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FINAL REPORT

EVALUATION OF THE TRADE AND INVESTMENT DEVELOPMENT PROJECT

(Project No. 525-0309)

Submitted to:

Chamber of Commerce, Industry and Agriculture of Panama (CCIAP)

Foundation ANDE

USAID/Panama

Submitted by:

Henry Johnson
Manuel Vanegas

Checchi and Company Consulting, Inc.
1730 Rhode Island Avenue, N.W., Suite 910
Washington, D.C. 20036-3193

March 1, 1995

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EXECUTIVE SUMMARY

In early 1992, representatives of Panama's private sector and USAID/Panama developed a program to enlist local private sector organizations to promote policy changes which would help move the economy away from an import substitution approach toward an open economy and to address specific constraints inhibiting non-traditional exports. On March 31, 1992, USAID/Panama and the Chamber of Commerce, Industry and Agriculture of Panama (CCIAP) signed a Cooperative Agreement to carry out the Trade and Investment Development Project (525-0309) over a three year period.

This agreement was signed by CCIAP on behalf of Foundation ANDE which was to implement the Project for the Panamanian private sector. USAID/Panama's contribution was to be $2,500,000 and the counterpart contribution was to be $867,240 for a total project amount of $3,367,240. The purposes of the Project were: (1) to adopt policy changes that reorient Panama's economy away from import substitution and towards free trade, and (2) to develop non-traditional light industry and agriculture.

There was a clear need for the Project at the time it was designed. Panama urgently needs increased trade and investment and a more open economy to continue to grow and compete successfully in the future. The private sector has a key role to play in achieving these goals. But it was the first time the private sector had joined together to undertake activities such as those foreseen under the Project.

Traditionally, private sector entrepreneurial organizations had worked independently of one another and focused their efforts on issues that had a direct and specific impact on their members. Whether the private sector could find sufficient common ground not only in concept but also in practice to carry out the Project was a question. A basic assumption of the Project was that sufficient consensus would develop.

With the approach of the March 31, 1995 Project termination date, USAID/Panama contracted for this final evaluation to assess progress made toward meeting the Project's goal and objectives and, given the limited progress, to help USAID/Panama determine if an extension is appropriate and with what modifications. A two person team spent two weeks in Panama in December 1994 reviewing documents and interviewing key participants and observers of the program from the Panamanian private sector, implementing organizations, and USAID/Panama.

The team's basic finding is that the Project has demonstrated success in its fundamental aim of bringing the private sector together to work in common on getting policy changes adopted and developing non-traditional exports so as to diversify and increase the levels of Panama's trade. ANDE's most important accomplishments were the tourism law, one stop licensing, the seven workshops on economic development issues, and the national conference. These were no small achievements in view of the fact that it is taking longer than earlier envisioned for the particular private sector organizations to learn to work together. Also not fully appreciated at the time of

original Project design were constraints presented by the overall environment. The country was recovering from the economic and political crises of the late 1980s, and experiencing national elections and a change in government.

A further general finding of the team is that the original Project design was overly ambitious and unrealistic. Only $546,000 of the originally budgeted $2.5 million has been disbursed in the almost three years of the Project. Also, the original Project design was faulty or unrealistic in not assuring an adequate administrative structure to allow for moving forward at the anticipated speed. The constitution and manner of operation of ANDE's Board of Directors and ANDE's Executive Director's office simply could not plan and execute the number and range of activities proposed.

Despite its overly ambitious and experimental concept and the changing and uncertain overall environment of the country in which it was implemented, the Project has achieved notable successes and shows promise of further achievement in its two principal components, policy advocacy and export development (particularly agricultural).

Based on its findings and conclusions, the team suggests the following steps with respect to the future of the Project:

1) The Project should be extended because the basic assumption that the private sector could find common interest and would work together on efforts to improve trade and investment has proven valid with the tourism law, one-stop licensing, and workshop program accomplishments. The Project should be extended for a period of at least two years so that the non-traditional agricultural export product development plans, proposed among other future activities, will have sufficient time to be implemented. The proposed Project extension should, however, be conditioned on the following steps and modifications.

2) ANDE and USAID/Panama should arrange at the earliest possible opportunity a joint workshop to address Project implementation issues.

3) The vision for ANDE needs to be re-examined by ANDE's sponsors in Panama's private sector to decide whether ANDE should function more as a think tank, for example, and what if any change there should be in its institutional relationships.

4) ANDE's whole management mechanism needs to be improved, including (1) restructuring ANDE's Board of Directors to represent any agreed new vision better and to function more effectively; and (2) strengthening ANDE's Executive Director's Office.

5) A work plan for the proposed Project extension should be prepared by ANDE indicating priorities for use of available funds, anticipated impacts, and proposed implementation plans.

6) Revised outputs for the Project should be agreed upon between USAID/Panama and ANDE and the existing Cooperative Agreement between USAID/Panama and CCIAP should be amended to reflect agreed upon changes and the corresponding budget.

7) Specific means for measuring Project impact need to be identified and agreed upon.

8) USAID/Panama needs to exercise its Project management responsibilities more actively.

Among the lessons learned to date under the Project are the following:

a) The concept of private sector cooperative action to improve the trade and investment climate is a valid one but the lesson learned is that cooperative action should focus, at least in its early stages of development, on areas where agreement is more likely to develop and not those likely to be divisive.

b) Realism is an essential ingredient of project design. The Project proposed an unrealistic work plan for its original three year duration. Seven organizations with, in some cases, strongly conflicting interests had to learn to work together. They simply could not do so by starting to work on several fronts at once. They needed to feel their way with a narrower focus and could experiment initially only with a limited agenda. To gain credibility, it was important initially to proceed carefully and not to risk failure. The 1994 elections and change in government also complicated the environment. The lesson learned is that Project designers should have taken these factors more into account. The result was unrealistic expectations and unnecessary pressures on Project implementation.

c) Administrative feasibility needs to be assured in project design. In addition to being over-designed, the Project has suffered from an inadequate administrative structure. ANDE's Board has not been constituted and has not operated in a manner to promote and support the most efficient Project administration possible. The one Executive Director, supported for only an initial year by an Administrative Assistant, the one secretary, and the one IESC volunteer, with a never well-defined role, simply could not operate the Project at the anticipated pace. The expectation that administrative support might be forthcoming somehow from other sources did not materialize. These administrative deficiencies need to be addressed and corrected if the Project is to be continued and a higher rate of disbursement expected. The lesson learned is that administrative feasibility should be assured at the outset.

d) Early AID attention is essential where there is evidence of project slippage. USAID/Panama probably could have taken earlier action to address the factors constraining Project implementation when financial and progress reports in the second year of the Project began to reveal slippage. The problems have not gone away and frustrations on all sides have grown possibly making corrective action more difficult than might have been the case earlier. The lesson learned is that the earlier corrective action is taken with respect to implementation problems the better.

I. PROJECT BACKGROUND

Since its separation from Colombia in 1903, Panama's economic structure has been shaped first by the construction and then by the operation of the Panama Canal. This special geographic position created potential for the development of an open and internationally competitive economy. However, this has not occurred. Instead, Panama has developed a dual economy with some sectors integrated into the international economy while others have legal and administrative barriers protecting them from outside competition.

The years of military rule left Panama's economy in shambles with declining investment, highly protective trade barriers, inefficient and narrowly based productive sectors, and a bloated and inefficient public sector. While there has been rapid economic recovery since early 1990, basic structural problems remain. Unemployment is 13 to 14% with high levels of underemployment. The traditional growth sectors - banking, the Colon Free Zone, the Canal and military bases, and the public sector - will not be able to absorb the currently unemployed or the new entrants into the work force including those who will be seeking work as a result of the closure of U.S. bases. Panama needs to promote greater opportunity for agricultural and manufactured exports.

However, the agricultural and manufacturing sectors are relatively less developed than elsewhere in Central America, and only contribute about 10% each to gross domestic product. The small size of these two sectors results in part from Panama's restrictive policy environment. Businesses confront price controls and government intrusion in all aspects of marketing and production. The structure strongly favors production for the domestic market and capital versus labor intensive industry.

In areas where Panama's past leadership did move aggressively into international markets, such as banking and financial services, the country has met notable success. These successes were accomplished by reforming laws and regulations, and otherwise creating conditions conducive to economic growth. Since the agricultural and manufacturing sectors are not export-oriented, local expertise and experience in exporting has not developed to the same extent as in other Central American countries.

In early 1992, representatives of Panama's private sector and USAID/Panama developed a program to enlist local private sector organizations to promote policy changes which would move the economy away from an import substitution approach toward an open economy and to address specific constraints inhibiting non-traditional exports. On March 31, 1992, USAID/Panama and the Chamber of Commerce, Industry and Agriculture of Panama (CCIAP) signed a Cooperative Agreement to carry out over a three year period the Trade and Investment Development Project (525-0309). This agreement was signed by the CCIAP on behalf of the Panamanian private sector. USAID/Panama's contribution was to be $2,500.000 and the counterpart contribution was to be $867,240 for a total project amount of $3,367.240.

The goal of Project 525-0309 is to diversify and increase the level of trade by Panama. Its purposes are: (1) to adopt policy changes that reorient Panama's economy away from import substitution and towards free trade, and (2) to develop exports of selected products in the light industry and agribusiness sub-sectors. The Project has two basic components: policy advocacy and export development.

Under the policy advocacy component, a program of problem identification, technical analysis, and public awareness efforts in support of desirable policy reforms was to be carried out. Traditionally, Panama's private sector organizations had focused on working toward changes that affected their own members. The aim of the Project was to identify cross cutting problems affecting a majority of the organizations and to unite them in working together with the Government of Panama for changes to improve the trade environment in Panama.

It was contemplated that the project would finance a master study and a series of seminars and workshops to identify the laws, regulations, and other constraints that adversely affect investment. Illustrative areas to be addressed included: reform of the "Export Processing Zone" law to make Panama competitive with other countries in the region, modifications to the labor code to allow for increased productivity, and elimination of policy constraints to tourism development. The seminars and workshops were to bring together experts and interested participants to build consensus in support of specific policy reforms. Media releases and public education efforts would promote public support for desired changes.

The expected outputs for this policy advocacy component of the Project were:

- Master study, completed by October 1992.

- At least six individual policy studies completed and widely disseminated by July 1994.

The second Project component, export development, was to stimulate exports through preparation of product development plans. These product plans would be available to all interested parties at a nominal fee. To complement the development plans, an investment guide was to be published. Technical assistance interventions were also to be provided to requesting firms with the cost of assistance to be billed to the firms based on ability to pay. A Commercial Service Center and a one stop business licensing center were to be developed and established.

The expected outputs for this component were:

- A total of six (6) product development plans (3 for light industry and 3 for agriculture) prepared by the end of the Project.

- A total of fifty (50) firm-specific interventions carried out during the 36 months of the Project.

- A Commercial Service Center fully operational by July 1992.
- A one stop business licensing center established by December 1993.

To carry out the Project, an umbrella organization, ANDE Foundation, was created by seven of the most representative private sector associations: the Panamanian Industrial Association (SIP), the Panamanian Association of Business Managers (APEDE), the American Chamber of Commerce (AMCHAM), the National Association for Economic Development (ANADECO), the Guild of Non-Traditional Agricultural Exporters of Panama (GREXPAN), the Panamanian Association of Exporters (APEX), and the CCIAP. During implementation of the Project, two additional associations, the Panamanian Chamber of Construction (CAPAC) and the Colon Free Zone Users Association (AU), joined the ANDE Foundation as members of its governing committee.

There was a clear need for the Project at the time it was designed. Panama urgently needs increased trade and investment and a more open economy to continue to grow and compete successfully in the future. The private sector has a key role to play in achieving these goals.

But it was the first time the private sector had joined together to undertake activities such as those foreseen under the Project. Traditionally, private sector entrepreneurial organizations had worked independently of one another and focused their efforts on issues that had a direct and specific impact on their members. Whether the private sector could find sufficient common ground not only in concept but also in practice to carry out the Project was a question. A basic assumption of the Project was that sufficient consensus would develop.

II. PURPOSE AND METHODOLOGY

USAID/Panama contracted for this final evaluation of Project 525-0309 to assess progress made toward meeting the Project's goal and objectives and, given the limited progress, to help USAID/Panama determine if an extension is appropriate and with what modifications. The scope of work for the evaluation is presented in Annex A.

Checchi and Company Consulting, Inc. sent a two-person team to Panama in December 1994 to carry out the evaluation. The team was led by Henry Johnson, a retired USAID Senior Foreign Service Officer with thirty years of USAID experience, mostly in Latin America, including four years as Program Officer in Panama from 1970 to 1974. As a private consultant, he has served as a team leader for several evaluations of USAID projects, including projects in Costa Rica, Bolivia, and El Salvador. The second team member, Manuel Vanegas, is a trade and investment specialist who is currently Chief Advisor to the Minister of Economics in the Government of Aruba. He recently conducted an assessment of El Salvador's trade and investment constraints and opportunities. As a senior economist with the World Food Council of the UN, he identified and analyzed financial and trade policy constraints in agriculture in Latin America.

The team spent two weeks in Panama interviewing key participants and observers of the program from the Panamanian private sector, the implementing organizations, and USAID/Panama. A list of persons interviewed is presented in Annex B. The team also reviewed documents and records available in USAID/Panama and the offices of the Panamanian institutions. A bibliography of key documents is shown in Annex C.

Annex D provides answers to the specific questions contained in the Scope of Work and/or references to where the answers can be found in the body of this report.

III. FINDINGS AND CONCLUSIONS

The team's basic finding is that the Project has demonstrated success in its fundamental aim of bringing the private sector together to work in common on getting policy changes adopted and developing non-traditional exports so as to diversify and increase the levels of Panama's trade. This had never been tried before in Panama. Moreover, it was an especially risky endeavor because Panama's private sector organizations have traditionally represented strong vested and particular interests in a heavily protected economy. Everyone the team consulted believed the experiment was a success that needed to be continued and built upon in the future.

Table 1, shown on page 6, shows the original budget for the Cooperative Agreement under the Project and estimated expenditures through November 30, 1994. Data was drawn from information available in the offices of CCIAP and USAID/Panama. The fact that only $546,000 of the originally budgeted $2.5 million has been disbursed in the almost three years of the Project indicates on the face of it serious lack of progress. But a further general finding of the team is that the original Project design was overly ambitious and unrealistic.

ANDE's most important accomplishments under the Project to date were the tourism law, one stop licensing, the seven workshops on economic development issues, and the national conference. Specifics on these accomplishments and their impacts are detailed below. Also addressed are the outputs originally foreseen under the Project that were not accomplished and the reasons why.

What was accomplished, in fact, was no small achievement. It is taking longer than earlier envisioned for the particular private sector organizations to learn to work together. ANDE, for example, tried to bring together the industrialists (SIP) and the retailers (CCIAP) with fundamentally opposed interests and objectives. And, indeed, the SIP withdrew from ANDE less than two months ago in a controversy over ANDE's efforts to develop a common program to assist with bringing Panama into GATT.

Most in the private sector believe SIP can eventually be persuaded to rejoin ANDE. But SIP's withdrawal, as well as that of APEX (because of its perception that benefits were not commensurate with the costs of membership), are symptomatic of the divisiveness ANDE is attempting to overcome.

Also not fully appreciated at the time of original Project design were constraints presented by the overall environment. The country was recovering from the economic and political crises of the late 1980s culminating in Operation Just Cause. Panama's Economic Reform Program developed with the support of the international financial institutions was encountering difficulties and became stalled. This program tended to divide the organizations forming ANDE especially in connection with the trade issues. The country was also entering an electoral process leading to the 1994 elections that would be a major test of Panama's progress toward democracy. The elections then brought a change of government. The uncertainties, pressures, and other priorities occasioned by these events were significant restraining factors on ANDE's attempts to move forward with its new concept of private sector cooperative action.

Table 1

FINANCIAL STATUS
TRADE AND INVESTMENT PROJECT (525-0309)

	TOTAL BUDGET	TOTAL EXPENDED (As of Nov. 1994)
POLICY ADVOCACY COMPONENT	$ 1,093,950	$ 472,664
Center Personnel & Long Term TA	336,200	100,016
Policy Advocacy Studies	470,000	257,500
Training	192,000	71,826
Commodities	53,750	33,580
Travel	36,000	5,772
Project Office	6,000	3,970
EXPORT DEVELOPMENT COMPONENT	913,750	45,776
Technical Assistance	482,500	37,400
Studies	258,000	4,500
Training	75,000	2,465
Data Base	55,000	1,411
Commodities	43,250	
PROJECT MONITORING	200,000	12,825
Evaluation	125,000	
Annual External Audit	75,000	12,825
CONTINGENCY	292,300	15,161
PROJECT TOTALS	$ 2,500,000	$ 546,426

The original Project design was faulty or unrealistic in not assuring an adequate administrative structure to allow for moving forward at the anticipated speed. The constitution and manner of operation of ANDE's Board of Directors and ANDE's Executive Director's office simply could not plan and execute the number and range of activities proposed. It was perhaps anticipated that more support would be forthcoming from the participating organizations but this additional support did not materialize.

Despite its overly ambitious and experimental concept and the changing and uncertain overall environment of the country in which it was implemented, the Project has achieved notable successes and shows promise of further achievement in its two principal components, policy advocacy and export development (particularly agricultural).

A. POLICY ADVOCACY

The objective of this component is to support a private sector directed program of economic policy and regulatory reform. It will assist private sector organizations to carry out a program of problem identification, technical analysis, and public awareness efforts in support of desirable policy reforms. The expected outputs were to be a master study, completed by October 1992, and at least six individual policy studies completed and widely disseminated by July 1994.

ANDE Led Policy Dialogue. During the first year of Project implementation, it became clear that policy reform had to be in place before a major commitment in export and investment promotion could be successfully carried out. As a result, ANDE's efforts were concentrated on supporting private sector-led policy dialogue to create consensus for needed reforms in tourism development and ways of doing business in Panama. During this period, ANDE worked on the drafting of both the tourist development and one stop licensing laws.

Since January 1993, ANDE launched a campaign to explain to policy-makers the lengthy, complex, burdensome, and costly procedures to do business in Panama and the strengths and weaknesses of various policy options. A consensus was reached to recommend a specific course of action for a new investment code in tourism development. A proposal was also drawn up for obtaining permits and approvals for doing business in Panama.

ANDE brought its preliminary analysis on the above policy reforms before a group of the Legislative Assembly and public officials of the Ministries of Finance and Commerce and Industry and the Instituto Panameño de Turismo (IPAT). These meetings reinforced ANDE's earlier diagnosis and helped to polish the policy proposals and determine priorities.

Participants in the consultations agreed with the idea of seeking dialogue with and approval from the Legislative Assembly. ANDE consulted with key members of the Legislative Assembly and government officials on both concepts during several meetings in 1993 and 1994. On these occasions, public officials endorsed the policy reforms.

The Tourism Law was passed in June 1994. It establishes incentives to encourage the development of the tourism industry equal to those of Panama's competitors and streamlines the permit process. The GOP is currently preparing by-laws and full implementation is scheduled for January 1995. By all accounts, ANDE was successful in coordinating the political and technical aspects of the activity.

Any effective effort to build consensus on policy reforms requires time. This, combined with the political setting of Panama slowed progress and the activity was completed in 27 months, longer than expected.

Impact on Investment Behavior. Although the Tourism Law has only recently passed, IPAT has already received 27 requests for new investments. Compared with minimal investment prior to the law, these applications since the law amount to a total of $87.5 million dollars in new planned investment. It is reasonable to expect that once the Tourism Law is fully implemented, investment levels will continue to grow. In addition, the successful conclusion of the Tourism Law negotiations has reaffirmed the strong government support for a more open economy and the role the private sector is expected to play in the 1990s.

The Master Plan and Policy Studies. The Project Paper envisaged a master study to be completed by October 1992, and at least six (6) individual policy studies completed and widely disseminated by July 1994. However, in April 1993, ANDE changed its analysis priorities in response to the request of its members and sought approval from USAID/Panama to implement both a series of seminars/workshops on revision of economic policies and a national conference. USAID/Panama agreed to consider this activity as an alternative to the master study.

Seven economic policy workshops were carried out by the Instituto Centroamericano de Administración de Empresas (INCAE):

1) Hacia una Visión Nacional del Desarrollo de Panama (Development and Policy Strategy). Date of implementation October/11/1993.

2) Requisitos y Obstáculos para Incrementar la Competitividad Nacional (Competitiveness Analysis). Date of implementation October/25/1993.

3) La Educación y el Desarrollo Nacional (Education and Development). Date of implementation November/10/1993.

4) Los Servicios Públicos y la Modernización de la Economía (Public Sector Modernization). Date of implementation January/26/1994.

5) Políticas de Transporte (Transportation Policy). Date of implementation February/2/1994.

6) Políticas de Administración Laboral (Labor Management Policy). Date of implementation March/26/1994.

7) Políticas de Comercio Exterior (Trade Policies). Date of implementation June/2/1994.

On the average some forty participants from the private and public sectors attended each workshop. A total of between 275 and 300 participants attended the seven workshops and two GATT seminars. Of the total participants, 19% were female. ANDE will continue to offer a forum for exchange of views among key actors involved in the policy and development process in Panama.

Based on the findings of the workshops, ANDE and INCAE prepared a set of position papers identifying areas where policy changes are required in order for Panama to become competitive in the world market. Papers identified constraints in the areas of foreign trade, education technology, public utilities, transportation, and labor.

On August 9, 1994 ANDE held a national conference, "Un Diálogo Para el Desarrollo", attended by the President-elect and his Cabinet and over 275 participants from the private and public sectors. Some of the issues presented in the policy papers and discussed in the conference are expected to be included in the new GOP's Economic Plan which is currently being drafted.

A review of the series of policy papers and conclusions of the seminars showed that the quality was uneven. Lack of in depth analysis was a weakness. There are important areas in which the papers contain no empirically supported recommendations or no recommendations at all. In addition, the conclusions and recommendations emanating from the national conference do not provide guidance for further follow-up and implementation.

Based on what was learned in these workshops, ANDE published the proceedings in August 1994 and an executive summary that have been used by ANDE in meetings with Ministers, top government officials, and labor unions to shape national policy analysis. However, the policy papers have not been disseminated widely. This lack of dissemination not only represents a missed opportunity for broader public education and promotion of public support for policy reform but also a missed opportunity for enhancing ANDE's image.

Impact on Policy Environment. ANDE has successfully brought together key business associations in Panama for the purpose of promoting policy changes to improve the investment and trade climate and has become a vocal advocate for these changes.

Partly as a result of the national conference, the President has created two Presidential Councils: one on investments, the other on Tourism to be chaired by prominent businessmen. Also, members of ANDE have been appointed to the commission to analyze changes required in the Labor Code.

In addition, ANDE has presented to the President a series of economic policy proposals identifying areas where reforms are required in order for Panama to become competitive in the world market . The team has been informed that some of these policy proposals are expected to be included in the GOP's Economic Plan which is being drafted.

Since August 1994, ANDE has been working with the public sector in various ways. The team has been informed that ANDE is currently working closely with Fundación del Trabajo in drawing up reforms to the Labor Code of Panama, is contributing to the design of plans for privatization of the port of Cristobal, and is participating in various meetings in education and public sector modernization.

Looking to the Future. In light of experience to date, this policy advocacy component of the Project should continue. However, we suggest that its activities should be conceptualized as follows:

1) Revisions to the seven background policy papers used for the workshops are needed. At the macro and sector levels, the revisions should focus on selected economic problems, present some indicators reflecting performance, the implications for action, and policy issues in the implementation of market-oriented reforms. In addition, the revised reports should determine priorities, the policy agendas for action, and designs for implementation.

2) ANDE supported by technical assistance should also conduct policy research studies in the following areas because ANDE recognizes, after two and a half years of consideration and discussion, these are the areas most likely to yield rapid results:

   a) Labor Management Analysis and Policy Development.

   b) Reforms to the Labor Code.

   c) Foreign Trade Policy Issues, including the scope and timing of liberalization under a possible access to GATT.

   d) Public Sector Modernization.

3) Continued seminars/workshops in various aspects of policy analysis and economic management in the areas defined above.

To implement the above activities, the team believes that ANDE should recruit a long-term economic policy advisor under the Project.

Efforts to generate and disseminate policy proposal information should be increased and reoriented to serve widely ANDE's constituencies. Moreover, ANDE should make an effort to catalogue its documents and make them available to the public.

GATT Negotiation. Because the Project is demand driven and GATT was perceived as an area of opportunity to move Panama towards trade liberalization, ANDE decided to include GATT among the program of activities within the Policy Advocacy Component and USAID/Panama agreed.

The Project has supported and financed two operations. The first was participation of ANDE in the first negotiation meeting in April 1994 for entry of Panama to GATT. The second were two seminars on GATT issues carried out with international experts of GATT's technical secretariat in June and August 1994. With the participation of 300 persons from the public and private sectors, these seminars were aimed at educating Panama's private and public sectors on GATT principles, policies, and negotiation procedures.

Because ANDE got too far out in front on the GATT, the private sector became more divided, SIP resigned as a member of ANDE, and ANDE lost income of $500.00 a month generated by SIP membership fees. But ANDE has succeeded in becoming involved in the Presidential Commission to negotiate the entry of Panama into GATT, and has initiated a policy dialogue and a public education/training process of debate on this delicate policy issue.

For the future, ANDE should continue its support of dialogue and education with respect to GATT but must be careful not to get too far out in front and aggravate the divisions within the private sector that this issue causes.

B. EXPORT DEVELOPMENT

The objective of this component is to develop exports of selected products in the light industry and agribusiness sub-sectors. The Project Paper stipulated technical assistance to be provided for selected products in the two sub-sectors through the preparation of Product Development Plans. At the same time both specialized, firm-specific and more generalized technical services were to be provided to assist businesses desiring to invest in and to increase production of export products.

The Product Development Plans called for: (a) developing information concerning Panama's existing and potential production and export capabilities; and (b) developing new export products. A total of six such plans were to be prepared--three each for light industrial and non-traditional agricultural products.

The expected outputs of this component were to be the following:

- A total of six product development plans (3 for light industry and 3 for agricultural) prepared by the end of the Project.

- A total of fifty firm-specific interventions carried out during the 36 months of the Project.

- A Commercial Service Center fully operational and, providing generalized technical services.

- A one stop business licensing center established by December 1993.

Development Plans for Light Industry. From the interviews, the team has concluded that ANDE never seriously considered implementing this activity because of impracticalities in doing so and other priorities. ANDE lacked time, basic information, and capability to pursue this activity. The team and ANDE agree that allocating scarce resources to this activity could detract from the potential for results in other areas. For these reasons, the team recommends dropping this activity.

Development Plans for Non-Traditional Agricultural Products. The Project Paper stipulated that from a list of twenty one products a total of three product development plans also will be prepared for non-traditional agriculture products. Implementation of a contract to structure the program of commercial trials for non-traditional agricultural products has only recently been initiated.

An initial GREXPAN proposal to ANDE requesting technical services in support of increased production and investment in onions began a process of internal discussions on its production and marketing feasibility and on the required infrastructure support. At the same time, with the support of USAID/Panama financed technical assistance, under the Exitos Project several members of GREXPAN made commercial trials shipments of onions to the United States. Since the initial shipment, GREXPAN has continued to export onions to the US, and 12 containers of sweet onions were exported during the months of February and March, 1994.

According to the information available, USAID/Panama felt that the GREXPAN proposal would benefit very few producers. Some members of ANDE also opposed the proposal. For these reasons, the GREXPAN proposal was not carried out with financing under Project 0309.

The Executive Director of ANDE consulted with the Board and USAID/Panama on how to proceed with this activity during several meetings held in 1993 and 1994. Following these meetings, the International Executive Service Corps (IESC) advisor in April 1994 was given the responsibility of managing this activity. In all these consultations, strong support was expressed for a focused, long-term initiative.

The technical service contract on "Estudio para la Promoción de la Inversión y la Exportación Componente de Planes Pilotos de Exportación Agrícola" (PPEXA) between ANDE, Techno-serve and CCIAP was signed on September 28, 1994. During the first phase, feasibility studies will be produced which contain specific technical, financial, and economic information on the production of each selected non-traditional agricultural products. The evaluation team proposes that this activity be continued.

Impact on Production and Trade. Three or four products will be selected which will have a positive impact on the production and export of non-traditional agricultural products, and on trade diversification. In addition, increased trade will have a positive impact on job creation and will, enable idle farmers, especially the former tobacco growers, to produce exportable products such as yuca, ñame, otoe, etc. The success of this activity will be measured in both reduced unemployment and poverty which are important problems in certain rural areas of Panama.

Firm-Specific Interventions. The Project sought to provide both specialized and general technical services in support of increased production and investment in light industry and agriculture, especially non-traditional agriculture as well as non-traditional service exports. This assistance was to be made available to existing and prospective Panamanian exporters and to interested foreign investors. This activity has not demonstrably moved toward its purpose of providing generalized and specialized technical services. This is due to the fact that the Product Development Plans for light industrial products were never implemented and, for agriculture, have just started. The team proposes that this activity concentrate on agriculture only.

The Commercial Service Center. Under this activity the Project Paper stipulated the provision of assistance to finance a computerized link to data bases that provide the current prices of different commodities and products which may be exported, and financial and market information on companies doing business in the US. This information mechanism was never implemented. The team proposes that this activity focus on the generation of a primary data base generated from the feasibility studies and a secondary data base related to production, supply, demand and market analysis and research . This data base might serve as a basis for the development of a more comprehensive data management system.

A One Stop Business Licensing Center. ANDE and CCIAP consulted with the Ministry of Commerce and Industry (MICI) on the one stop law concept during several meetings in 1993 and 1994. On these occasions, MICI endorsed the idea. ANDE's Board of Directors solicited the views of important members of the Legislative Assembly on many occasions. In all these consultations, strong support was expressed for such an initiative. The legislation-"LEY No. 25, Por la cual se Reglamenta el Ejercicio del Comercio y la Explotación de la Industria"- to establish a one stop Business Licensing Center in MICI was debated and approved by the Legislative Assembly and became official on August 26, 1994.

Impact on Business and Industrial Operations. Ideally, quantified estimates of policy changes should capture the incidence and the direct and indirect impacts on legal constraints, trade diversification, and the level of trade by Panama. However, as the law was only implemented recently, its effect on trade, investment and employment is not yet apparent. There have been the following measurable impacts from the streamlined procedures for obtaining a business license:

a) The number of steps required has been reduced from 12 to 3.

b) The time required has been reduced from about 6 to 9 months to about 10 to 30 days.

c) The number of applications between September and November was about 450 or a 22% increase over past levels.

d) Out of about 2,600 pending cases, the one window center has made a positive decision in about 15% of the cases for which, in the next 60 days, it is planned to provide the Provisional Permits to Operate (PPO).

Under the new scheme, the allocation of commercial licenses is more transparent. Overall costs of doing business are being reduced. Full implementation is expected in the first quarter of 1995. The new process will particularly benefit small and micro enterprise firms.

C. MANAGEMENT AND IMPLEMENTATION

To coordinate the Project, ANDE designated a Board of Directors to ensure high-level support, hired an Executive Director to monitor progress and resolve implementation problems, and formed policy commissions to formulate work programs and provide operational guidelines. As noted above, the Project is ambitious in scope, complex in design, and requires a high degree of coordination. Indeed, achieving its purpose and meeting its goal would have been a challenge under conditions considerably more propitious than those facing the Project.

USAID/Panama management was affected by elimination of one of the two US direct-hire positions in the Office of Private Sector Development (PSD) in 1993. The second US direct-hire position was eliminated upon his departure in July 1994. The then PSD Office and Economic Office were combined to form the General Development and Economic Office (GDOE) and the head of the Economics Office became the Chief.

ANDE's Executive Director's office has not been sufficiently staffed nor enjoyed sufficient authority to manage and coordinate activities effectively with the President of ANDE's Board, the members of ANDE's Board, CCIAP, and USAID/Panama all of whom are involved in Project management. Moreover, changes in ANDE's Board President have been frequent impeding coordination, planning, and sustained focus. The long-term International Executive Service Corps (IESC) advisor was not given specific functions and has never been clear what was expected of him. The administrative assistant funded by USAID/Panama for the first year was eliminated because of lack of funding.

IV. RECOMMENDATIONS

Based on the above findings and conclusions, the team suggests the following steps with respect to the future of the Project:

1) **The project should be extended** - The basic assumption of the Project that the private sector could find common interest and would work together on efforts to improve trade and investment has proven valid with the tourism law, one-stop licensing, and workshop program accomplishments.

The Project moved slower than anticipated. From the beginning, it was more difficult than earlier envisioned for the particular private sector organizations to learn to work together. Also, the stresses and strains of the process of recovery from the economic and political crises of the 1980s and pressures stemming from Panama's Economic Reform Program with the international financial institutions tended to divide the organizations forming ANDE, especially in connection with the trade issues. The 1994 elections and the resulting change in government produced new uncertainties and delays. But all the private sector representatives consulted by the team stressed that there is a continuing urgent need and better opportunity with the new than with the former government for further joint private sector efforts to improve trade and investment.

The Project should be extended beyond its current expiration date of March 31, 1995. Already committed but undisbursed funds in the amount of approximately $2.0 million should remain available for the Project unless the future disbursement rate justifies only a lesser amount. The team suggests the Project be extended for a period of at least two years so that the non-traditional agricultural export product development plans, proposed among other future activities, will have sufficient time to be implemented (allowing, for example, for a minimum of two growing season trials).

The proposed Project extension should, however, be conditioned on the steps and needed modifications discussed in the further recommendations below.

2) **ANDE and USAID/Panama should arrange a joint workshop to address Project implementation issues** - Using this evaluation exercise as a catalyst, ANDE and USAID/Panama should arrange a joint workshop as soon as possible to begin a process for addressing and resolving the issues identified in this report.

3) **The vision for ANDE needs to be re-examined** - A clearer and shared vision is needed. Conceptually many believe ANDE should be seen and function more as a think tank for the private sector. Some believe ANDE should be associated more closely with CCIAP and others say the association with CCIAP should be less. Some say the closer tie should be with CONEP. Most believe ANDE should expand its membership to represent the private sector more broadly and to generate more dues for administrative support. In considering expansion, ANDE should look not only for organizations that share its goals of seeking increased and more diversified trade

by Panama, but also organizations that may not fully share these goals but have the potential to contribute to them and should therefore participate in the forum for consensus-building that ANDE can provide.

ANDE's sponsors in Panama's private sector urgently need to resolve through a retreat or otherwise what role and institutional relationship they wish for ANDE. This should be done as soon as possible after the joint ANDE-USAID/Panama workshop and before a final USAID/Panama decision to extend the Project must be made. ANDE may want to consider asking SIP and GREXPAN to join the retreat to set the stage for wider participation.

4) **ANDE's Board of Directors should be restructured to represent any agreed new vision better and to function more effectively** - If ANDE is to function more as a think tank, perhaps member associations should consider assigning representatives to the Board that better understand and can support that role. The Board should play a more advisory role and ANDE should not be where the private sector organizations bring their differences, jealousies, and conflicts. The frequent changes in the President and other Board members is disruptive and prevents desirable continuity in the development, support, and follow through with ANDE activities.

The practice of having Presidents of the individual associations serve as ANDE Board members overloads the Board members and reinforces representation of particular association rather than common ANDE interests. Modifications are needed in the by-laws and the way the Board operates to insure that Board members can give the time and attention to ANDE and define a role for themselves that will support effective and efficient disbursement of remaining Project funds.

The Board has already begun to consider such modifications and the team believes agreed upon changes should be in place no later than March 31, 1995. Among the changes that should be considered are the following:

- extend the terms of the Board President and Board members for longer periods and stagger changes so that the maximum amount of continuity can be preserved;
- designate Association representatives other than the Presidents to be Board members;
- limit the role of the Board to setting policy, determining priorities, and approving specific projects but not to include management of day-to-day operations;
- delegate more authority to the office of the Executive Director;
- reexamine the role of the committees; and
- establish a steering committee function either within the Board, as part of the committee structure, or as a substitute for it.

5) **ANDE's Executive Director's Office should be strengthened** - The current one Executive Director, secretary, and IESC volunteer are not sufficient nor do they have enough authority to perform the Executive Director staff functions that ANDE requires to implement a more accelerated program. ANDE's Board needs to decide how the Executive Director function can be strengthened and to move to do so before March 31, 1995. Depending on the work plan for the future, the following steps should be considered:

a) Give more authority to the Executive Director staff to handle operational matters, as noted above, but the Executive Director staff also needs to take more initiative in managing the Board and moving to execute Project activities and Project requirements (required reports, plans, etc.).

b) Reinforce the staff possibly with a project manager for the Project who would be in addition to the Executive Director and serve perhaps as a Deputy to the Executive Director. The functions of the IESC volunteer, who currently manages the non-traditional agricultural product development activity, could be absorbed by this proposed project manager who would have management responsibilities across the full range of the Project. Depending on where the best candidate can be obtained, the IESC volunteer position could be converted to that of this project manager or the position could be filled from outside the IESC and substitute for the IESC volunteer position.

Any additional funding required for this project manager (whether it is a converted IESC volunteer position or a new position to replace the IESC volunteer) should be considered by USAID/Panama. But ANDE needs to continue to find a way to provide an increasing share of ANDE's administrative expenses if there is to be hope for ANDE viability after USAID/Panama assistance ends.

6) **A work plan for the proposed Project extension should be prepared by ANDE** - ANDE has been preparing annual work plans. The most recent work plan for the period July 1, 1994 - March 31, 1995 has just been resubmitted in early December after USAID/Panama requested revisions in the original submission last July. The estimated budget for this submission was $632,000 and only a portion of this budget is likely to be committed for activities that will actually be initiated prior to March 31, 1995.

ANDE should prepare a new work plan covering the full period of the proposed Project extension. The work plan should present an illustrative budget for use of the balance of the $2.0 million originally allocated for the Project, but not expected to be disbursed by March 31, 1995. It is expected that approximately $1.5 million will remain undisbursed as of that date.

The work plan should indicate priorities for use of these funds and spell out the activities proposed with their individual budgets. It should indicate clearly what impacts can be expected from proposed activities in the relatively short-run and specifically what indicators will be used

to measure progress. There should be some flexibility to add or delete activities as circumstances change during the remaining life of the Project but a complete list of activities should be presented drawing perhaps from those suggested in Chapter III above.

For the first year of the work plan, implementation plans should be developed in some detail for the proposed activities indicating specifically how, when, and with whom the activities are to be implemented. This work plan should be presented to and approved by USAID/Panama prior to extension of the Project.

7) **Revised outputs for the Project should be agreed upon between USAID/Panama and ANDE** - on the basis of the approved work plan, USAID/Panama and ANDE should agree on revised outputs for the Project. It has already been decided to drop the master work plan but this decision needs to be formalized. The light industry product development plans are perhaps not practical at this time and also should be dropped. The total of 50 firm-specific technical assistance interventions should be considerably reduced. The Commercial Service Center may have to be substantially reduced in scope. The existing Cooperative Agreement between USAID/Panama and CCIAP should be amended to reflect agreed upon changes in outputs and activities and the corresponding budget.

8) **Specific means for measuring Project impact need to be identified and agreed upon** - As part of the work plan, ANDE should identify specifically how activity impacts are to be measured. Impacts from the tourism, one stop licensing, and work shop activities can only now begin to be measured, but means for obtaining these measures need to be identified and agreed upon with USAID/Panama. The same is needed for all future activities.

9) **USAID/Panama needs to exercise its Project management responsibilities more actively** - USAID/Panama has been reducing staff at the same time as it has been facing many competing priorities. As noted above, two US direct-hire positions have been eliminated. USAID/Panama also has not wanted to assume too proactive a role with the private sector with respect to this Project. But the Project has been slipping behind for some time and USAID/Panama could have taken the initiative several months ago to stimulate attention to implementation issues and efforts to resolve them. USAID/Panama has begun to do so with the new ANDE Board President but continuing closer Project management will be needed at least until smoother and more accelerated implementation is clearly underway.

V. LESSONS LEARNED

Lessons learned to date under the Project include the following:

1) **The concept of private sector cooperative action to improve the trade and investment climate is a valid one** - This concept has been successfully implemented in a number of other developing countries. It was a new one for Panama, however, when the Project was initiated in March 1992. Also the potential obstacles were unusual in Panama because of the traditional behavior of Panamanian private sector organizations in strongly pursuing their individual, particular, and vested interests. Yet the concept has prevailed in Panama over these obstacles and shows promise of continuing to flourish in the future. Because of the environment, progress has been slower and more agonized than anticipated. But the concept has been established and will continue in some form in the future after the Project has been completed.

The lesson is that the concept has proven valid even in a case where the environment and circumstances were not especially propitious. However, experience in the Panama case suggests efforts to stimulate cooperation should focus on areas where agreement is more likely to develop and not those likely to be divisive. There is every reason therefore for the Agency for International Development (AID) to continue to test this concept where and as appropriate, but to focus, at least initially, on areas most likely to generate common interest.

2) **Realism is an essential ingredient of project design** - Preceding discussion in this report has indicated the extent to which the Project proposed an unrealistic work plan for its original three year duration. Seven organizations with, in some cases, strongly conflicting interests had to learn to work together. They simply could not do so by starting to work on several fronts at once. They needed to feel their way with a narrower focus and could experiment initially only with a limited agenda.

To gain credibility, it was important initially to proceed carefully and not to risk failure. The 1994 elections and change in government also complicated the environment. Project designers should have taken these factors more into account. The result was unrealistic expectations and unnecessary pressures on Project implementation. The lesson not new but worth repeating is that realism is always an essential ingredient in Project design.

3) **Administrative feasibility needs to be assured in project design** - In addition to being over-designed, the Project has suffered from an inadequate administrative structure. ANDE's Board has not been constituted and has not operated in a manner to promote and support the most efficient Project administration possible. The one Executive Director, supported for only an initial year by an administrative assistant, the one secretary, and the one IESC volunteer, with a never well-defined role, simply could not operate the Project at the anticipated pace. The expectation that administrative support might be forthcoming somehow from other sources did not materialize.

As indicated in the above recommendations, these deficiencies need to be addressed and corrected if the Project is to be continued and a higher rate of disbursement expected. The lesson also not new is that administrative feasibility is as important as any other feasibility factor in project design and the lack of an adequate administrative structure can severely constrain project implementation.

4) **Early AID attention is essential when there is evidence of project slippage** - USAID/Panama probably could have taken earlier action to address the factors constraining Project implementation when financial and progress reports in the second year of the Project began to reveal slippage. The problems have not gone away and frustrations on all sides have grown possibly making corrective action more difficult than might have been the case earlier. The lesson is that the earlier corrective action is taken with respect to implementation problems the better.

ANNEX A

SCOPE OF WORK

USAID/PANAMA EVALUATION OF THE TRADE AND INVESTMENT DEVELOPMENT PROJECT

1. PROJECT TO BE EVALUATED

Title: TRADE AND INVESTMENT DEVELOPMENT (TID) PROJECT
Number: 525-0309

Date of Authorization:	03/30/92
Date of Obligation:	03/31/92
PACD:	03/30/95
Total Cost:	$3,367,000
USAID Funding:	$2,500,000
Counterpart Contr.:	$ 867,000
Implementing Agency:	The Chamber of Commerce, Industry and Agriculture of Panama (CCIAP)/ANDE Foundation.
Type of Agreement:	Cooperative Agreement

2. PURPOSE OF THE EVALUATION

Approximately thirty months have passed since the Cooperative Agreement was signed. Progress has been slower than anticipated and at present time there are significant unexpended resources remaining in the Project ($2.1 million of a total USAID project budget of $2.5 million).

Pursuant to the Agreement, an evaluation of the Project is required at this time. The purpose of the evaluation is to not only assess the progress made toward meeting the Project's goal and objectives, but given the limited progress, to help the Mission determine if an extension is appropriate and with what modifications.

3. BACKGROUND OF THE PROJECT

On March 31, 1992, USAID/Panama and the Chamber of Commerce, Industry and Agriculture of Panama (CCIAP) signed a Cooperative Agreement to carry out, over a three-year period, a project entitled Trade and Investment Development (TID). This agreement was signed by the CCIAP on behalf of the Panamanian private sector.

The goal of the TID Project is to diversify and increase the level of trade by Panama. Its purposes are: (1) to adopt policy changes that reorient Panama's economy away from import substitution and towards free trade; and (2) to develop exports of selected products in the light industry and agribusiness subsectors.

The Project was designed to enlist local private sector organizations to promote policy changes in key sectors of the economy and to address specific constraints to diversification of the economy, particularly in regards to export producing activities.

To carry out the day-to-day operations of the Project, an umbrella organization, ANDE Foundation, was created by seven of the most representatives private sector associations: The Panamanian Industrial Association (SIP), The Panamanian Association of Business Managers (APEDE), The American Chamber of Commerce (AMCHAM), The National Association for Economic Development (ANADECO), The Guild of Non-Traditional Agricultural Exporters of Panama (GREXPAN), The Panamanian Association for Exporters (APEX), and naturally the CCIAP. During the implementation of the Project, two additional associations, the Panamanian Chamber of Construction (CAPAC) and the Colon Free Zone Users' Association (AU) joined ANDE Foundation as members of its governing committee.

This is the first time in which the private sector as a whole has undertaken a project of theirs nature. Traditionally, private sector entrepreneurial organizations have worked independently of one another and focussed their efforts on issues that had a direct and specific impact on their members.

As indicated above, the overall progress in implementing the TID Project has been slower than anticipated. However, there have been some important accomplishments such as the passage by the National Legislative Assembly of two investment-related laws that were promoted by ANDE/CCIAP under the Project (one on incentives for tourism development and the other to establish a one-stop business licensing center) and the recent completion of a series of seven economic policy workshops in key sectors as labor relations, foreign trade, public utilities, transportation and education and technology.

To date, CCIAP/ANDE's efforts have been primarily directed toward the implementation of the Policy Advocacy component of the Project. The Export Development component has experienced problems in structuring a sound program to carry out commercial trials or pilot plans in the non-traditional agricultural and light industry sub-sectors.

4. STATEMENT OF WORK

The consultants will conduct an evaluation of the TID Project following the methodology described below and responding, at a minimum, to the questions listed below.

(1) Is the Project achieving satisfactory progress toward its stated goal, purposes and outputs, and within the established schedule?

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(2) What significant problems of constraints have inhibited such achievement? Are these due to deficiencies in the Project design or lack of effectiveness/efficiency in its implementation? (Recommend corrective courses of action).

(3) What has been the impact of the Project in improving the business and investment climate in Panama, particularly in regards to increasing non-traditional exports?

(4) What increase has there been in private investment, employment and exports as a result of the improvement of Government policies, and in particular as a result of Project activities?

(5) Are the indicators established in USAID's Strategic Plan and in the Project, appropriate? Are they quantifiable indicators or even objectively verifiable and measurable? Are these measures a good reflection of progress and/or impact? (Recommend, if necessary, changes in the indicators).

(6) Do the key actors directly involved in the implementation of the Project (principally the private sector organizations that make up ANDE), have a clear understanding of the content and scope of the Project?

(7) Have the private sector organizations, through the governing board, been able to successfully work together in planning and carrying out activities to improve the business and investment climate in Panama on a non-political basis?

(8) Have ANDE/CCIAP demonstrated organizational, administrative and programmatic capabilities in implementing the Project? What major problems and /or constraints have ANDE/CCIAP faced in implementing the Project, particularly in areas such as: organizational structure, planning and decision-making, and management and information systems? What areas need improvement? (Recommend corrective courses of action)

(9) Is ANDE complying with its financial commitment under the Project? Will they be capable of continuing after USAID funding has stopped?

(10) Should the Project be extended and for how long? What modifications, if any, should be made to the Project and/or ANDE to better assure that the purposes of the Project are met?

(11) What lessons learned might be useful in the design and implementation of similar projects?

The Consultants are not expected to perform an in-depth analysis on these two questions. Responses should be based on available statistics and as a result of interviews and documents reviewed.

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5. METHODOLOGY

To address the questions posed for the evaluation, the Consultants will have to carry out the following activities:

(a) Review the Project Paper and the cooperative Agreement and amendments to these, and examine in detail the basic criteria and important assumptions that were used for the design of the Project.

(b) Review the Mission's Semi-Annual Reports (SARs) on the TID Project as well as CCIAP/ANDE's various reports with regard to the implementation of the Project.

(c) Gather and analyze all other relevant documents and information available, related to the implementation of the Project, including any products produced.

(d) Interview members of CCIAP and ANDE's Board and Executive Office as well as other key persons, in both the private and public sector, that have been involved in the implementation of the Project.

(e) Interview personnel from USAID/Panama responsible for or involved in the implementation of the Project.

(f) Conduct joint discussion sessions with key directors and staff members of the various organizations and agencies that have participated and/or have been related with the implementation of the Project.

(g) Review available statistical data on investment, exports etc.

6. TEAM COMPOSITION

A two (2) member team should be able to undertake this evaluation.

The consultants selected should together have the following skills and experience:

- Familiarity with USAID programs, policies and procedures, with some experience in project design and implementation.
- Extensive experience in the evaluation of USAID projects.
- A strong background in trade and investment development.
- Experience in organizational development and management systems.
- Strong analytical and writing skills.

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- Excellent interpersonal skills.

- All team members must be fluent in Spanish (FSI 2+ or better equivalent)

The team must be composed entirely of individuals with no previous connection (from initial design through implementation) with the TID Project

7. REPORTING REQUIREMENTS

Debriefing: two to three days before departure Panama, the Consultants will conduct a debriefing session in which they will advise the Mission and ANDE's Board of Directors on the most important findings of the evaluation.

Within ten (10) days of concluding their task in Panama, the Consultants will submit to USAID/Panama and to ANDE a draft report in the format described below [as established in AID Evaluation Handbook, Supplement to Chapter 12 of AID Handbook 3/Project Assistance]. In addition, the team leader will be responsible for the completion of the abstract (Section H/Part I) and the summary of evaluation findings, conclusions and recommendations (Section J/Part II) of the AID Evaluation Summary form 1330-5(10-87) and for the evaluation report.

a. Executive Summary

Should include the objective of the TID Project; the purpose of the evaluation; methodology; key findings, conclusions and recommendations; key lessons learned about the design and implementation of the Project. (See AID Evaluation Handbook for more detailed instructions)

b. Table of Contents

c. Body of the Report

Should include discussion of: (1) the purpose and study questions of the evaluation; (2) the economic, political and social context of the project; (3) team composition and study methods (one page maximum); (4) evidence/finding of the study concerning the evaluation questions; (5) conclusions drawn from the findings, stated in succinct language; and (6) recommendations based on the study findings and conclusions, stated as actions to be taken to improve (or end) project performance (forty pages maximum with more detailed discussions of methodological or technical issues placed in appendixes).

d. Appendixes

Should include copy of the evaluation scope of work, a list of documents consulted, and individuals and agencies contacted.

The final report will be issued in English and the Consultant will provide USAID/Panama with six (6) copies of it. The presentation of this final report will be the basis for payment.

8. LEVEL OF EFFORT

The team will need two (2) weeks to perform all the evaluation activities in Panama. A six-day work week in Panama is authorized with no premium pay.

An additional effort of 2 person/days is estimated for the final reporting. The total level of effort is estimated at 26 person/days.

9. LOGISTICS

Consultants will be responsible for all logistics involved including arrangements for travel & hotel, office space, computer printing etc.

The Consultants will provide to USAID in advance, their travel schedule to Panama to enable the issuance on time of the country clearance.

10. FUNDING & CONTRACTING

The costs of the evaluation will be fully financed with USAID funds included in Project 525-0309 approved budget.

Contracting will be made directly between the CCIAP and the Consultant in accordance with provisions under the cooperative Agreement.

A single payment will be made upon receipt and approval by USAID/Panama of the final report.

ANNEX B

PERSONS INTERVIEWED

USAID/PANAMA:

David Mutchler	Mission Director
Robert Mathia	Chief/PPD
Joselyn Fearon	PPD
Michael Trott	Chief/GDOE
Felipe Frederick	GDOE
Guadalupe Saavedra	Project Financial Officer

FOUNDATION ANDE

Ricardo Ortega	President, Board of Directors, representing APEDE
Ricardo Cazorla	Board Member, representing AMCHAM
Dominador K. Bazán	Board Member, representing ANADECO
Tomás Paredes	Board Member, representing CCIAP
Ricardo Koyner	Board Member, representing GREXPAN
Carlos G. de Obaldía	Executive Director, ANDE
Aldo Sparzani	IESC Advisor

PRIVATE SECTOR REPRESENTATIVES

Victoria Figge	Administrator Colon Free Zone, former President, ANDE Board of Directors

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Vicente Pascual	SIP, former ANDE Board Member
José Ramón Varela	CCIAP
Albert Diamond	APEDE, former ANDE Committee Chairman
Luz de Striem	APEX, former ANDE Board Member
Rubén D. Ortega Vieto	Executive Director, TRANSPAN
Eugenia de Alba	ANADECO
Adolfo Arrocha	ANADECO
George Richa	SIP, APEDE
Francisco Escoffery	CCIAP
Joseph L. Salterio	AMCHAM, Former President, ANDE Board of Directors
Guillermo Fernández	CONEP, former President ANDE Board of Directors
Marco Fernández	INCAE
Juan Planella	SIP
Ricardo Durán	President, CCIAP

ANNEX C

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ANNEX D

ANSWERS TO QUESTIONS IN THE SCOPE OF WORK

1. Is the Project achieving satisfactory progress toward its stated goal, purposes and outputs, and within the established schedule?

Answer - The Project has not achieved the progress anticipated in the original Project design. Only $546,000 of the $2.5 million planned for this Project and the $2.0 million committed in the Cooperative Agreement with CCIAP for ANDE has been disbursed to date. Only a portion of the planned outputs have been accomplished (see Chapter III for details). But, as the report points out in several places, including the lessons learned in Chapter V, the original Project design was unrealistic in terms of how much could be accomplished and by when. The Project supported an experiment that had never been tried before in Panama, to try to get the private sector to work together in areas of common interest and benefit. Notable progress was achieved with the tourism law, one stop licensing, and the workshops and national conference on economic development issues. While the progress might not have been as much as desirable or even possible with more effective management on the part of both ANDE and USAID/Panama, the evaluation team believes the progress was sufficient to justify a recommendation to extend the Project conditioned on specific steps and modifications spelled out in Chapter IV.

2. What significant problems or constraints have inhibited such achievement? Are these due to deficiencies in the Project design or lack of effectiveness/efficiency in its implementation? (Recommend corrective courses of action).

Answer - The principal problems and constraints inhibiting achievement of the originally stated goal, purposes, and outputs were the overly ambitious and unrealistic Project design, the distractions and uncertainties caused by the environment (Panama's Economic Reform Program, the electoral process leading to the 1994 elections, and the change in government), and administrative inefficiencies. See Chapter III for further detail. Corrective courses of action are spelled out in Chapter IV.

3. What has been the impact of the Project in improving the business and investment climate in Panama, particularly in regards to increasing non-traditional exports?

Answer - The Project has essentially had no impact to date on increasing non-traditional exports. Product development plans (3 for light industry and 3 for agriculture) were to have been prepared and up to 50 firm specific technical assistance interventions were to be carried out by the end of the Project. None of this has been accomplished to date. A contract was signed on September 28, 1994 with Techno-Serve to carry out a number of feasibility studies on non-traditional agricultural products from which three to five will

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be selected for further development. The team has recommended that any extension of the Project should continue this activity because of the potential for future impact on job creation and income especially in the poorer rural areas of Panama. No action has begun on light industry development plans and the team recommends this particular activity be dropped.

4. What increase has there been in private investment, employment and exports as a result of the improvement of Government policies, and in particular as a result of Project activities?

Answer - The tourism and one stop licensing laws, which were promoted and supported under the Project, were only recently passed so their impact is only now beginning to be felt. Impact that has been possible to measure to date is covered in the sections entitled "impact" in Chapter III. In sum, since the tourism law was passed, IPAT has received 27 requests for new investments totaling $87.5 million compared with minimal investment prior to the law. While the one step licensing law has not yet had measurable impact on trade, investment, and employment, it has reduced the number of steps required for obtaining a license from 12 to 3 and the time required from 6 to 9 months to 10 to 30 days. The number of applications between September and November this year after the law was passed is up 22% over the level prior to the law.

Since there has been insufficient time for any of the changes resulting from the project to have a significant influence on private investment, employment and exports, ANDE should se up a data base to follow up and measure both investment and employment trends resulting from the project. For the data base, the most critical variables, among others, to measure success are:

- private domestic and foreign investment
- sectoral distribution
- source of financing
- employment generation and sectoral distribution
- production and imports on non-traditional products

5. Are the indicators established in USAID's Strategic Plan and in the Project, appropriate? Are they quantifiable indicators or even objectively verifiable and measurable? Are these measures a good reflection of progress and/or impact? (Recommend, if necessary, changes in the indicators).

Answer - The evaluation team's comments on the indicators follow:

Goal Indicators - The real value of manufactured and agricultural products and non-traditional services exported by Panama will increase by 15% between 1992 and 1995. Increase in investments for the production of non-traditional exports.

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Comment - While quantifiable and measurable, these goal indicators have proven to be totally unrealistic in terms of what the Project could achieve. As indicated in the answer to Question 4 above, the tourism and on stop licensing laws were only recently passed so their impact is only beginning to be felt. No agricultural or manufactured product development plans have been developed to date although efforts are now being initiated in the agricultural area. So there will be a negligible increase in Panama's exports by 1995 as a result of the project. As indicated above, there has been an increase in investments in tourism totaling $87.5 million. For any Project extension, the indicator for exports should show a more modest increase (say 3 to 5% by 1997) and the indicator for investments should set a target percentage increase against which progress can also be measured (perhaps on the order of 3 to 5% by 1997 also).

EOPS Indicators - (1) Reduction in both the legal and regulatory barriers to imports and exports in 6 product areas, and legal/regulatory and/or cost constraints to export related investment and production. (2) Private sector assumes an increased and better organized role in determining Panama's policy environment. (3) At least 6 non-traditional products or services are introduced and/or their production increased for world markets. (4) A group of entrepreneurs and production managers are familiar with and are supplying newly acquired export and production technologies.

Comment - The relation between indicators (1) and (3) is unclear and the evaluation team recommends indicator (1) be dropped. Indicators (2) through (4) are appropriate for and Project extension. However, the team recommends indicator (1) read as follows to make it more precise and measurable: "Private sector assumes an increased and better organized role in determining Panama's policy environment; action-oriented revisions to the seven background policy papers used for the workshops are carried out, policy research studies are done in four areas, and further supporting seminars and workshops are held." Indicator (3) is unrealistic and should be changed to 3 or 4 non-traditional products instead of 6. Otherwise, the team findes these EOPS indicators to be good indicators of progress and impact.

Output Indicators - (1) Master study completed by October, 1992. (2) Six individual policy studies completed by July, 1994. (3) Six product development plans completed by EOP. (4) 50 Interventions completed by EOP. (5) The Commercial Service Center fully operational by July, 1992. (6) Establish on stop business licensing center by December, 1993.

Comment - Indicators (1) and (2) should be dropped because they are covered in the first EOPS indicator above. Indicator (3) should also be dropped because it is covered under the third EOPS indicator. Indicator (4) is unrealistic and should be reduced in half to about 25. Indicator (5) should be changed to read: "A preliminary data base generated from the feasibility studies and a secondary data base related to production, supply, demand, and market analysis and research should be developed by March, 1997." Indicator (6) was accomplished and can be dropped.

6. Do the key actors directly involved in the implementation of the Project (principally the private sector organizations that make up ANDE), have a clear understanding of the content and scope of the Project?

Answer - While ANDE's Board of Directors and Executive Director Office staff have a clear understanding and appreciation of the basic purpose of the Project, the team found that they did not have complete understanding of the intended scope of the Project. None of the key actors involved in implementation, for example, was aware that establishment of a commercial service center was among the list of expected outputs included in both the Project Paper and the Cooperative Agreement. The team has recommended as a condition for extending the Project that ANDE present to USAID/ Panama a new work plan for the extension and that the Cooperative Agreement be formally amended to reflect the new agreed upon set of activities and the corresponding budget (see Chapter IV).

7. Have the private sector organizations, through the governing board, been able to successfully work together in planning and carrying out activities to improve the business and investment climate in Panama on a non-political basis?

Answer - The team concluded that the private sector organizations had successfully worked together on the tourism and one stop licensing laws and the workshops and national conference on economic development issues. Progress had been slower than anticipated but the original Project design was unrealistic and overly ambitious on the extent and speed with which this novel experiment for Panama of private sector cooperative action could take hold and move forward (see Chapter III).

8. Have ANDE/CCIAP demonstrated organizational, administrative and programmatic capabilities in implementing the Project? What major problems and/or constraints have ANDE/CCIAP faced in implementing the Project, particularly in areas such as: organizational structure, planning and decision-making, and management and information systems? What areas need improvement? (Recommend corrective courses of action)

Answer - ANDE's Board of Directors has not functioned very effectively to date in terms of implementing the Project. The practice of having Presidents of the individual associations serve as ANDE Board members overloads the Board members and reinforces representation of particular association rather than common ANDE interests. Board members have not been able to give the time and attention to ANDE or to define a role for themselves that would support efficient Project administration. The frequent changes in the President and other Board members is disruptive and prevents desirable continuity in the development, support, and follow through with ANDE activities.

ANDE's Executive Director's Office has not been sufficiently staffed nor enjoyed sufficient authority to manage and coordinate activities effectively with the President of ANDE's Board, CCIAP, and USAID/Panama, all of whom are involved in Project management.

ANDE's whole management mechanism needs to be improved including (1) restructuring ANDE's Board of Directors to function more effectively, and (2) strengthening ANDE's Executive Director's Office. Specific corrective courses of action are recommended in Chapter IV.

9. Is ANDE complying with its financial commitment under the Project? Will they be capable of continuing after USAID funding has stopped?

Answer - ANDE's counterpart contribution to date is $319,605, according to the latest USAID/Panama Semi-Annual Report, compared with the originally planned $867, 240. While this represents about 36% of the planned amount, ANDE's counterpart contribution is actually ahead of USAID/Panama's contribution on a matching basis. USAID/Panama has disbursed $546,000 of its total planned $2.5 million or only about 21% to date. ANDE is not likely to be able to continue after USAID/Panama funding has stopped unless more dues are generated through increased membership or other forms of private sector contributions are found. Technical assistance in fund raising is included in ANDE's current work plan. Additional funds from dues or other sources, including other donors, would be needed to build and continue a more adequate level of administrative support and to fund on-going activities.

10. Should the Project be extended and for how long? What modifications, if any, should be made to the Project and/or ANDE to better assure that the purposes of the Project are met?

Answer - The evaluation team recommends the Project should be extended because the basic assumption of the Project, that the private sector could find common interest and would work together to get policy changes adopted and develop non-traditional exports so as to diversify and increase the levels of Panama's trade, has proven valid with the tourism law, one-stop licensing, and workshop program accomplishments. Already committed but undisbursed funds in the amount of approximately $2.0 million should remain available for the Project unless the future disbursement rate justifies only a lower amount.

The team suggests the Project be extended for a period of at least two years so that non-traditional agricultural export product development plans, proposed among other future activities, will have sufficient time to be implemented (allowing, for example, for a minimum of two growing season trials). The proposed Project extension should, however, be conditioned on steps and needed modifications spelled out in Chapter IV.

11. What lessons learned might be useful in the design and implementation of similar Projects?

Answer - Lessons learned include the following:

-- The concept of private sector cooperative action to improve the trade and investment climate has proven valid in the Panama case and should continue to be tested

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in other countries where and as appropriate. But, based on the panama experience, the effort to build cooperative action should focus, at least initially, on areas most likely to generate common interest.

-- The Project proposed an unrealistic work plan for its original three year duration. Realism is an essential ingredient of effective project design.

-- The Project suffered from an inadequate administrative structure. Administrative feasibility needs to be assured in project design.

-- Early AID attention is essential where there is evidence of project slippage.

These lessons learned are described further in Section V.

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