0
	Subtotal OC 25.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25.2	Other services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.2	Office Security Guards	5.4		5.4	5.4		5.4	5.4		5.4	5.4		5.4	5.4		5.4
25.2	Residential Security Guard Services	0		0		0		0		0		0		0		0
25.2	Official Residential Expenses	0		0		0		0		0		0		0		0
25.2	Representation Allowances	0.5		0.5	0.5		0.5	0.5		0.5	0.5		0.5	0.5		0.5
25.2	Non-Federal Audits	0		0		0		0		0		0		0		0
25.2	Grievances/Investigations	0		0		0		0		0		0		0		0
25.2	Insurance and Vehicle Registration Fees	2.5		2.5	2.5		2.5	2.5		2.5	2.5		2.5	2.5		2.5
25.2	Vehicle Rental	0		0		0		0		0		0		0		0
25.2	Manpower Contracts	5.3		5.3	6		6	6		6		6		6		6
25.2	Records Declassification & Other Records Service	0		0		0		0		0		0		0		0
25.2	Recruiting activities	0		0		0		0		0		0		0		0
25.2	Penalty Interest Payments	0		0		0		0		0		0		0		0
25.2	Other Miscellaneous Services	100		100	15		15	15		15	10		10	15		15
25.2	Staff training contracts	8		8	6		6	6		6	6		6	6		6
25.2	ADP related contracts	3		3	3		3	3		3	3		3	3		3
	Subtotal OC 25.2	124.7	0	124.7	38.4	0	38.4	38.4	0	38.4	27.4	0	27.4	38.4	0	38.4
25.3	Purchase of goods and services from Government ac	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.3	ICASS	77.9		77.9	80		80	80		80	80		80	80		80
25.3	All Other Services from Other Gov't. accounts	0		0			0	0		0		0		0		0
	Subtotal OC 25.3	77.9	0	77.9	80	0	80	80	0	80	80	0	80	80	0	80
25.4	Operation and maintenance of facilities	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.4	Office building Maintenance	50		50	28.5		28.5	28.5		28.5	27		27	28.5		28.5
25.4	Residential Building Maintenance	3		3	2		2	2		2	2		2	2		2
	Subtotal OC 25.4	53	0	53	30.5	0	30.5	30.5	0	30.5	29	0	29	30.5	0	30.5

Operating Expenses

Org. Title: USAID/PANAMA Org. No: 525 OC		Overseas Mission Budgets														
		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
25.7	Operation/maintenance of equipment & storage of goods	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.7	ADP and telephone operation and maintenance costs	5		5	3.4		3.4	3.4		3.4	3		3	3		3
25.7	Storage Services	0		0			0			0			0			0
25.7	Office Furniture/Equip. Repair and Maintenance	10		10	12		12	12		12	12		12	12		12
25.7	Vehicle Repair and Maintenance	15		15	15		15	15		15	16		16	16		16
25.7	Residential Furniture/Equip. Repair and Maintenance	4		4	2		2	2		2	2		2	2		2
	Subtotal OC 25.7	34	0	34	32.4	0	32.4	32.4	0	32.4	33	0	33	33	0	33
25.8	Subsistence and support of persons (by contract or grant)	0		0			0			0			0			0
	Subtotal OC 25.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26	Supplies and materials	45		45	45		45	45		45	30		30	31.5		31.5
	Subtotal OC 26.0	45	0	45	45	0	45	45	0	45	30	0	30	31.5	0	31.5
31	Equipment	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
31	Purchase of Residential Furniture/Equip.	5		5	5		5	5		5			0			0
31	Purchase of Office Furniture/Equip.	10		10	6.5		6.5	6.5		6.5	2		2	2		2
31	Purchase of Vehicles	28		28			0			0			0			0
31	Purchase of Printing/Graphics Equipment	5		5	1		1	1		1			0			0
31	ADP Hardware purchases	44		44	35.5		35.5	35.5		35.5			0			0
	Subtotal OC 31.0	92	0	92	48	0	48	48	0	48	2	0	2	2	0	2
32	Lands and structures	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
32	Purchase of Land & Buildings (& construction of buildings)	0		0			0			0			0			0
32	Purchase of fixed equipment for buildings	0		0			0			0			0			0
32	Building Renovations/Alterations - Office	0		0			0			0			0			0
32	Building Renovations/Alterations - Residential	0		0			0			0			0			0
	Subtotal OC 32.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
42	Claims and indemnities			0			0			0			0			0
	Subtotal OC 42.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL BUDGET</b>		<b>1667.9</b>	<b>0</b>	<b>1667.9</b>	<b>1680</b>	<b>0</b>	<b>1680</b>	<b>1680</b>	<b>0</b>	<b>1680</b>	<b>2380</b>	<b>0</b>	<b>2380</b>	<b>2415.5</b>	<b>0</b>	<b>2415.5</b>
Dollars Used for Local Currency Purchases		_____			_____			_____			_____			_____		
Exchange Rate Used in Computations		PAR _____			_____			_____			_____			_____		

Cost of Controller Operations

<b>Org. Title: USAID/PANAMA</b>			<b>Overseas Mission Budgets</b>														
<b>Org. No: 525</b>			<b>FY 1998</b>			<b>FY 1999 Target</b>			<b>FY 1999 Request</b>			<b>FY 2000 Target</b>			<b>FY 2000 Request</b>		
<b>OC</b>			<b>Dollars</b>	<b>TF</b>	<b>Total</b>	<b>Dollars</b>	<b>TF</b>	<b>Total</b>	<b>Dollars</b>	<b>TF</b>	<b>Total</b>	<b>Dollars</b>	<b>TF</b>	<b>Total</b>	<b>Dollars</b>	<b>TF</b>	<b>Total</b>
<b>Org. Title: USAID/PANAMA</b>			<b>Overseas Mission Budgets</b>														
<b>Org. No: 525</b>			<b>FY 1998</b>			<b>FY 1999 Target</b>			<b>FY 1999 Request</b>			<b>FY 2000 Target</b>			<b>FY 2000 Request</b>		
<b>OC</b>			<b>Dollars</b>	<b>TF</b>	<b>Total</b>	<b>Dollars</b>	<b>TF</b>	<b>Total</b>	<b>Dollars</b>	<b>TF</b>	<b>Total</b>	<b>Dollars</b>	<b>TF</b>	<b>Total</b>	<b>Dollars</b>	<b>TF</b>	<b>Total</b>

Cost of Controller Operations

Org. Title: USAID/PANAMA Org. No: 525 OC		Overseas Mission Budgets														
		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total		
11.1	Personnel compensation, full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.1	Base Pay & pymt. for annual leave balances - FNDH			0					0						0	
	Subtotal OC 11.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
11.3	Personnel comp. - other than full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.3	Base Pay & pymt. for annual leave balances - FNDH			0					0						0	
	Subtotal OC 11.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
11.5	Other personnel compensation	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.5	USDH			0					0						0	
11.5	FNDH			0					0						0	
	Subtotal OC 11.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
11.8	Special personal services payments	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.8	USPSC Salaries			0					0						0	
11.8	FN PSC Salaries	108.7		108.7	111		111		111	113		113		113	113	
11.8	IPA/Details-In/PASAs/RSSAs Salaries			0					0						0	
	Subtotal OC 11.8	108.7	0	108.7	111	0	111	111	0	111	113	0	113	113	0	
12.1	Personnel benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	USDH benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	Educational Allowances			0					0						0	
12.1	Cost of Living Allowances			0					0						0	
12.1	Home Service Transfer Allowances			0					0						0	
12.1	Quarters Allowances			0					0						0	
12.1	Other Misc. USDH Benefits			0					0						0	
12.1	FNDH Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	Payments to the FSN Separation Fund - FNDH			0					0						0	
12.1	Other FNDH Benefits			0					0						0	
12.1	US PSC Benefits			0					0						0	
12.1	FN PSC Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	Payments to the FSN Separation Fund - FN PSC	2.1		2.1	2.2		2.2		2.2	2.4		2.4		2.4	2.4	
12.1	Other FN PSC Benefits	1		1	1		1		1	56.3		56.3		56.3	56.3	
12.1	IPA/Detail-In/PASA/RSSA Benefits			0					0						0	
	Subtotal OC 12.1	3.1	0	3.1	3.2	0	3.2	3.2	0	3.2	58.7	0	58.7	58.7	0	
13	Benefits for former personnel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13	FNDH	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13	Severance Payments for FNDH			0					0						0	
13	Other Benefits for Former Personnel - FNDH			0					0						0	
13	FN PSCs	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13	Severance Payments for FN PSCs			0					0						0	
13	Other Benefits for Former Personnel - FN PSCs			0					0						0	

Cost of Controller Operations

Org. Title: USAID/PANAMA Org. No: 525 OC		Overseas Mission Budgets														
		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
		Dollars	TF	Total												
Subtotal OC 13.0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	
21	Travel and transportation of persons	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21	Training Travel	3		3	4		4	1		1	1		1	3		3
21	Mandatory/Statutory Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21	Post Assignment Travel - to field			0			0			0			0			0
21	Assignment to Washington Travel			0			0			0			0			0
21	Home Leave Travel			0			0			0			0			0
21	R & R Travel			0			0			0			0			0
21	Education Travel			0			0			0			0			0
21	Evacuation Travel			0			0			0			0			0
21	Retirement Travel			0			0			0			0			0
21	Pre-Employment Invitational Travel			0			0			0			0			0
21	Other Mandatory/Statutory Travel			0			0			0			0			0
21	Operational Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21	Site Visits - Headquarters Personnel			0			0			0			0			0
21	Site Visits - Mission Personnel			0			0			0			0			0
21	Conferences/Seminars/Meetings/Retreats			0			0			0			0			0
21	Assessment Travel			0			0			0			0			0
21	Impact Evaluation Travel			0			0			0			0			0
21	Disaster Travel (to respond to specific disasters)			0			0			0			0			0
21	Recruitment Travel			0			0			0			0			0
21	Other Operational Travel	3		3	3		3	3		3	3		3	3		3
Subtotal OC 21.0		6	0	6	7	0	7	4	0	4	4	0	4	6	0	6
22	Transportation of things	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
22	Post assignment freight			0			0			0			0			0
22	Home Leave Freight			0			0			0			0			0
22	Retirement Freight			0			0			0			0			0
22	Transportation/Freight for Office Furniture/Equip.			0			0			0			0			0
22	Transportation/Freight for Res. Furniture/Equip.			0			0			0			0			0
Subtotal OC 22.0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23.2	Rental payments to others	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.2	Rental Payments to Others - Office Space	6		6	6.1		6.1	6.1		6.1	6.1		6.1	6.1		6.1
23.2	Rental Payments to Others - Warehouse Space			0			0			0			0			0
23.2	Rental Payments to Others - Residences			0			0			0			0			0
Subtotal OC 23.2		6	0	6	6.1	0	6.1	6.1	0	6.1	6.1	0	6.1	6.1	0	6.1
23.3	Communications, utilities, and miscellaneous charge	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.3	Office Utilities	2.4		2.4	2.4		2.4	2.4		2.4	2.4		2.4	2.4		2.4
23.3	Residential Utilities			0			0			0			0			0
23.3	Telephone Costs	2		2	2		2	2		2	2		2	2		2
23.3	ADP Software Leases			0			0			0			0			0





TRUST FUNDS & FSN SEPARATION FUND

Orgno.: 525  
 Org. Title: USAID/PANAMA

**Foreign National Voluntary Separation Account**

Action	FY 98			FY 99			FY 00		
	OE	Program	Total	OE	Program	Total	OE	Program	Total
Deposits	22.8	7.6	30.4	15.0	9.0	24.0	16.0	8.0	24.0
Withdrawals	0.0	0.0	0.0	0.0	3.7	3.7	169.0	47.8	216.8
Unfunded Liability (if any) at the end of each FY.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

	FY 98	FY 99	FY 00
Balance Start of Year	0.0	0.0	0.0
Obligations	0.0	0.0	0.0
Deposits	0.0	0.0	0.0
Balance End of Year	0.0	0.0	0.0

Exchange Rate(s) Used

**Trust Funds in Dollar Equivalents, not in Local Country Equivalents**

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

	FY 98	FY 99	FY 00
Balance Start of Year	0.0	0.0	0.0
Obligations	0.0	0.0	0.0
Deposits	0.0	0.0	0.0
Balance End of Year	0.0	0.0	0.0

**Trust Funds in Dollar Equivalents, not in Local Country Equivalents**

## V. JUSTIFICATION AND SCENARIOS FOR POST-2000 INVOLVEMENT

### A. The Incomplete Missions

As this R4 is written, the Mission still has an official closing date of September 30, 2000. However, as a result of the LAC Bureau's review of the revised SO, the Mission was asked to examine the need for post 2000 assistance and consider alternatives for providing that assistance. In general, after 2000, we want to leave a legacy of achievements, and these would be realization of the objectives we set out in this R4. Those achievements will be substantial, but our frank assessment is that needs will even be greater as we prepare to leave.

With respect to whether USAID should maintain an assistance program for Panama, it is the Mission's considered judgement that notwithstanding the provision of assistance described earlier, Panama will still not have the institutional capacity in place to enable it to manage and protect the PCW or make productive use of all of the assets passed to it by the U.S. by the end of FY 2000. By the same closing date, the Mission will have had just a small amount of time to resume serious policy dialogue with Panama on its justice system. In sum, while we believe that the Mission will be able to complete the foregoing task we propose to take on in the next two years, the complexity and scale of the challenges inherent in the transition of the Canal and in the weak Panamanian justice system are such that achievement of a sustainable PCW management system and a reform of the justice system that produces palpable impact in that period is not possible.

### B. The Watershed and Reversion of Canal Properties

#### 1. Justification

On December 31, 1999, Panama will assume full responsibility for the management and operations of the Panama Canal and its associated watershed. Given the importance of the Canal for international trade, it is within the U.S. government's manageable interest to assure that it is managed well for efficient navigation. The Canal is intricately dependent on the surrounding watershed for a continuous supply of freshwater for operations. With Panamanian partners, the U.S. should ensure that a comprehensive and effective watershed management and protection system becomes fully functional on a **sustainable** basis. To be considered sustainable, the following conditions must be met:

- PCA is fully operational and financially self-reliant. This means that it has complete staffing, operational policies, and regulations in place and in use, and that it is managing and protecting the PCW in compliance with the mandates of Laws 19 and 21 and their subordinate policies and regulations. Sources of financing are assured to guarantee its long-term effectiveness.

- Other key actors (defined as other GOP agencies, local governments, NGO's, CBO's, and the business sector) in the PCW are informed about and complying with the mandates of Laws 19 and 21. The IIC is functioning effectively to coordinate the relevant administrative agencies in supporting the letter and spirit of those laws.
- The watershed itself is being monitored for forest cover, water and sedimentation flows, biodiversity, and demographic trends. Information about the watershed is disseminated to stakeholders and applied to management concerns such that the PCW remains healthy and continues to meet the water needs of the Canal and the local populace.

While the current program for FY 1998-2000 achieves improvements in the institutional capacity to manage and protect the PCW and facilitates the smooth transfer of the Canal itself, it does not guarantee sustainability of the institutional arrangements. The nascent Panama Canal Authority, designated to manage the Canal and its associated watershed, will not initiate operations until January of 2000, merely nine months prior to the USAID Mission's close-out. This leaves little opportunity for the provision of technical assistance to the PCA for the critical start-up issues that are likely to arise. For example, although USAID will have supported the drafting of regulations and policies for the PCA, successful implementation is likely to require more assistance. The PCA will face new challenges of applying regulations on the ground, soliciting and responding to stakeholder concerns, delegating responsibilities to other GOP agencies, and balancing demands of competing users of the PCW. Assistance with technical, legal, financial, and institutional matters will be essential in the several years following transfer.

In addition, the transfer of the Canal will occur right on the heels of the 1999 Presidential election. Not only is the election likely to distract Panamanians from some of the complex issues associated with management and protection of the PCW, it may also engender significant changes in GOP policy and attitude towards the PCW depending on who wins. Thus, investments that USAID has made in building capacity of government institutions, harmonizing policies, and fostering strategic alliances between key actors, may be transformed such that they should be revisited. The already apparent confusion about the roles and responsibilities of the myriad of GOP institutions involved in managing and protecting the PCW is likely to be magnified by changes in leadership and consequent loss of continuity. The new Environmental Law and Municipal Development Law (both in draft at present) will require new management and enforcement systems, requiring ongoing inter-agency coordination and clear delineation of roles and responsibilities.

We have already mentioned in the Overview the fact that the new management of the PCA is almost totally absorbed in trying to make the Canal itself ready for transition and has not been able to dedicate any effective management time to planning regarding the watershed. A further complicating factor is that none of the Directors of the Authority and few, if any, of the PCA staff have the technical background (e.g., there are no biologists, environmentalists, naturalists) requisite for effective oversight of the PCW. Over the next two years, USAID will assist the PCA as it seeks to recruit or train staffers in disciplines such as those just

mentioned, and it will work to raise the consciousness of the Directors as to the needs for such skills within the PCA. Given the professional backgrounds of the Directors and staffers (almost all of whom come from PCC canal operations careers), we suspect that it will take more than two years to broaden their cultural outlook so that they more fully address water and natural resources management and protection issues throughout the PCW.

After the IIC assumes the function of coordination among institutions and groups in the PCW, it could benefit substantially from longer-term USAID assistance in fundamental areas such as consensus building, conflict resolution, information management and dissemination, and participatory processes in general.

Furthermore, engaging civil society in decision-making is requisite for sustainable management and protection of the PCW, but cannot be achieved prior to anticipated close-out of USAID in 2000. Not only will the main decision-making body (PCA) not be operational (with respect to watershed management issues; the Canal operating side should be ready much sooner) until shortly before close-out, but also the establishment of an effective mechanism for soliciting and incorporating input from communities is lengthy. Citizens must first be made aware of the institutional structures and management arrangements for the PCW, and then offered the opportunity for input into the decision-making process. During the next two years, the Mission will continue to support activities towards this goal, including training in environmental education, capacity development of NGOs, participatory drafting of land use plans, and potentially a national awareness campaign. However, the primary momentum for participation of civil society will emerge after transfer of the Canal as citizens, particularly those residing in the PCW, are affected by new policies and regulations promulgated by the GOP. It, therefore, behooves USAID to remain positioned to contribute to the emergence of self-reliant organizations that have the ability to dialogue with the national government through a public process.

Finally, the lasting impact of each of the 1998-2000 intermediate results on management and protection of the PCW is limited by the impending termination of USAID involvement as follows:

Strategic Objective [Improvement in Institutional Capacity to Manage and Protect the Panama Canal Watershed]

*IR 1. Institutional Arrangements for Effective PCW Management and Protection Adopted --* The wording 'adopted' in this intermediate result conveys the restriction of the result imposed by the impending close-out. The Mission can only realistically expect to impact adoption of the arrangements by 2000. USAID involvement beyond 2000 would focus on overcoming obstacles to long term financing for the PCA, integrating stakeholder concerns and securing their compliance with new PCA regulations, and facilitating interagency cooperation to streamline implementation and enforcement of Law 19.

*IR 2. PCW Monitoring and Evaluation System Institutionalized* -- The investment that USAID has made in the start-up of a monitoring and evaluation system for the PCW has paid off in the systems for data collection. During 1998-2000 USAID hopes to see the effective institutionalization of these scientists and data collection methodologies. However, we suspect that other complex challenges will emerge as the PCA's new management responsibilities generate unforeseen, possibly expanding needs which require rapid response. Investment beyond 2000 would focus on enhancing the linkage between databases and management concerns, and making sure that the quality and quantity of information generated by the M&E system is adequate to PCA needs.

*IR 3. Protected Area Management Systems Functioning Effectively* -- With the assistance of USAID, the INRENARE has made commendable progress in establishing a functional national park system and will continue to improve infrastructure, train park guards, and enhance visitor services during 1998-2000. However, a number of the criteria for productive national parks cannot realistically be met by the close-out date. The U.S. Park Service, for example, recommended that visitor's centers be installed in all the PCW parks to orient the users. Also needed are strategies to mitigate for natural disasters such as the recent drought-induced fires, reduce the permeability of the park boundaries to outside impacts, and promulgate a conservation ethic that is transported beyond the national parks. Furthermore, an additional 22,769 hectares of land designated as protected areas under the Regional Land Use Plan will require attention. Investment beyond 2000 would focus on establishing infrastructure and services in these new parks as well as increasing visitation within the existing parks, implementing park land use plans, and encouraging compatible land use practices in the surrounding buffer zone communities. Here, as in other areas, participation of NGOs will be critical. We have just begun an NGO strengthening effort via the FIDECO mechanism, but it will take several years beyond 2000 to realize the goal of a NGO community that can fully utilize FIDECO resources and function as a full partner in managing and protecting the PCW.

*IR 4. Local Capacity to Protect and Manage the PCW Increased* -- Improving local capacity to protect and manage the PCW may ultimately prove the most critical to achieving the goals of the Regional Plan, given that tangible impacts to the PCW occur on the ground. The Mission's investment during 1998-2000 in fostering the development of local land use plans while promoting agroforestry and proper disposal of solid waste is likely to generate positive capacity-building results. However, the time available to the Mission at present (the next two years) simply will not allow us to impact on all of the communities in the Watershed. Additional, targeted communities will need assistance in developing local land use plans and provisions for solid waste management. Other ecologically appropriate, income-generating activities include ecotourism, which is addressed only tangentially in the 1998-2000 strategy, despite its potential significance for maintaining the integrity of PCW protected areas in the long-run. Investment beyond 2000 would focus expanding access of PCW residents to a more extensive palette of municipal development strategies and income-generating activities that are compatible with watershed protection.

Special Objective [To facilitate the smooth transfer of the Panama Canal, as provided in the 1997 treaties, and the productive use of the reverted properties]

*IR 1. Selected Policies and Procedures for Operation of the Canal Adopted* -- By the year 2000, the USAID Mission intends to have made significant contributions in assisting the PCA to establish the policy and regulatory framework for successful transfer of the Canal. The regulations, the legal framework, and the requisite staff will all be in place. However, upon emerging from under the wing of the PCC to assume full responsibility for Canal operations, the PCA will be confronted with the challenges that any new institution faces. Beyond 2000, it is likely that the PCA will ask USAID to provide technical assistance in areas such as risk management and liability, financing, and resolution of particular administrative and policy problems that arise in the implementation phase.

*IR 2. Enabling Conditions Established for Generating Investment and Employment in the Reverted Areas* -- During 1998-2000, USAID expects to have made further progress towards establishing the enabling conditions for generating investment and employment in the reverted areas. The General Land Use, Conservation, and Development Plan for the Interoceanic Region will continue to be implemented. However, establishment of these enabling conditions is only a foundation for many of the activities that the ARI will have to pursue beyond the year 2000. ARI will be faced with a unique set of challenges that are unfolding as a result of the disposition of former U.S. military properties. The last of the properties will not be handed over until December 31, 1999. According to the 1996 GAO report on Military Base Conversions it could take up to 10 years to convert reverted properties to private productive use. In light of this, ARI could benefit from continued assistance from USAID to enhance its management capabilities beyond 2000 to complete implementation of the Asset Disposition Plan.

*IR 3. Process for Disposition of Excess Property Expedited* -- By the close-out date, USAID will have allocated all residual excess property to GOP agencies and NGOs, and the property will have been accepted by the relevant bodies. For this portion of the SpO, it is not necessary that the Mission remain involved beyond 2000, assuming continued availability of sufficient human resources to carry out this formidable task during this R4's planning period.

## **2. Non-Presence Management Scenarios**

In this section and Section V.C. 2., below, we will restrict ourselves to discussion of non-Mission presence scenarios only, since we expect that a USAID present in Panama beyond 2000 will be capable of managing its own program portfolio. For a fuller treatment of what the Mission presence might look like, see Section V. D. below. As a general rule of thumb, all post-2000, non-presence activities, whether managed by a neighbor Mission or by AID/W, would need to be coordinated closely with Embassy/Panama. Finally, as we have related at several other points in this R4, we hope to have greater other donor participation in each of our objectives, with the expectation that participation will last well beyond 2000.

With respect to the SO and the SpO on reversion of properties, there are no LAC Bureau programs demonstrating potential for support of USAID activities beyond 2000 (with the possible exception of the SO's IR 4, as discussed in the next paragraph). However, G/CAP's LEPPi (Local Environmental Policy and Program Initiative - a part of the PROARCA Project) program could provide limited follow-on to the capacity building activities described under the SO's IR4.

As we discuss elsewhere in this document, USAID/Panama plans to take advantage of several institutional IQC's from the Global (G) Bureau in the next two years. Both of the environmental IQC's (EPIQ, and the Environmental Law Program, as well as the GreenCom work) would continue to be backstopped out of the G Bureau, as well as others to be identified for the reversion SpO. These programs would continue to be backstopped by the G Bureau, of course, but the complexity of those programs are such that they would need proxy direction and management from a USAID much closer to Panama. Assuming continuance of these IQC's beyond 2000 (and we believe they should, as stated above), then we believe the workload implicit in them is such that a large Mission such as El Salvador, or Nicaragua would need to pick up their management. Given that the LAC Bureau has identified El Salvador as the regional hub, we would suggest that Mission as first alternative in managing the IQC's on the ground. Finally, we would look to Guatemala and RUDO/Quito for continued management of the G/CAP's LEPPi Program and any AID/W activities that might be used from either the LAC or G Bureaus to support municipal development activities contemplated under IR4 of the SO.

## **C. Administration of Justice**

### **1. Justification**

This SpO is just now being proposed, with barely two years left to Mission closeout. In taking on the formidable task of making fundamental changes in the laws and policies surrounding the criminal and commercial justice systems, the Mission believes that it can achieve a respectable beginning in making inroads, but only that. Identifying the changes to be made and then achieving consensus within the legal community on most any subject can be time consuming and contentious, but our intent here is pull up the very roots of the system and make changes, which makes for an even more difficult project. Consensus on the changes is feasible by the end of 2000, but actually carrying out those changes (e.g., getting requisite legislation successfully through Congress, new Codes approved by justice sector leaders), and then getting them used, will take much more time. Finally, work will have to be done (in conjunction with the IDB) to evaluate whether new policies or reformed ones have in fact improved upon justice sector performance.

### **2. Non-Presence Management Scenarios**

The Mission expects to bring an institutional contractor on board sometime in 1999 using one of the G Bureau IQC sources or possibly an 8(a) contractor or third source to be determined.

Should a G Bureau source be involved, we would expect that absent a Mission presence, the contract would be managed by G Bureau personnel supported (or perhaps directed by) personnel from USAID/Colombia or possibly, USAID/El Salvador. We mention USAID/Colombia because of its proximity and very similar experiences in supporting administration of justice, and USAID/El Salvador, because we believe that by the year 2001, that Mission will be in the strongest position to provide regional (Central America) support and direction on administration of justice matters. Should an 8(a) or third source contractor be used, more support would be required from one of our sister Missions, although the G Bureau might provide help. Of equal importance to continued involvement beyond the year 2000 is the fact that any effort in this sensitive area will need to count on the continued support and collaboration from Embassy personnel. The Ambassador's continued leadership is absolutely essential, but under a non-presence scenario, we would have to look for much more participation from the Embassy.

#### **D. ... And What If the Mission Stays Open?**

As this R4 went to press, AA/LAC requested that the Mission discuss what would be needed to keep the Mission open, what new or follow-on activities might be proposed, and what the implications of these would be.

In the foregoing sections, we provide some scenarios for a non-presence assistance program assuming continued USAID assistance to Panama. In considering a continued Mission presence, we want to be clear that the subject of post 2000 Mission presence can only be adequately addressed in a new Strategic Plan for Panama. A major element of such a paper would be the proposal of full-blown, formal results packages that will allow us to set up SO Agreements, and provide us with the budgetary flexibility enjoyed by Missions operating with results packages (recall that we are still operating under the old Project Agreement approach, which severely limits our flexibility in management of funds). That said, the following are some initial and very preliminary thoughts that occur to us:

-- We need to maintain our PCW SO and we will want to make use of portions of the longer term scenario for the revised SO paper that was passed to the Bureau in February. An extended post-2000 SO would be expanded to include the ecotourism work contemplated in that paper, as well as expanded assistance in the areas of municipal development, agroforestry, use of the Development Credit Authority (DCA), and an intensive effort to strengthen INRENARE as an environmental institution.

-- We will need to continue provision of assistance under both the current and newly proposed SpO's. Assistance under the Administration of Justice SpO will definitely be expanded and deepened, and the same thing may happen under the Reversion SpO, depending on ARI's performance and use of USAID assistance to the year 2000.

-- The Excess Property Program will close out on time and will not be a factor, post 2000.

-- The Mission may propose a second Democracy and Governance Objective (possibly a SpO, or a SO) aimed at developing and strengthening Panamanian NGO's. Civil society in general, and NGO's in particular, are weak to non-existent throughout the country, depending on the sector involved. We have related elsewhere in this document what we are trying to do with respect to environmental NGO's, but we are attempting to do this without DA resources, and we are barely scratching the surface of a major problem which hampers the development of a strong democracy here, not to mention the environmental sector. Intensive and extensive work will be required with women's groups, indigenous groups, and groups interested in strengthening the justice sector, as well as other aspects of Panamanian society.

-- The Mission's sense is that current GOP plans for the PCW are such that a demographic "magnet effect" may take place. In fact, we suspect it is already happening. The environmental effects of unchecked population growth in a relatively limited area can be readily surmised, and they will be negative. We will want to consider longer term activities aimed at slowing migration flows into the watershed

-- We have related in this paper our plans for bringing on more contracted resources. This will create serious stresses on our contract management system, which consists of two FSN's at post, plus support from RCO/El Salvador. Continuance of the program and the Mission beyond 2000 may very well create the need to bring on a USDH Contract Officer 2000-2001.

-- Closure of the Excess Property Program will allow for the elimination of four positions in the Mission at the end of 2000. However, this will have no effect on Mission Operating Expenses, since those positions have been paid out of the EPP Trust Fund since the Program's inception.

-- In general, with respect to financial resources, the unknowns and variables inherent in all of the points made here, plus the very tight time constraints, make projections of OE and Program requirements guesswork at best. Our best estimate is that OE requirements will expand somewhat in real terms, given the possible increases of FSN salaries and the need for contracted services. Program needs will almost certainly go up, but amounts remain to be determined pending completion of a Strategic Planning exercise.

We want to stress again in closing, that the foregoing are some of the Mission's very preliminary ideas for a post-2000 Mission presence. We want to make clear that the breadth and complexities of the issues inherent in the subject of post-2000 presence are beyond the scope of this R4 exercise. They will require months of work and planning in developing a Strategic Plan, and that will require substantial Bureau and Agency TDY support, given the limited personnel resources of this Mission.

ANNEX 1

<b>SpO: To Facilitate Legal and Policy Changes Required to Sustain Fair, Fast and Independent Criminal and Commercial Justice Systems</b>	
SpO	Overall Indicator: Revised Policy Framework (i.e., Changes in Laws, Codes, Regulations, etc.) Accepted by Justice Sector Leaders.
IR:	Revised Policy Framework Documents Drafted.

**1. Rationale for Establishing a Special Objective in Administration of Justice**

The Mission recognizes that a fair and transparent justice system is necessary to ensuring the economic health and political stability of a country, and is important to enhancing and achieving the impact and sustainability of the results envisioned in the current USAID portfolio. In particular, fundamental change to the justice system will improve the confidence of Panamanian citizens, and U.S. and international businesses and investors, which in turn, will impact the SpO concerned with facilitation of the reversion of the Canal and the productive uses of the formerly owned-U.S. properties. Additionally, it will contribute to the achievement of our SO by improving and strengthening the legal foundation upon which the institutional framework for sustainable PCW management and protection is based.

Since Panama's return to democracy in 1990, efforts have been undertaken to re-establish independent Panamanian judicial institutions, strengthen operations and modernize laws. When 1995 budget stringencies forced USAID to reduce its presence worldwide, the Mission was instructed to eliminate its Democracy and Governance Strategic Objective, and phase out its successful Administration of Justice project which began in 1991 and was designed to assist Panama in creating a justice system that is expeditious, fair and independent of political and extra-judicial influences. Pursuant to that guidance, in September 1997, with the exception of some small purchases of equipment, we ended the activity. A 1997 project evaluation revealed that it was a successful activity, particularly with the formation of integrated teams of judges and prosecutors, and the training of judges, prosecutors and public defenders. The project's termination ahead of schedule left important program components unfinished.

The AOJ SpO seeks to support the GOP's efforts at facilitating fundamental change in the justice sector. This initiative gives USAID an opportunity to make a major contribution to restoring confidence in the justice sector by implementing a small, but strategically meaningful activity in an area not fully addressed by other donors. It is, however, an area -- at least on the criminal side -- in which USAID has a comparative advantage. USAID's experience in improved administration of justice could provide linkages and partnerships which would facilitate the strategic and fundamental systemic changes in Panama. However, due to Panama's Year 2000 close-out, the full impact of this effort cannot be adequately

demonstrated. This activity, however, will allow the Mission to develop a focussed strategic framework for increasing opportunities for systemic change; participate in a consultative and consensus building process; demonstrate some number of results; and more importantly, highlight the need for and reach agreement with Panamanians on the changes needed in the sector.

The rationale for establishing a special objective for administration of justice is based on Section 201.5.10c, which states that a special objective can be justified if the activity represents a response to, among other things, a special interest in a new program area which merits further exploration and that responds to new developments in the country. First, the proposed AOJ SpO is a small, time limited activity with a life of two years at a value of \$1.75 million. Secondly, it is exploratory in nature, and will involve further analysis and studies in order to respond more strategically to addressing constraints to administration of justice in Panama.

## **2. Linkage to U.S. Government, Agency and Host Country Goals**

The Special Objective, "To Facilitate Legal and Policy Changes Required to Sustain Fair, Fast and Independent Criminal and Commercial Justice Systems" contributes as follows:

U.S. National Interest -- **Score: 9** -- Speedy and objective resolution of disputes is one of the fundamental tenets of a democratic society. Problems in the Panamanian criminal and civil justice systems have caused tension with the United States Government and the American business community, and negatively influenced our relationship with Panama. Resolution of these issues is one of the highest priorities of the Country Team -- Number 2, after establishment of the Multilateral Counter-narcotics Center. Without a reliable justice system, our other objectives will be undercut substantially. It is clearly in our interest to support changes that result in an independent and effective justice system that promotes the confidence of Panamanian and U.S. citizens, and U.S. and international businesses and investors.

Agency Goals -- The Agency goals in four areas: (1) with regard to Broad-Based Economic Growth, overall increased confidence in the justice sector will create a climate which encourages investment in reverting U.S. properties; (2) concerning Democracy and Good Governance, an improved justice sector will facilitate the expansion and deepening of democratic principles and ideals at the national and local levels, and will include assistance to non-government organizations concerned with civil society; (3) it will support the Environment by improving and strengthening the legal foundation for enforcing protection activities; and (4) Human Capacity will be built through education and training within the justice sector and civil society.

GOP Political Will -- The Panamanians have taken substantive actions to improve the situation. The budget for the justice sector increased substantially in the last seven years. The judicial police system is now independent of the judicial branch, and its work is now

integrated within the Public Ministry. The GOP currently is updating some aspects of its legislation and codes -- commercial, labor, human rights and procedural aspects of the system.

### **3. Development Problem**

The Panamanian justice system is a mixed inquisitory/accusatory one which is inherently slow, complex and non-transparent, is difficult to understand or access for both Panamanians and non-Panamanians, and is highly susceptible to manipulation. Recently, an increasing number of policy formulators and opinion leaders have spoken out against the systemic slowness and inefficiency of justice in Panama. On May 8, 1998, Panamanian President Perez-Balladares joined the rising number of individuals charging that the system was "on the verge of collapse". A member of the Christian Democratic Party, former First Vice President, Ricardo Arias Calderon, has stated that the "administration of Justice is fundamental to ... democratic life ..." "The people of Panama are totally frustrated with the systemic slowness, lack of credibility, and corruption that impacts the economy and political life". Most of the negative remarks by political and opinion leaders in Panama have been confined to the criminal system, but the same criticisms apply to commercial law.

Panamanian, USAID and other donor efforts notwithstanding, the criminal justice system continues to suffer serious, systemic weaknesses which have produced delayed, flawed, or simply wrong decisions. Major consequences of these weaknesses are increasing backlogs in cases, and a prison population -- the highest per capita population in Latin America -- in which 45% of the prisoners held in preventive detention have never even appeared before a judge. Just as worrisome, if not more aggravating, the courts appear subject to manipulation, corruption and political influence, as was evidenced most recently by the innocent verdict of the killer of American soldier, Zak Hernandez. The civil system, including commercial component, is similarly lacking. Approximately 60% of all cases have been pending over a year, and 40% have been waiting for over three years. The actual backlog for criminal cases is not available, but justice sector authorities opine that the situation is probably worse there.

### **4. Special Objective Description**

The Special Objective: "To Facilitate Legal and Policy Changes Required to Sustain Fair, Fast and Independent Criminal and Commercial Justice Systems" aims to enable the GOP and civil society organizations to formulate, institutionalize and implement activities designed to ensure sustainable systemic change in justice. Further research will be undertaken to understand better the constraints to justice and the appropriate means to address the problem. The Mission will engage public and private sector decisions makers and opinion leaders, and a representative cross section of Panamanians, U.S. and international citizens, businesses, investors and organizations impacted by the activity to develop an effective strategy. A top priority will be to ascertain the receptivity to change. We plan to work very closely, with the Embassy and under the Ambassador's leadership, to ensure maximum coordination and support.

The focus of the activity will be largely, but not exclusively, on the relevant laws, codes, regulations and other policies upon which the system operates in the criminal and commercial areas. Once consensus is achieved, we will begin work assisting Panamanians in drafting legislation, changing codes, and addressing other systemic requirements. USAID has, and will continue, to coordinate and collaborate closely within the U.S. Government and with the IDB.

At present, USAID has no Administration of Justice staff and no expertise in-house to assist in addressing the requirement. The first step will be to hire adequate, qualified staff who will allow the Mission to study and consult with appropriate individuals and organizations. USAID is presently considering to hire a minority-owned firm to assist (a) in conducting the studies and consultations which may take the form of fora, workshops, etc., and (b) in drafting the documentation needed to formalize our assistance package.

Overall Indicator: Revised policy framework (i.e., changes in laws, codes, regulations, etc.) accepted by justice sector leaders.

Intermediate Result: Revised policy framework documents drafted.

#### Key Activities

- 1.1 USAID/Panama hires new AOJ staff.
- 1.2 Basic analysis/study work completed.
- 1.3 Consultations and consensus building exercises completed.
- 1.4 Agreement reached with Panamanians as to changes that are needed in the sector.

### **5. Involvement of Other Donors, U.S. Government Institutions and USAID Regional or Centrally-Funded Programs**

Donor involvement in the justice sector consists of one large program funded by the IDB, and several small bilateral programs which are actually ad hoc activities, such as small training programs for selected police officers or judges, or studies of one aspect of the justice sector or another.

- *Interamerican Development Bank* -- At present, the IDB is the only donor with an active project in the justice sector. The IDB approved a \$18.9 million loan to the GOP in March 1998 to assist justice sector entities in improving the administration of justice. The three year program will provide technical, training, commodity and construction assistance to the judiciary, prosecutors and other sector entities. This program will not be fully underway until later in the calendar year. USAID is in close contact with the Bank which is beginning implementation of its program, and will continue to maintain a close relationship.
- *Other Donors* -- Spain, France, Great Britain, and Italy all have conducted, or are conducting various assistance activities in the sector. Other donor work has included assistance in training the police, studies of the judiciary, and assistance in reviewing

information management systems in the sector. We plan to conduct an in-depth analysis of these activities once the Mission is staffed.

### Partners

- *ICITAP* -- The Department of Justice's International Criminal Investigative Training Assistance Programs (ICITAP) has provided substantial training, technical and commodity assistance to the Panamanian police forces and the prison system here since 1990. ICITAP's program is slated to continue through the end of 1999. USAID plans to work closely with that office to ensure their input into our activities in the coming months.
- *USIS* -- The United States Information Service (USIS) is planning, or has begun, work aimed at informing or training leaders in the media with respect to the justice sector and on the importance of its functions in a democratic society. USIS also brings speakers on judicial issues to Panama to inform members of the justice community and others on developments in justice policy and the state of judicial thinking in the United States. USIS is doing additional work in supporting civic education programs, with emphasis on the importance of viable justice systems in democratic societies.
- *USAID Regional or Centrally-Funded Programs* -- USAID will explore the use of these mechanisms.

**WATERSHED STRATEGIC OBJECTIVE  
DEVELOPMENT TIMELINE**

**Fiscal Year 1998**

In collaboration with GOP and USAID/Washington, discussions to encourage other donor activities in the watershed continue.

**1st Qtr (Oct-Dec)**

- Drafting of organizational guidelines and operational policies for the Panama Canal Authority continued.
- Smithsonian Tropical Research Institute team establishes protocols and methodologies for PCW monitoring and evaluation program.

**2nd Qtr (Jan-Mar)**

- Pre-operation planning initiated for the Interinstitutional Commission on the Canal Watershed (IIC).

**3rd Qtr (Apr-Jun)**

- Park use plans for three parks completed.
- General Environmental law enacted.
- Discussions begun with municipalities about both implementing the regulations for the Municipal Development Law and developing local land-use which conforms with the Regional Plan.
- Studies for pilot agro-forestry activities completed and activities begun.

**4th Qtr (Jul-Sep)**

- Draft PCA policies and regulations for environment and water management developed.
- Organizational guidelines and operational policies for the IIC drafted and vetted among potential government members of the IIC.
- Municipal Development Law passed. Drafting of implementing regulations begun.
- Forestry Incentives Law amended.
- STRI team finalizes protocols and methodologies for PCW M&EU program after workshop with experts and consultations with GOP agencies.
- Training of municipality staffs in land-use planning begun.
- Training in environmentally sound alternative livelihoods for cattle ranchers begun.

## **Fiscal Year 1999**

In collaboration with GOP and USAID/Washington, discussions to encourage other donor activities in the watershed continue.

### **1st Qtr (Oct-Dec)**

- First round of training courses in watershed management planning and tracking provided to PCA staff (10/98).
- Decision made as to final location of the PCW M&EU.

### **2nd Qtr (Jan-Mar)**

- Training in environmental education and interpretation for park guards, NGOs, school teachers, community leaders, and local government officials begun.
- Consultations begun with NGOs, CBOs, local governments, and business groups on the implementation of Law 19 for management and protection of the PCW.

### **3rd Qtr (Apr-Jun)**

- IIC on the Canal Watershed operational.
- Panamanian elections take place. (Programs may experience challenges due to protracted government decision-making processes)
- Study is completed of laws and regulations that outline the responsibilities and authorities of relevant government entities. This study will have identified potential conflicts, overlaps and omissions between the laws that govern the management and protection of the watershed.
- Consensus building continues within the IIC on the implementation of Law 19 and the development of regulations and policies for watershed management and protection that are financially sustainable.
- Discussions are continued with municipalities about implementing the regulations for the Municipal Development Law.
- Draft local land use regulations that conform with the Regional Plan are under discussion with communities and government agencies.
- Land use plans are implemented in three parks.
- Plans for the development of a National Environmental Strategy are initiated.

### **4th Qtr (Jul-Sep)**

- Recruitment of IIC staff begins.
- Follow-up actions identified by legal and regulatory study begin.

## **Fiscal Year 2000**

Other donors begin activities in the watershed, and collaboration with GOP and USAID/Washington to engage additional donors continues.

### 1st Qtr (Oct-Dec)

- Training activities completed:
  - \* Training for the PCA, IIC and other government agencies in conflict-resolution, consensus-building, and policy formulation.
  - \* Training of key municipalities in solid waste management, municipal financial planning, and land use planning.
  - \* Training of NGOs to work on environmental issues with municipalities, the IIC, the PCA, INRENARE, and other organizations, and to develop environmentally sustainable projects.
- The IIC is fully staffed.
- IIC members, in consultation with other stakeholders, finalize implementing regulations and policies for coordinated watershed management and protection. These are submitted to the PCA Board of Directors for final approval.
- Regulations and policies to implement the Municipal Development Law are completed and submitted to the President and cabinet for approval.
- Agro-forestry and other sustainable farming activities are in place with measurable results.
- Forest cover in the watershed has stabilized.
- USAID/Panama completes final program evaluation

### 2nd Qtr (Jan-Mar)

- IIC begins operations in response to PCA assuming full responsibility for the management and operation of the Panama Canal.

### 3rd Qtr (April-Jun)

- IIC responds to adjustments to PCA policies, procedures, and regulations.

**TRANSITION/REVERSION  
SPECIAL OBJECTIVE  
DEVELOPMENT TIMELINE**

**Fiscal Year 1998**

1st Qtr (Oct-Dec)

- Implementation of Law 21 (General Land Use, Conservation and Development Plan for the Interoceanic Region) begun.

2nd Qtr (Jan-Mar)

- PCA Board of Directors appointed. Operations planning initiated.
- SIAFPA training of GOP personnel, including familiarization with existing PCC financial system, started.
- 1998 Marketing Plan for Regional Interoceanic Authority (ARI) implemented.

3rd Qtr (Apr-Jun)

- PCA Board of Directors approved Public Information Plan.
- Draft by-laws for PCA Board business developed.

4th Qtr (Jul-Sep)

- PCA Public Information Plan implemented.
- By-laws for PCA Board business approved.
- Draft PCA policies and regulations developed: labor relations; watershed management; financial management; use of lands & waters (use of compatibility area) and others.
- PCA "Training of Trainers" Program completes first phase of training Panamanian mediators on Alternate Dispute Resolution (ADR).

**Fiscal Year 1999**

1st Qtr (Oct-Dec)

- PCA trained in the use of the Harmonized Financial System (SIAFPA)
- ARI trained in the use of the Harmonized Financial System (SIAFPA)
- ARI develops CY1999 Marketing Plan.

2nd Qtr (Jan-Mar)

- CY1999 Marketing Plan implemented.
- Advertising and Promotion Strategy for the Interoceanic Region developed.

### 3rd Qtr (Apr-Jun)

- Advisory Committee to the PCA Board appointed.
- PCA Labor Relations Board appointed.
- Institutionalization modality for the Labor Mediation and Conciliation System selected.
- ARI implements Advertising and Promotion Strategy for the Interoceanic Region.
- Compliance with the General Land Use, Conservation and Development Plan reported.

### 4th Qtr (Jul-Sep)

- Budgetary allocations for the institutionalization of the Labor Mediation and Conciliation System included in the GOP Budget Proposal for Year 2000.
- PCA "Training of Trainers" Program completes second phase of training Panamanian mediators on Alternate Dispute Resolution (ADR).

## **Fiscal Year 2000**

### 1st Qtr (Oct-Dec)

- PCA, in consultation with other stakeholders, finalizes implementing regulations and policies. These are submitted to the Board of Directors for final approval.
- Labor Mediation and Conciliation System institutionalized.
- Harmonized Financial System (SIAFPA) implemented.
- Legislative Branch approves Year 2000 budget allocation for Labor Mediation and Conciliation System.
- Compliance with the General Land Use, Conservation and Development Plan for the Interoceanic Region is monitored.

### 2nd Qtr (Jan-Mar)

- Fully staffed PCA officially assumes responsibility for Canal and associated PCW. Regulations and policies of the PCA are implemented.
- Monitoring compliance with the General Land Use, Conservation and Development Plan for the Interoceanic Region continues.

### 3rd Qtr (Apr-Jun)

- Adjustments are made to PCA policies, procedures, and regulations as necessary.

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