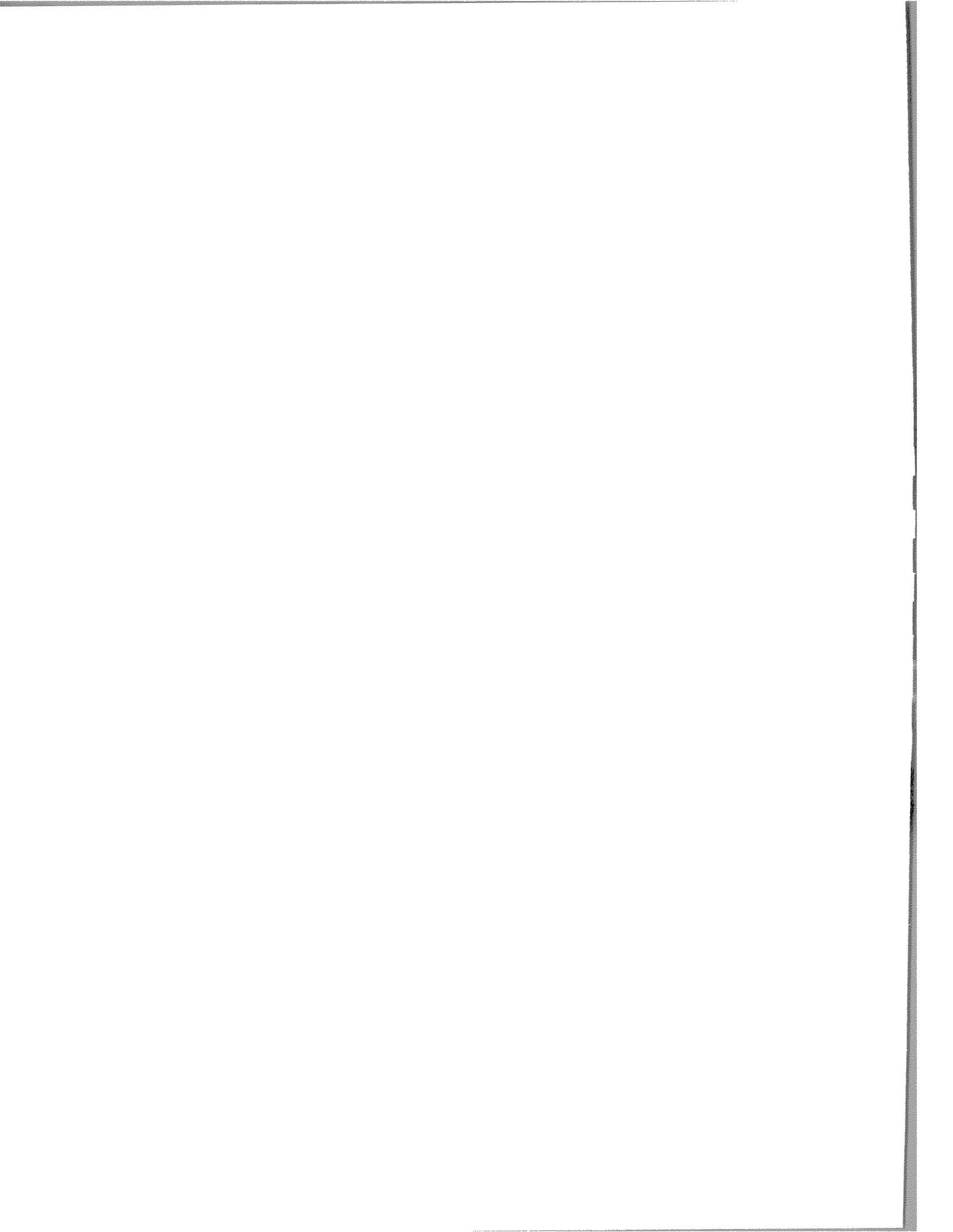


(DRAFT)

HISTORY OF USAID ASSISTANCE TO PANAMA

1940 - 1980's



1940 - 1949

Assistance to Panama began in 1940 with the establishment of a rubber development project. Subsequently, cooperative programs in public health and agriculture were established under the former U.S. Institute of Inter-American Affairs, both of which were later discontinued in 1945. The following year, a cooperative education program was introduced which continued until December 1949. During that same month a technical cooperation agreement was signed between the United States and the Government of Panama which continued the education program and under which cooperative services were established to carry out programs in economic development, agriculture, and public health. In 1948, U.S. economic assistance was responsible for bringing rice production up from a deficit crop to one of surplus for export.

Approximately \$5.3 million in economic assistance was provided.

1950 - 1959

Basic economic problems faced Panama during the next decade. The country was an importer nation, depending in part upon foreign exchange earnings from the Canal Zone to balance its trade deficit. It needed a wider economic base to raise the general living standards of its people. Despite the fact that an improved and expanded agriculture offered the greatest opportunity for strengthening the economy, agricultural productivity remained low.

Major problems which confronted the nation included: Inefficient administration due partly to rapid turnover of government employees and the lack of well-organized executive budget and management services, as well as low salary levels; waste of human resources arising because of unproductive use of industrial and agricultural labor; need for long-term economic planning; unproductive use of capital which tended to flow into such projects as high cost real estate, foreign securities and inventories; unemployment due to continued migration from the interior to the capital, declining trend of Canal Zone employment; dependence on the Canal Zone as a source of income to the almost complete exclusion of local livestock, inefficient agricultural and industrial production, deficient education due to overcrowding and poor facilities, and poor roads which prevented farm produce from reaching markets.

The relationship between USOM (AID) and the Government of Panama during the 1950-1959 period was consistently good. The appreciation of Panama for the assistance extended by the United States under Point IV was dramatically demonstrated by the proclamation by the President of Panama of a "Point IV Week" which was observed throughout the Republic. The GOP assumed responsibility for a substantial number of former joint projects, including a seed certification program in agriculture, the Artes Mecánicas School at Divisa and substantial portions of health and welfare activities.

The Technical Cooperation Program in Panama underwent considerable expansion. In prior years, major emphasis in technical cooperation was in the fields of agriculture, education and health but also included important

*70/1/50
Point IV
agreement
Signed*

contributions in social welfare, community development, civil aviation, public administration, industry and economic development.

The U.S. assistance program focussed on (1) weakness of institutions responsible for economic planning and economic development, (2) scarcity of necessary technical organizational and administrative skills, (3) inadequate transportation facilities, (4) low productivity, (5) reluctance of private capital to invest in local productive enterprises, (6) unemployment and underemployment, and (7) poor health and sanitary conditions.

With Point IV assistance, the GOP was able to establish within its own administrative framework an agricultural extension service, a civil service law and a personnel agency, improved budget practices and increased emphasis on the development of industry and hydro-power resources. The USOM (AID) program emphasized direct agricultural services to farmers in farm management, the economics of agricultural production with emphasis on consumer price factor, agricultural credit, marketing and land policy. Approximately one third of the total program in 1952 was directed toward agriculture (\$217,000). However, by 1958 about half of the total effort in the technical cooperation program was in agriculture (approximately \$34.7 million) with projects in basic foods production, agricultural research, education and extension. Special attention was given to the development of export crops such as coffee, cacao, food crops and livestock production.

Major accomplishments were: three hundred and fifteen (315) Panamanians trained in universities in the U.S. and several hundred were given on-the-job training in Panama in the early 1950's. Progress was rapid in the poultry industry, which developed from a most primitive condition to the point where Panama now supplies most of its own needs in eggs and broilers. The construction of grain storage facilities financed by the World Bank, but which were an outgrow of Point IV technical programs was most effective in reducing sharp seasonal fluctuations in rice and corn prices.

During this same period (1950-1959), a USOM (AID) project in the industrial field called the Industrial Development Center became a joint project financed entirely by the GOP as a public service for the stimulation and encouragement of private enterprises. In education, the central administration of the educational system and school administration was improved bringing the university level education into closer contact with the actual requirements of the country, especially in the fields of public administration, agriculture and education. A substantial beginning was also made in the direction of national economic planning. The public health program was particularly effective. Most of the population was immunized against tuberculosis and a chest X-Ray program isolated a substantial part of the infectious TB cases throughout the country. The nursing standards were raised to a point where they approached those of the U.S. In health, necessary improvements in hospital administration was completed, nursing services improved and technical cooperation in health field was concentrated in the enteric diarrheas. By January 1954, 360,000 Panamanians, nearly half

of the population of the country, had been skin-tested for tuberculosis and 186,000 vaccinated.

AID assistance was also focussed on GOP's Institutions because they were hampered by faulty organization, lack of management controls and insufficient mechanisms for expressing policy and coordinating implementation efforts. A nine-year project was therefore initiated to improve the capabilities of public sector institutions, development planning and revenue policy and administration.

By the end of 1953, there were 130 Panamanians participating directly in the Technical Cooperation program. The University of Arkansas was an active partner with the U.S. Government with a staff of 10 agriculturalists and assisted in reorganizing curriculum at the National Institute of Agriculture, conducted experiments in irrigation methods, grain storage, weed control, stimulated sweet potato production and introduced ramie and sorghum for livestock feed.

An industry program was initiated to assist in the development of small industries to complement the expanding agricultural program, develop the Free Zone at Colon, improve Panama's foreign exchange position and help reduce unemployment. U.S. industrial consultants were invited to Panama for brief periods to advise local producers of food, clothing, shoes and essential household items, in an endeavor to improve quality and reduce costs.

Project assistance during the end of the 1950's expanded from \$128 thousand in FY 1950 to \$7.6 million in FY 1959. From 1950-1959, assistance was primarily concentrated in the agriculture, natural resources and education sectors. Other sectors of AID activity and priorities were in civil aviation and meteorological training, health and sanitation, public administration, community development and social welfare-housing.

Beginning in 1960, new interest in Latin America was brought about by the Alliance for Progress with the focus of attention on the poor and rural peasant, including agricultural programs for the small farmer, community development and educational reform programs. Except for a temporary slowdown following the riots of 1964, Panama experienced sustained economic growth during this decade. In 1967, the GNP increased 9.5% compared with the average annual rate of 8.5% for the previous year. Agriculture remained the most important contributor to the GNP but the most dynamic growth occurred in the manufacturing sector. A surge in private investment (stimulated by the AID program that was expanded in FY 1967) accounted for much of the growth. However, a number of hard core problems still persisted. Among the most serious were chronic employment in the urban areas and underemployment with low productivity in the rural sector. The U.S. assistance program focussed on (1) urban rehabilitation and development, (2) agricultural production and reform, (3) improvement of educational facilities, (4) public administration, (5) alleviate urban poverty, (6) increase efforts to raise agricultural productivity, (7) stimulate formation of all types of cooperatives, and (8) encourage community action and improve marketing facilities.

A substantial improvement in Panama's fiscal situation occurred because of the successful implementation of the tax reforms introduced in the mid-1960's, greatly improving methods of tax collection and better control of operating expenditures. Government revenues rose 14.5% in 1965, of which about

one-third was due to the tax reform measures. Revenues in 1966 increased by 15% over the preceding years. AID sponsored advisors were assisting the GOP Internal Revenue Bureau since 1965.

An agreement in 1961 with the GOP enlarged the scope of AID economic assistance by expanding programs in agricultural and rural development services, stimulating increased involvement of private enterprise in the development process, improving the administration of key institutions, and making tax and customs administration more efficient. The assistance represented a logical extension from the previous decade. In agriculture, a concerted effort was made through the Agricultural Extension Service to reach a greater segment of the middle-class farmers as a means of broadening the increases in production and consumption. Agricultural economics received fuller attention with a view to achieving more efficient production and lower prices which in turn would permit greater domestic consumption and an opportunity to compete for world markets. Specific efforts were made to improve price policies and land policies of the government to expand agricultural credit and to extend the road system to open new lands.

From 1960-1968, the agricultural sector maintained an aggregate growth rate of 6.5% mainly in bananas and fishery exports. Production for domestic consumption had barely kept pace with population growth and the increases that were made resulted from increases in cultivated land area rather than from improved agricultural technology. Farming occupied 40% of the work force and produced only 20% of GDP. The government became aware of the plight of the

agricultural sector and emphasized that assistance to the small farmer was needed to alleviate many of the problems in this area. GOP decided to place emphasis on small farmer improvement to increase farm income and domestic food production. AID's role and support in this endeavor was in the form of experts and assistance to the in-depth sector analysis taking place and adoption of modern agricultural technology with a goal to increase the domestic agricultural production. Recent growth in agriculture was attributable to increased banana production. While the agriculture sector included over half the working population, it produced only one-fifth of the value of domestic production. In the cities, urban blight and shortage of housing created a critical situation.

Since industry at this time was closely related to agricultural production, AID initiated several projects which were aimed at improving management practices to stimulate new industries through a series of feasibility studies and to raise the levels of industrial production and employment. As a direct support to the development of new industry, the exploration of hydro-power resources was continued concentrating on the Central Provinces as the area of greater need. Other emphasis was in areas of health and education, and civil aviation. Project activities in Public Administration were undertaken to assist in the overall reorganization of the executive branch of the government, to extend improved management practices, to promote the central budget office as a tool for economic planning and to strengthen the civil service system.

In May 1961, the new Bureau of Planning and Administration was established and a five-year sectoral investment plan was developed emphasizing agrarian reform, public health, housing, road and school construction and electrification. However, the comprehensive long range country plan which AID was insisted on had not yet been developed by the Planning and Administration Bureau making it impossible to develop a long range plan of economic assistance.

The following year, Panama received a special grant of \$9.9 million which was in addition to other U.S. assistance of \$10.1 million. This grant was designed to give an initial impetus to a number of projects included in key sectors of Panama's five-year investment program developed the previous year. However, because of substantial assistance already made available to the country the previous year, a reduction in the FY 1963 grant program was initiated to concentrate only on a few key social projects in areas of education, health and housing and support programs to stimulate agricultural production and improve government management.

In 1963, AID once again encouraged the GOP to prepare a long-range development plan, with adequate priorities to serve as a guide for future investment. It was envisioned that such a plan would give priority to the development of the interior provinces and lessen Panama's dependence on income generated by Canal operations. Until such a plan by the GOP was perfected, AID would support projects which would have the greatest benefit to low-income groups and have a high priority in any long-range plan. Without any

long-range GOP strategy it became difficult for AID to develop a meaningful development plan in consort with the GOP.

Despite concerted opposition from the business community, the Robles Administration succeeded in getting the 1964 National Assembly to approve significant tax increases and reform measures. Basic reforms included income tax rate increases, expansion the tax base and closing loopholes. As a result, government revenues increased 14% in 1965. In the area of rural development, emphasis was given to the integrated development of six priority agricultural areas under "Plan Robles". AID development loans were used to finance a cadastral survey.

U.S. Government attention to Panama was now heightened because of the 1964 and 1966 riots. As a result of the urban unrest and riots which occurred, a special high-level team from Washington was sent to Panama in 1966 to survey urban development problems and recommended AID assistance be designed to have rapid impact on those problems. In accordance with the team's recommendation, AID committed \$22 million in loans and \$2.6 million in grants for urgently needed streets and roads, water and sewerage systems, housing, community facilities, manpower training, voluntary services and community action programs primarily in Panama City. Emphasis was now focused primarily on urban as well as rural economic concerns of the country and this became.

In 1966, Private sector investment grew by 21%, the highest growth rate for the 1960-66 period, reflecting a vigorous recovery from the 1964 slump

caused by the disruption of U.S.-Panama relations. Nevertheless, serious lags continued for export and for the utilization of domestic agricultural resources, particularly in new industries. AID promoted more rapid industrial development with development loans and technical assistance to an Industrial Development Bank established in 1964. By late 1966, the first AID loan to the Bank amounting to \$5.1 million was disbursed and a second loan of \$4 million was authorized.

Up until 1966, support to the education sector provided both AID grant and self-help loan support for the construction of school facilities. In 1967, AID changed its education strategy and began to provide resources and guidance primarily for urgently needed improvements in the planning and curriculum development field. As a follow-up to these activities, AID provided \$1.5 million in loan funds during FY 1968 to support a \$4.4 million campus development program and extended grant assistance for advisory services in education, youth leadership development and textbook production. Further expansion in the education sector by AID would not take place until the following year when the GOP introduced the National Plan for Education.

With a surge in economic growth during the mid-60's, AID turned its focus of attention beginning in 1967 to manpower training. The rapid rate of economic growth increased the demand for skilled and semi-skilled, technical and managerial workers. The lack of suitable educational programs and the influx of unskilled labor from rural areas combined to create an unemployed group of at least 40,000 and a marginal labor force of even greater magnitude.

The arrival of the new government in 1968 led by General Torrijos changed the economy and the status of the private sector, which until then had the dominant role in setting economic policy. The laissez-faire period was officially at an end. A period of greater government participation in the economy began with greater emphasis on addressing social inequalities, especially in the rural sector. During the same year, urban programs and rural agricultural programs were put into high gear with \$515,000 in technical assistance and \$5 million in loans to expand programs into areas of Panama City. Major emphasis was to finance part of an urgently needed \$21 million water supply system for Panama City and to finance the preparation of urban master plans for the development of Panama City, Colon, David and Santiago. A \$44 million sector loan for agriculture took place obligating the GOP to make specific self-help commitments on a sector-wide basis including supervised credit, extension support, small scale irrigation projects, agricultural education and marketing facilities.

Following the turbulent period of the 1960's and urban unrest of 1964 and 1966, AID's strategy in 1969 gave increased attention to the development of the agriculture sector, emphasizing assistance to the smaller farmers as it has previously done in 1962. Major refocusing of Panamanian public investment toward the rural areas was initiated with programs to help the GOP expand education and health services, strengthen agricultural cooperatives, improve access of isolated communities to market towns, modernize the agricultural research system, test low cost alternate energy systems and institute a watershed protection program. The National Plan for Education introduced by

GOP in 1966 recognized at this time its inability to provide educational services in rural and urban areas. As a result of the Plan, a major loan of \$6 million was contemplated, but limited funds allowed only a \$1 million project loan and continued technical assistance aimed to improve quality of primary, secondary and normal school instruction and to increase the number of classrooms in the country.

Project assistance during the end of the 1960's expanded from \$1.6 million in FY 1966 to \$16 million in FY 1969 with emphasis in the agricultural/rural development areas, housing and private sector investment.

Major development problems and obstacles facing the country included (1) rapid increase in population growth (3% annually), (2) persistence of open unemployment (estimated at 9.7% of the labor force), (3) regional disparities between the modern urban centers and the backward rural economy, which was characterized by low productivity and substantial inequalities in income distribution, (4) inadequate institutional capabilities for executing needed development programs, (5) a relatively high external debt service burden (19% of current revenues) caused by the heavy short and medium-term borrowing from commercial banks which was used to expand Panama's public investment program, and (6) a low domestic contribution to public investment (15-20%).

Panamanian development goals set forth in the 1975-1980 National Development Plan included a coordinated attack against poverty. Intersectorial programs in agriculture, education, health and public works sought to increase participation in the national economy by the poor. The Development Plan also stressed a return to rapid economic growth. The plan target was a sustained annual growth rate of 7% through policies designed to stimulate production and employment.

The GOP took politically difficult steps to improve the economic situation; spending was curbed in 1976 and curtailed further in 1977; support prices for basic food items and petroleum products were increased.

The 1970 AID's strategy focused on assisting the country to cope with problems of increased urbanization, inadequate school systems, low agricultural productivity and public administration and to assist the GOP to effectively manage a development program. A \$16.6 million program including \$13 million in Development Loans and \$3.6 million in Technical Assistance was provided to carry out this assistance. During this time, agriculture still remained Panama's most neglected sector with low productivity and income and although it employed nearly 50% of the labor force, it accounted for only 22% of GDP. Poor agricultural incomes and living conditions were forcing a growing number of people into the cities. Since the rural poor were unable to find employment and adequate housing in the cities, their presence added little to the urban economy, represented a drain on the already strained urban facilities and resources and added to urban social tension. The problems associated with this sector remained unsolved. The completed Rural Cadastral and Natural Resources Survey begun in 1965 was generating data to provide information to accelerate the agrarian reform and improve tax collections from rural properties. The AID program provided technical assistance in marketing, agrobusiness and crop diversification, urban rehabilitation, and human resource development all aimed at the agricultural sector.

The basic thrust of U.S. economic assistance was to accelerate development with the maximum possible distribution of income and social opportunities. With a total of \$19 million, assistance was concentrated once again in the areas of agriculture and rural development, with lesser priority given to urban development followed by health and population. The agriculture sector

still continued, as before, to lag with only a 4% growth rate compared with 7% rate for the overall economy. Agricultural credit and membership in agricultural cooperatives, however, rose during this time as a result of AID financed projects. A \$10 million assistance program was provided to GOP in the preparation of a comprehensive agriculture sector analysis which was to form the basis of a five-year Agriculture Development Plan and future AID involvement. The Plan was to raise the annual agricultural growth rate to about 6% compared to about a 4% annual growth rate it experienced over the past 10 years. The availability and use of agricultural credit increased during 1971 from \$835,000 to \$1.6 million with a concurrent increase in volumen of business from \$4 million to \$6.75 million.

Past efforts to manufacture import substitutes were no longer believed to be the best path to economic expansion. The GOP passed a series of laws to encourage investment in export and agribusiness industries, hotels and related tourist facilities. An Industrial Investment Research and Promotion Center was established within the Ministry of Commerce and Industry. In 1972, assistance was given to the government to develop further its institutional capability to promote specific domestic and foreign private investment on export opportunities.

During 1972, AID authorized a \$15 million loan for low-income housing construction in Panama. A \$9 million AID housing guaranty for middle-income housing was authorized in FY 1973. Both the loan and guaranty were designed to help Panama meet a severe housing shortage, particularly in the Panama

City-Colon urban corridor, adjacent to the Canal Zone. The Ministry of Housing and the National Mortgage Bank were created to consolidate and simplify management and to improve coordinated programming of the specialized housing institutions.

Assistance was provided to strengthen the capacity of municipalities to serve local needs. Due to a long tradition of centralism, these bodies were severely limited in responsibility and access to revenues. A loan of \$1 million was used to help finance a pilot revolving credit facility to respond to municipal development needs in the interior.

Family planning services continued to expand through the maternal and child health care program of the Ministry of Health. In 1974, AID provided \$315,000 to support this program. The provision of health care, primarily in the rural areas, was a high priority for the GOP and AID. In the previous year, a \$3.8 million loan was authorized to support Panama's decentralized rural health nutrition program. Directed at the community level and emphasizing preventive health care, the loan provided funds for seeds, water pumps and other supplies for production of nutritious foods to be consumed locally and to supply previously unavailable potable water.

In 1975 AID began to concentrate in the three major sectors of agriculture, health and population, and education. Outside of these main areas, assistance was given to the urban development of the metropolitan area surrounding the Canal Zone and support to a municipal development program to

finance small projects designed to provide basic services in poor rural communities.

During the latter part of the decade, AID concentrated its program from 1974 to 1979 in four main sectors: agriculture, health and population, industrial and urban development, education and housing. The agriculture strategy supported the GOP objectives of increasing production and improving the lot of the subsistence farmer and strengthened the agricultural research capability of IDIAP to direct its efforts on the nation's poorest farmers. Emphasis was also given to support the Education Plan which identified priority problem areas and strategy to resolve these problems.

Project assistance expanded from \$9.3 million 1970 to \$19.3 million in 1979.

1980 - 1986

The mid-1960's to 1982 was characterized by a major expansion of the physical infrastructure and public facilities and services. The economy grew as a result of the public investment programs. Roads, dams, health centers, schools and housing contributed to a virtual transformation in the lives of the Panamanian people and the AID program played an important part in bringing about this transformation. However, beginning in late 1984, Panama's economy took a bleak turn. Growth in the mid-1970's to early 1980's was largely a result of public investment programs and a burgeoning public sector. The public sector debt stood at 92% of GDP and consumed nearly half of the national budget. Unemployment continued to rise and was estimated in excess of 14% nationally. Private sector activity declined, agricultural production continued to stagnate and severe austerity budgets were in force as the result of an IMF agreement.

The AID program in the early 1980's focused on the basic human needs of the dual and urban poor and on strengthening Panamanian institutions which encouraged increased popular participation in the development process. Its strategy aimed to reduce unemployment, increase productivity and improve living conditions in metropolitan slums. Activities included the implementation of Housing Investment Guarantee projects, applied agricultural research to deliver better small farmer technology, management and training for the GOP's middle management personnel and projects in environmental management and renewable energy resources.

The 1981 CDSS reported that "growth arrest" since 1974 jeopardized the admirable growth with equity record made by Panama in the preceding 25 years. With a negative real rate of per capita GDP growth in the last half decade, the economy was in trouble. Unemployment and underemployment was a high 35%, private investment was at a standstill, and the GOP borrowed heavily abroad at commercial terms to finance the social service expansion programs. The Mission believed that rural poverty could be eliminated by the year 2,000 if appropriate attention continued to be given to its eradication but found urban poverty to be a growing and more intractable problem. As a result, AID's strategy was aimed at providing support to rural development in those regions with the highest poverty incidence in order to stimulate regional growth poles to divert migration from urban areas. In addition, a program of employment creation and related training for skills upgrading was begun. The program provided increased support to GOP efforts to generate employment opportunities and upgrade the marketable skills of the poor, with the objective of significantly reducing unemployment. AID concentrated its objectives on upgrading Government and business management capabilities and to make both sectors more responsible to the country's development needs. Equally important were projects authorized to reduce deforestation and expand the use of low cost technologies to satisfy the need for energy and higher productivity among the small farmers.

The strategy which followed in 1982 was tailored to address the intermediate and long-term solutions to Panama's economic problems and was designed to assist in the implementation of required policy reforms and

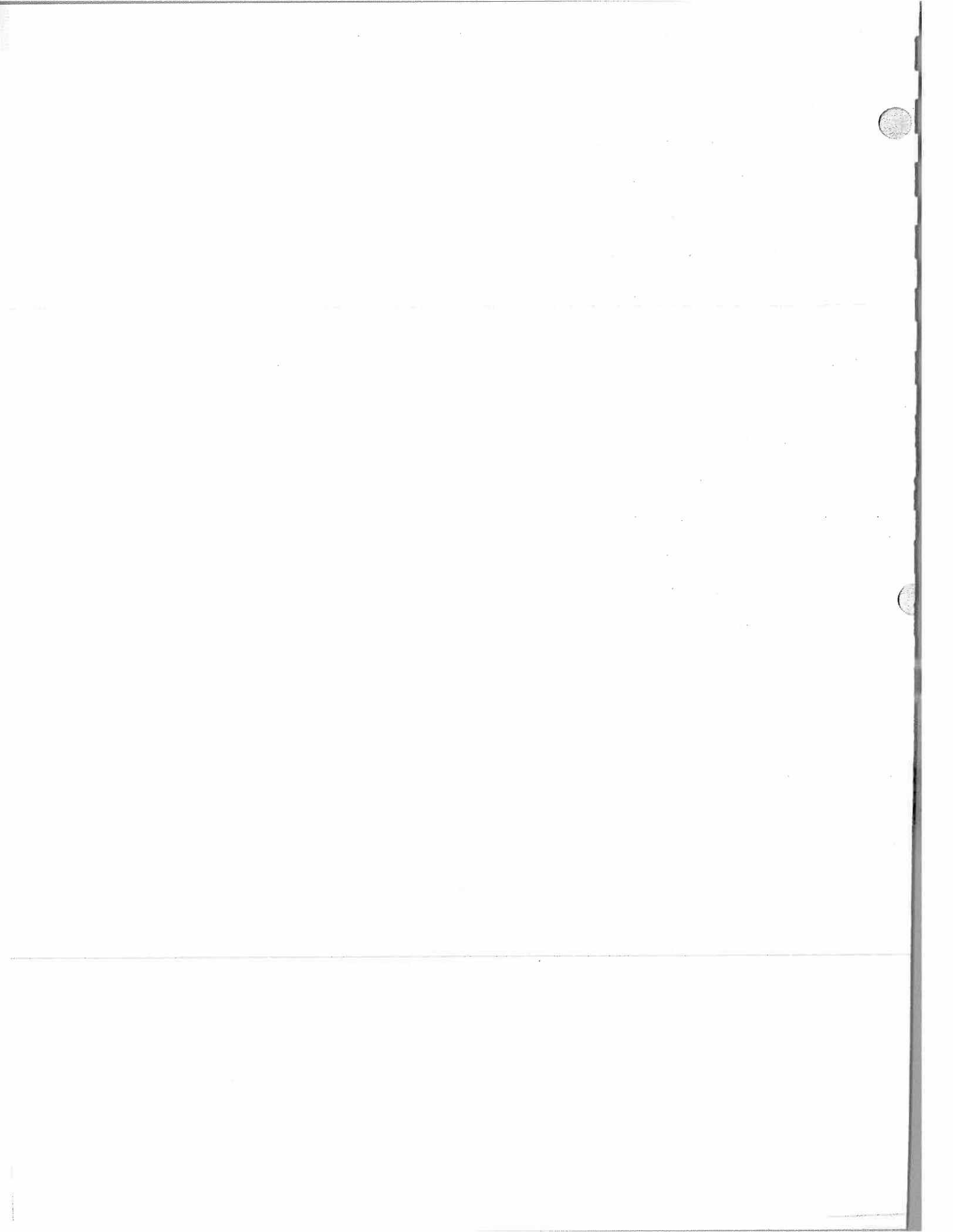
institutional changes. It called for an employment and productive oriented program to meet the needs of the rural poor while attacking the emerging agenda of urban poverty, environmental degradation and energy resource waste. The strategy focused on three areas: employment, especially small farm agriculture, development administration, and environmental energy. Emphasis was put on strengthening the government's information and analysis capacity, creating jobs through projects which would stimulate the private sector and improve worker skills to increase worker productivity. Projects continued to be developed to increase the productivity of small farm agriculture and expanded rural employment through the development of appropriate small farm productive technologies as well as the establishment of extension services for the transfer of technologies to small farmers. The second area of concentration was in the broad range of social, physical and financial capital necessary for improving the future quality of life of the poor. Assistance focused in the areas of human resource development and agricultural technology. The physical capital of the poor was targeted by the HG program whose programs of shelter, community facilities and infrastructure was in the urban areas.

The central concerns of the strategy were employment and productivity aimed at creating jobs in agriculture, industry, and commerce and at developing human resources to fill them adequately. The employment generation strategy involved a shift of emphasis into areas where AID knew relatively little about how to stimulate private investment which would create large numbers of jobs for the poor.

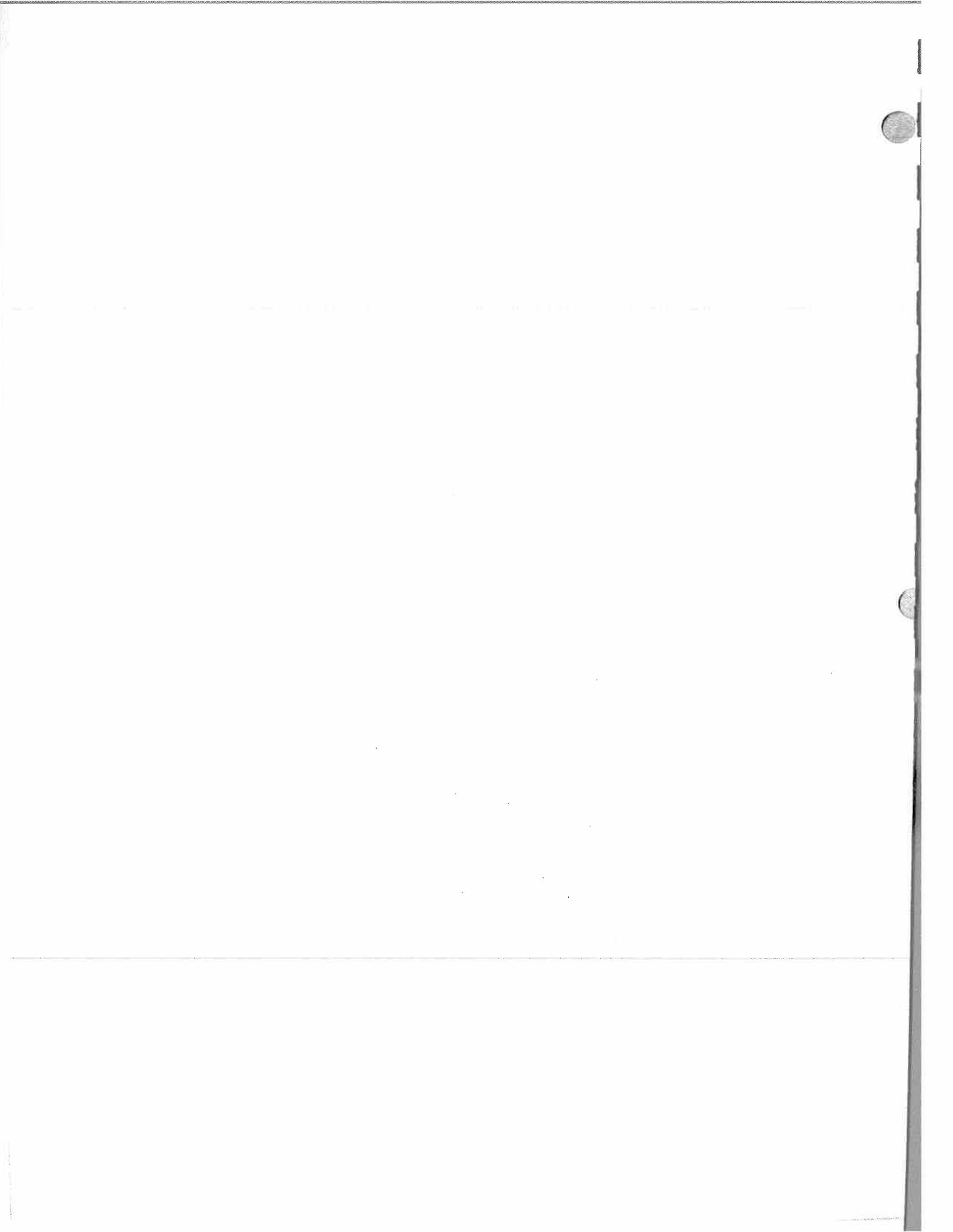
AID's strategy during 1983 focused on two problem areas: (1) small and medium farm agriculture, and (2) employment. AID also continued modest efforts to address public administration and environmental problems. With agriculture, again the forefront of AID's strategy emphasized: (1) strengthening the GOP's policy development and planning capacity, including evaluation of existing programs and policies and development of new initiatives; (2) increasing output of small and medium sized producers through research and development of appropriate technologies, and increasing the supply of trained manpower through improved technical and university-level agricultural education; (3) improving marketing mechanisms by strengthening market management capabilities, increasing access to public storage and expanding private cooperative processing and marketing capacity; (4) strengthening the private sector by building cooperatives and other private sector organizations and providing public infrastructure and services needed by independent and private organizations to operate effectively. Planned activities with cooperatives and agrobusiness reflect the Mission's intent also to use the private sector to stimulate development of the small farmer.

In employment, AID's strategy was to: (1) establish an employment policy and analysis capability with the government, (2) create jobs through credit and technical assistance programs to stimulate small business, (3) strengthen the government's manpower information and job placement services capacity, and (5) strengthen the capacity of private sector groups and organizations to participate constructively in the development process through technical assistance and training programs and scholarship programs.

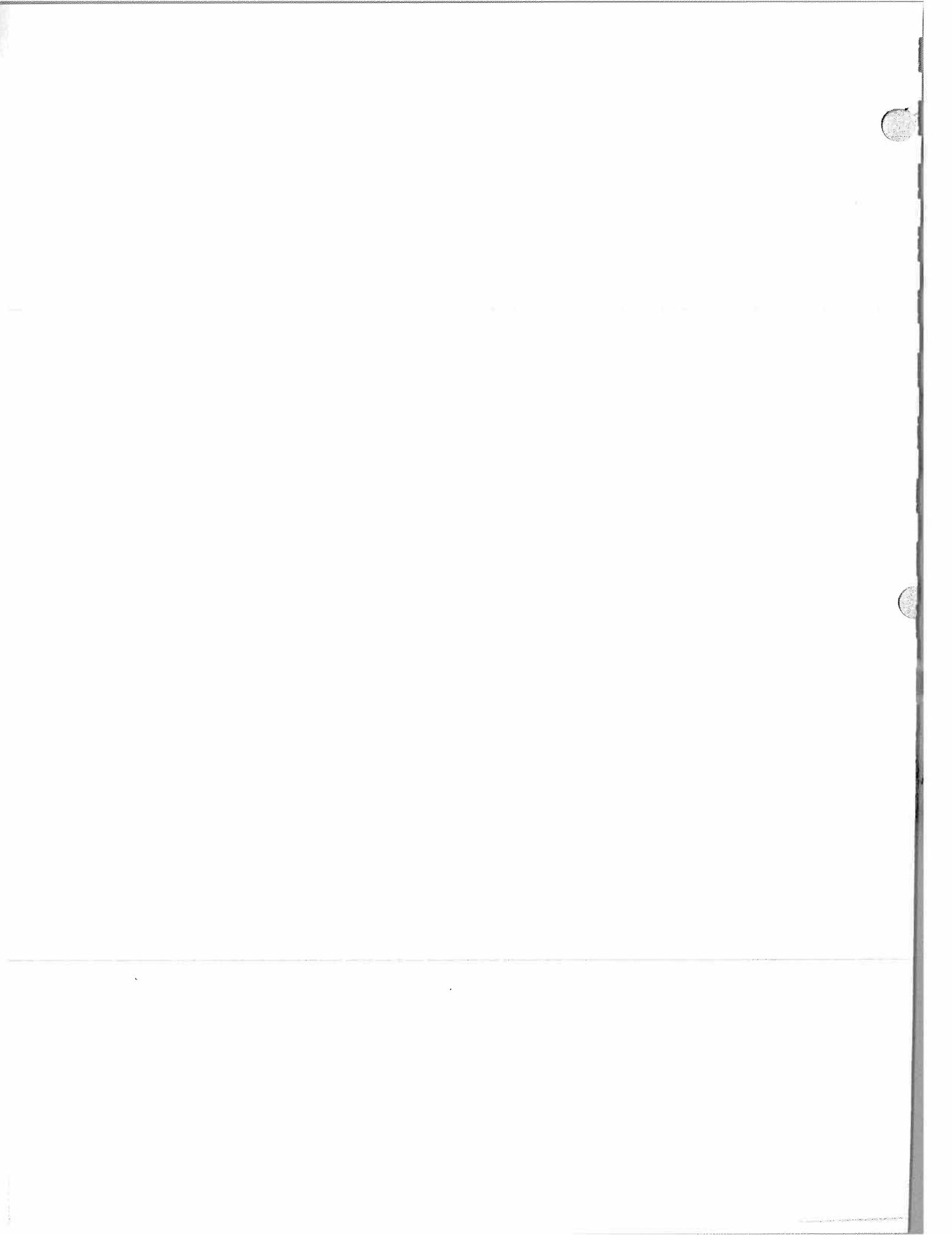
AID's strategy during 1985 was formulated to assist the country in the following areas: (1) to assist the government in implementing its fiscal stabilization program, (2) to stimulate renewed and sustained economic growth by supporting the government's program of policy reforms and by providing assistance to the private sector, especially in industry and agriculture, (3) to assist the government in maintaining and ultimately expanding social services through management improvements and selected financial assistance, particularly for housing, (4) to assist the government in improving its efficiency in support of sustained private sector growth, and, (5) to improve the human resource base in the public and private sectors by supporting a broad program of academic and skills training.



	Development Loans	Technical Cooperation	Contingency Fund	Support Assistance	Total
1964	7,500,000	1,481,000	150,000		9,131,000
1965	5,700,000	1,690,000	4,000,000		11,390,000
1966	7,800,000	1,500,000	3,500,000		12,800,000
1967	22,900,000	2,100,000	10,200,000		35,200,000
1968	16,300,000	3,000,000	-----	200,000	19,500,000
1969	13,200,000	2,800,000	-----	-----	16,000,000
1970 est.	6,200,000	3,100,000	-----	-----	9,300,000



	Agriculture and Rural Development	Population and Health	and Manpower Training Human Resources	Transportation and Urban Development	Program Development and Support	Selected Development Activities	Total
1971	2,521,000	5,774,000	880,000				
1972	467,000	621,000	747,000	740,000	1,205,000	---	11,120,000
1973	338,000	4,416,000	423,000	---	---	19,492,000	21,327,000
1974	9,228,000	638,000	564,000	---	---	243,000	5,420,000
1975	6,230,000	221,000	589,000	---	---	149,000	10,579,000
1976	4,031,000	6,425,000	11,260,000	---	---	30,000	7,070,000
TQ	---	3,590,000	109,000	---	---	30,000	21,746,000
1977	9,700,000	449,000	2,840,000	---	---	6,000	3,705,000
1978 est.	20,300,000	300,000 (Pop) 100,000 (Health)	600,000			45,000 100,000	13,034,000 21,400,000
1979	17,000,000	1,453,000	279,000				
1980	249,000	154,000 (Pop) 80,000 (Health)	285,000			578,000 275,000	19,310,000 1,043,000
1981	1,039,000	18,000 (Pop) 21,000 (Health)	3,081,000			4,480,000	8,639,000
1982	7,248,000	679,000 (Pop) 45,000 (Health)	2,040,000			1,674,000	11,686,000
1983	600,000	213,000 (Pop)	589,000			4,828,000	6,230,000
1984							
1985	10,065,000	290,000 (Pop)	2,395,000			6,072,000	18,822,000 DA 50,000,000 ESF
1986	7,950,000	100,000	946,000			9,802,000	5,400,000 (CAPS) 18,798,000 DA
1987 est.	10,477,000	319,000 (Pop) 438,000 (Health)	4,625,000			6,275,000	5,742,000 ESF 7,547,000 (CAPS) 22,134,000



USAID

December 1, 1987 - USAID ordered out of the country.

December 20, 1989 - Democracy restored in Panama.

December 22, 1989 - Ambassador Davis grants \$25,000 from OFDA's funds for emergency assistance.

1990

January 3 - The Government of Panama asks AID to resume operations.

- Deputy Secretary of State Lawrence Eagleburger, AID's Acting Administrator Mark Edelman, Director of AID's Office of Central America and Panama Charles Costello, OFDA Logistics Advisor Walter Keesecker, and others visit Panama for consultations.

January 6 - A temporary team of AID officials arrives to design the Immediate Recovery Program for Panama.

January 8 - President Endara makes a formal request to President Bush for economic assistance for Panama's recovery.

January 10 - An interagency team of State, AID, and Justice representatives arrives to examine immediate needs for justice and police activities.

January 12 - DOD establishes a displaced persons camp at Albrook.

January 19 - OFDA and the Panamanian Red Cross assume responsibility for Albrook and other displaced persons camps.

February 2 - Under OFDA's authority, a \$2.5 million project to repair apartments in the El Chorrillo area is signed.

February 14 - Public Law 101-243 (The Urgent Assistance for Democracy in Panama Act of 1990) is passed, allowing the use of \$32 million in economic assistance funds and up to \$10 million from the Housing Guaranty Program.

February 22 - A \$5 million grant is signed with FUNDES, a local PVO, to provide loans to small businesses affected by looting.

February 26 - Mission Director Thomas W. Stukel arrives to re-open USAID/Panama.

March 7 - A \$25.125 million grant for the Immediate Recovery Project is signed to finance new housing for the displaced, emergency employment and repair of public infrastructure, and commodities and technical assistance for the Government of Panama.

April 20 - AID and the GOP reach informal agreement on programming the \$420 million economic recovery program.

- May 20** - AID Administrator Roskens, Assistant Administrator for Latin America and the Caribbean Michel, and Deputy Assistant Administrator Schieck visit Panama to review AID's program.
- May 22** - Administrator Roskens turns over the keys to a new home to a former resident of Chorrillo.
- May 25** - Public Law 101-302 (The Fiscal 1990 Dire Emergency Supplemental Appropriations Act) is signed, providing \$420 million for Panama in FYs 1990-91.
- June 29** - \$4.875 million is added to the Immediate Recovery Project for housing, allowances, and operation of displaced persons' camps.
- July 3** - A cash transfer of \$243.85 million is signed with the GOP, providing \$130 million to help settle arrears with the World Bank, the Inter-American Development Bank, and the International Monetary Fund, and \$113.85 million for budget support to the GOP.
- July 6** - 450 families begin moving back into the 24 de Diciembre apartments following completion on July 3 of AID funded repairs.
- July 21** - The \$5 million grant to FUNDES meets its project assistance completion date, with 251 loans.
- July 24** - A cash transfer of \$107.9 million is signed to provide credit for the private sector through the banking system.
- August 28** - Panama's Assembly approves Panama's supplemental FY 90 budget, which includes funds from AID's cash transfer.
- August 31** - A contract with Georgetown University is amended to provide \$5,450,000 for Central American Peace Scholarships. Over the next two weeks, 43 students depart for long-term training in the U.S.
- September 13** - The first disbursement of \$36 million is made for private sector credit through the banking system.
- September 25** - A grant agreement amendment is signed with PANAJURU providing \$500,000 for secondary education for rural youth.
- September 28** - A grant amendment is signed with AIFLD for \$500,000 to support the democratic labor movement in Panama.
- September 30** - A total of \$6,630,000 is provided to ICITAP in FY 90 to support improvements in Panama's new civilian police.
- A total of \$40,000 is provided to the Peace Corps in FY 90 to help re-establish a PCV program in Panama.
- October 24** - The first disbursement of \$29.95 million is made for budget support to the GOP.
- October 31** - Repairs on 138 apartments in Chorrillo are completed.
- November 7** - A \$630,000 grant is signed to support improvement in the operations of the Electoral Tribunal.

November 14 - Paris Club debt negotiation agreement is signed.

November 27 - First six PCVs arrive.

November 30 - A memorandum of understanding is signed to provide \$500,000 through USIS to support democratic initiatives.

- A \$240,000 grant is signed to support public education on citizen responsibilities under democratic government.

December 18 - A \$30,000 grant is signed to provide office equipment for the Electoral Tribunal.

December 19 - \$1.56 million is added to the Immediate Recovery Project for housing, and technical assistance to MIPPE.

1991

January 16 - A \$500,000 grant amendment is signed for training and support of responsible journalism.

January 24 - President Endara issues Executive Decree 13, establishing an ethical code for government employees.

January 27 - Special election is held for nine seats in the Legislative Assembly, and 167 local representatives.

February 19 - Agreement is signed with the GOP to establish an excess property program.

March 5 - A grant of \$1.6 million is signed for tax administration improvement.

March 8 - A \$12 million grant project is signed for improved administration of justice (\$6.9 million initial obligation).

March 21 - \$320,000 is added to the Immediate Recovery Project for housing.

April 9 - A second disbursement of \$36 million is made for credit for the private sector through the banking system.

April 19 - A \$5 million grant project is signed for economic policy development (\$3.1 million initial obligation).

April 22 - A major earthquake damages Bocas del Toro. Ambassador Hinton grants \$25,000 from OFDA's funds for emergency assistance. U.S. assistance for the disaster eventually totals \$143,000, plus \$150,000 for community self-help projects.

May 17 - \$500,000 is added to the Immediate Recovery Project for technical assistance, and small community self-help projects. This includes assistance (\$150,000) to communities in Bocas del Toro affected by earthquakes.

June 5 - A \$6.3 million grant project is signed for financial management reform (\$4.5 million initial obligation).

June 6 - A \$500,000 grant is signed for short-term training in the United States, a program operated by a local private voluntary organization.

June 7 - An \$18 million grant project is signed for natural resource management (\$10 million initial obligation).

June 27 - The U.S. and Panama sign a Framework Agreement on Trade and Investment.

June 28 - A \$15 million Food for Progress agreement is signed.

June 30 - USG financial support for displaced persons camps ends, and the GOP assumes responsibility for the remaining 400 homeless.

- Over the past four months, equipment and material worth \$1.47 million is transferred to the GOP and private voluntary organizations through the excess property program.

July 15 - National Assembly ratifies the Mutual Legal Assistance Treaty (MLAT).

August 15 - Major floods and landslides damage Bocas del Toro. Chargé Beall grants \$25,000 from OFDA's funds for emergency assistance.

August 16 - The third and final disbursement of \$36 million is made for credit for the private sector through the banking system.

August 27 - A \$300,000 grant is signed for assistance to low cost housing to be constructed by the private sector.

September 6 - A \$138,000 grant is signed to support the work of the AIFLD.

September 13 - The GOP confirms that cholera has been identified in the Darien. Over the next eight months, U.S. to help deal with cholera totals \$128,000.

September 16 - A \$210,000 grant amendment is signed to continue improvements in the operations of the Electoral Tribunal.

September 16 - A \$700,000 grant is signed to support development of staff and operations of Panama's legislature.

September 30 - A \$250,000 grant is signed with a local PVO, Cruz Blanca, to support narcotics information and education training.

- A \$15 million grant project is signed for academic and technical training in the U.S. (\$4.36 million initial obligation).

- A total of \$6,570,000 is provided to ICITAP in FY 91 to support improvements in Panama's new civilian police.

- A total of \$60,000 is provided to the Peace Corps in FY 91 to help re-establish a PCV program in Panama.

- A total of \$500,000 is provided to USIS in FY 91 to support training in democracy.

1992

January 15 - The second disbursement of \$42 million is made for budget support to the GOP.

January 28 - Disbursement of \$130 million is made as a contribution to the arrears clearance process with the World Bank, IMF, and IBD.

February 20 - The World Bank signs a \$120 million economic support loan.

February 24 - The IMF signs a \$130 million standby agreement, and a \$51 million loan from the compensatory and contingency financing facility.

March 11 - First tranche (\$58 million) of the World Bank's economic support loan is disbursed.

March 17 - The GOP, NATURA, and The Nature Conservancy sign a \$10 million debt-for-nature swap agreement. AID contributed \$8 million and The Nature Conservancy \$2 million.

March 31 - A \$24,000 grant is signed to provide equipment for the Electoral Tribunal.

- A \$256,112 grant amendment is signed to continue improvements in the operations of the Electoral Tribunal, and to prepare the foundation for a follow-on project.

- A \$2.5 million grant is signed with a local NGO to promote international trade and investment in Panama (\$2 million obligation in FY 92).

May 22 - Public presentation by Cruz Blanca of the results of an AID funded household survey on drug prevalence and attitudes.

June 5 - Grant amendments are signed to add \$1.3 million to support financial management reform, \$3 million for natural resource management, \$2.675 million for improved administration of justice, and \$2 million for academic and technical training in the U.S.

July 6 - Last shipment of vegetable oil arrives to complete the \$15 million P.L. 480 program.

July 31 - A grant amendment is signed to add \$1 million to support economic policy reform.

September 10 - A \$4.2 million grant is signed with the GOP to support improvements in administration of elections (\$1.285 million obligation in FY 92).

September 30 - A total of \$10 million is provided to ICITAP in FY 92 to support improvements in Panama's new civilian police.

- A \$444,000 grant amendment is signed to continue improvements in the operations of the Electoral Tribunal.

November 15 - A national referendum on constitutional reforms is held, the second free and fair election in two years.

1993

February 25 - GOP signs a law to create an independent entity to manage Canal properties.

March 24 - Grant amendments are signed to add \$1.5 million for improvements in administration of elections, \$1 million for academic and technical training in the U.S., and \$500,000 for assistance to the GOP in management of Canal properties.

April 27 - The third and final disbursement of \$42 million is made for budget support to the GOP, completing cash transfer assistance. The GOP agrees to eliminate 279 specific tariffs.



*FAMILIAS DESPLAZADAS DEL
BARRIO DEL CHORRILLO POSAN
FRENTE A SUS NUEVAS VIVIENDAS
CONSTRUIDAS CON FONDOS DE
DONACION ADMINISTRADOS POR
AID/PANAMA*



*ASISTENCIA ECONOMICA DE LOS
ESTADOS UNIDOS A PANAMA: 1990-1992*

COMO TRABAJA LA AID

La Agencia de los Estados Unidos para el Desarrollo Internacional (AID) trabaja conjuntamente con el Gobierno de Panamá, el sector privado y con las comunidades organizadas para acelerar el crecimiento económico del país y establecer los mecanismos que permiten una distribución más justa de los beneficios.

Para hacer efectivo este apoyo, la A.I.D. proporciona asistencia técnica, materiales, equipos y recursos de capital. Colabora en el diseño y realización de los proyectos de desarrollo a solicitud del Gobierno de Panamá y sólo de acuerdo con las metas y objetivos nacionales propios de Panamá.

En este folleto se presentan al lector los resultados obtenidos por Panamá al cabo de dos años de los acontecimientos de diciembre de 1989.

ASISTENCIA ECONOMICA DE LOS ESTADOS UNIDOS A PANAMA 1990-1992

El 25 de enero de 1990, el Presidente Bush anunció un paquete de asistencia a Panamá de mil millones de dólares. Aproximadamente la mitad de esta asistencia sería proporcionada por la Agencia de los Estados Unidos para el Desarrollo Internacional con fondos asignados por el Congreso de los Estados Unidos y el saldo, en la forma de beneficios comerciales, créditos y garantías.

En febrero de 1990, el Congreso de los Estados Unidos aprobó una ayuda inicial de emergencia por \$41 millones, incluyendo garantías para la inversión en viviendas para personas de bajos ingresos. Posteriormente, el 25 de mayo de 1990, el Congreso de los Estados Unidos aprobó \$420 millones adicionales en fondos de donación. **Aproximadamente \$368.2 millones de estos fondos de donación se han desembolsado al Gobierno de Panamá.**



Puente para peatones construido en la apartada comunidad de Las Trancas, corregimiento de Río de Jesús, en la provincia de Veraguas con la colaboración de la Agencia de los Estados Unidos para el Desarrollo Internacional (AID). En estos proyectos comunitarios que se realizan en diversos puntos del país, la comunidad aporta la mano de obra no especializada mientras que la AID contribuye con los materiales necesarios para la obra.

La otra mitad del paquete total anunciado por el Presidente Bush, representa la renovada participación y acceso de Panamá a los programas de comercio y garantías de créditos e inversiones auspiciados por el Gobierno de los Estados Unidos, al Sistema Generalizado de Preferencias, a la ayuda en donación de alimentos y a otros tipos de asistencia. Un total

de \$577 millones se han puesto a la disposición de Panamá según estos programas y hasta la fecha, los sectores público y privado han recibido \$176 millones en beneficios.



En el primer plano de la gráfica y a la izquierda, el Director de la Agencia de los Estados Unidos para el Desarrollo Internacional (AID) en Panamá Thomas Stukel, conversa con uno de los representantes de comunidades apartadas de la provincia de Bocas del Toro, luego de la firma de los acuerdos mediante los cuales las comunidades y AID se comprometen a la realización de 29 proyectos en los distritos de Changuinola y Chiriquí Grande.

El gran total de \$451.1 millones en donaciones directas (excluyendo diez millones de dólares en créditos para viviendas) asignados a Panamá en 1990, hacen de este país el mayor recipiente de ayuda de Estados Unidos en el hemisferio y el tercero en el mundo después de Israel y Egipto, durante la vigencia del año fiscal de 1990. Las asignaciones de ese año superan la totalidad de la ayuda proporcionada a Panamá por la Agencia de los Estados Unidos para el Desarrollo Internacional y por las agencias que precedieron durante 38 años, a partir de 1949 y hasta la salida de la AID de Panamá en 1987 y que fue por \$415 millones.

Los \$451.1 millones en fondos de donación aprobados para este país han proporcionado empleos, alimentado gente, construido nuevos hogares, rehabilitado escuelas, pavimentado calles y reparado drenajes pluviales. Han facilitado créditos a pequeñas empresas para formar su capital de trabajo y reestablecer sus inventarios. Han proporcionado equipo críticamente requerido por las instituciones del sector público para restaurar servicios básicos a la población. Esta asistencia también está fortaleciendo las instituciones democráticas panameñas, incluyendo su sistema judicial, el Tribunal Electoral y la Asamblea Legislativa. Está proporcionando becas en los Estados Unidos y financiando capacitación en agricultura para la juventud rural. Está apoyando la capacitación que se requiere para la nueva fuerza de policía de Panamá. Está financiando inversiones privadas a largo plazo en agricultura, construcción, viviendas, comercio e industria.

Parte de esta ayuda está disponible para inversiones públicas en infraestructura social y productiva. Recursos de esta ayuda se han destinado a pagar la morosidad contraída con las instituciones financieras internacionales como lo son el Banco Mundial, El Banco Interamericano de Desarrollo y el Fondo Monetario Internacional, de modo que Panamá ha recuperado su posición crediticia internacional.

**PROGRAMAS ADMINISTRADOS POR AID:
\$451.1 MILLONES EN FONDOS DE DONACION**

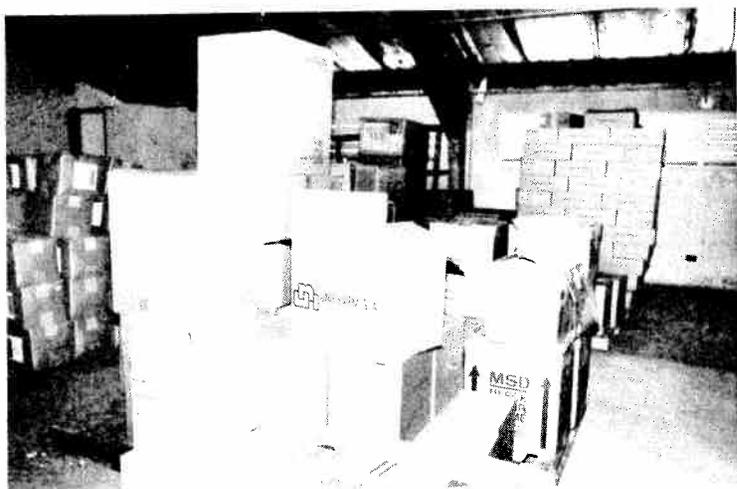
La asistencia urgente de los Estados Unidos a Panamá se inició inmediatamente después de la acción militar del 20 de diciembre de 1989. Esta asistencia urgente consistió en los siguientes elementos:

ASISTENCIA DE EMERGENCIA : \$ 40.8 MILLONES

Albergue

Los hogares de 2,724 familias fueron destruidos o dañados, principalmente en el área del Chorrillo y Colón, en diciembre de 1989.

Un total de \$20.5 millones en fondos de donación fueron desembolsados para la edificación de nuevas viviendas para reemplazar las de las familias desplazadas.



Vista parcial de los suministros entregados por la Agencia de los Estados Unidos para el Desarrollo Internacional (AID) al Ministerio de Salud para combatir la epidemia de cólera que se registra en Panamá desde 1991. AID ha entregado medicamentos, botas de hule, recipientes para agua, catres para enfermos hospitalizados y equipo para detectar aguas contaminadas.

Entre enero de 1990 y julio del mismo año, un total de \$2.8 millones en asistencia de emergencia fueron gastados en proveer alimentación y alojamiento temporal a las familias desplazadas hasta tanto se repararan o reemplazaran sus hogares. Todas las instalaciones empleadas para albergue temporal, incluida la ubicada en Albrook, fueron cerradas en 1991.

El Gobierno de Panamá, con la ayuda de emergencia administrada por la AID, completó reparaciones a los 611 apartamentos que fueron dañados en diciembre de 1989. Unas 2,113 familias de la ciudad capital y de Colón cuyas viviendas fueron destruidas, recibieron libretas de la Caja de Ahorros con \$6,500 para nuevas viviendas. Cada familia era libre de tomar su propia decisión sobre el tipo y localización de su vivienda. Algunos optaron por adquirir un lote de tierra y construir su propia vivienda, otros se unieron a grupos de autoayuda para construir sus casas. Otras familias prefirieron usar el dinero de la libreta de la Caja de Ahorros para comprar apartamentos en el área del Chorrillo construidos por el Ministerio de Vivienda. La mayoría de las familias, sin embargo, decidió contratar a constructores que les ofrecían una amplia variedad de alternativas en cuanto a diseño y ubicación de la vivienda en las áreas suburbanas de la ciudad de Panamá. En adición al dinero para vivienda, las 2,724 familias afectadas recibieron \$800 cada una para adquirir mobiliario y enseres domésticos.

La construcción de viviendas fue completada y los últimos 2,113 nuevos apartamentos y viviendas financiadas con este programa fueron entregadas a las familias desplazadas en 1991.

En febrero de 1990, los ministerios de Educación y Obras Pública y la Asociación Nacional para la Conservación (ANCON), iniciaron 89 proyectos de emergencia para la generación de empleos financiados con \$7.2 millones proporcionados por la AID. Estos proyectos consistieron en obras públicas de pequeña escala, reparación de escuelas, reforestación y protección de parques. Estos proyectos proporcionaron empleo temporal y aumentos en sus ingresos a unas 3,500 personas. Más de \$1.0 millón de estos fondos se gastaron en el área de Colón en la reparación de escuelas, calles, caminos, alcantarillado y drenajes pluviales.

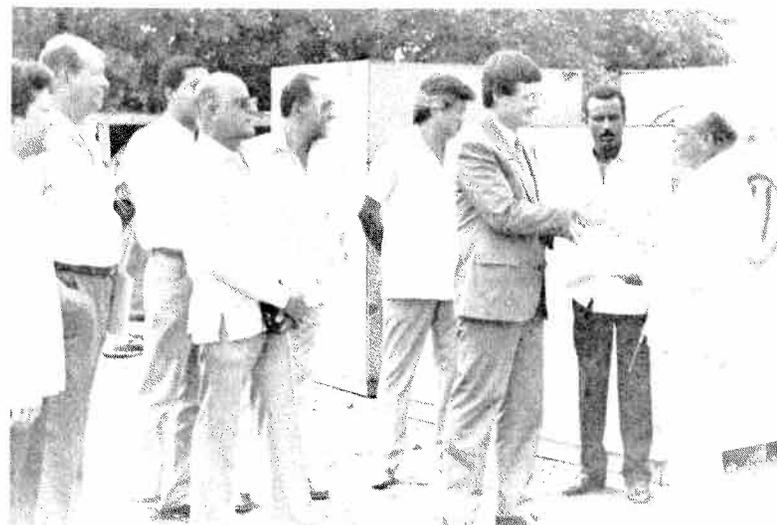
Créditos para pequeñas empresas

Una donación de \$5.0 millones para la Fundación Nacional para el Desarrollo Económico y Social (FUNDES) proporcionó créditos a pequeñas empresas afectadas por el saqueo de diciembre. La totalidad de estos fondos fueron desembolsados en 1990 a unas 251 pequeñas empresas que emplean a aproximadamente 1,800 personas, de las cuales una tercera parte son mujeres. Unos \$650,000 de estos fondos fueron proporcionados a 30 pequeñas empresas en el área de Colón, incluyendo establecimientos comerciales, talleres de reparación y pequeñas fábricas.

Reactivación del sector público

Finalmente, bajos los términos del Acuerdo de Asistencia de Emergencia, la AID proporcionó \$5.3 millones al Gobierno de Panamá para ayudar a reactivar servicios públicos básicos y las operaciones del gobierno. Estos fondos proporcionaron equipo críticamente necesitados y asistencia técnica a varios

ministerios e instituciones claves, incluyendo a los ministerios de Salud y Obras Públicas, la Corte Suprema, el Instituto de Acueductos y Alcantarillados Nacionales (IDAAN), el Instituto de Recursos Hidráulicos y Electrificación (IRHE), la Dirección Metropolitana de Aseo (DIMA) y la Autoridad Portuaria. De esta cantidad, se destinaron \$600,000 a la compra de equipo para la reparación de dos estaciones de bombeo en la ciudad de Colón.



El subdirector de la Agencia de los Estados Unidos para el Desarrollo Internacional (AID) en Panamá Kevin Kelly (con vestido) hace entrega formal de una donación de equipo al director del Instituto Nacional de Acueductos y Alcantarillados Nacionales (IDAAN) Ing. Luis Escalona. El equipo donado se empleó en la reconstrucción de la estación de bombeo de aguas negras de la ciudad de Colón y tiene un valor de 600 mil dólares.

**APOYO PARA LA RECUPERACION ECONOMICA:
\$351.8 MILLONES**

La segunda categoría de la asistencia de los Estados Unidos alcanza un total de \$352 millones. Está destinada a sostener la recuperación macro-económica de Panamá, mediante la disponibilidad de recursos para inversiones de infraestructura tanto en el sector público como en el privado. Otros recursos se proporcionan para asistir a Panamá en el re-establecimiento de su crédito con las instituciones financieras internacionales (IFIs). La normalización de las relaciones con las IFIs ayudará a que los sectores público y privado de Panamá tengan acceso al financiamiento de las inversiones que se requieren para la recuperación y crecimiento económico en los próximos años. Estos fondos fueron plenamente comprometidos en julio de 1990 bajo los términos de los acuerdos firmados con el Gobierno de Panamá. A la fecha, Panamá ha solicitado y los Estados Unidos desembolsado \$309.8 millones de los \$352 millones destinados para la recuperación económica. Los recursos destinados a la recuperación económica representan la mayor parte de la asistencia en donaciones y consiste de las siguientes actividades:

**Pago de la morosidad con las instituciones
financieras internacionales: \$130 millones**

Unos \$130 millones de la asistencia de los Estados Unidos para la recuperación económica se han comprometido al Grupo Internacional de Apoyo de países donantes, formado para asistir a Panamá en el pago de su morosidad con el Banco Mundial, el Banco Interamericano de Desarrollo y el Fondo Monetario Internacional acumulada durante el régimen de Noriega.



El director encargado de la Agencia de los Estados Unidos para el desarrollo internacional Kevin Kelly (al centro de la gráfica), despide al Ing. Ramiro Troitiño, funcionario del IRHE (segundo de derecha a izquierda), quien fue seleccionado para participar en un seminario sobre organización, administración y operación de empresas eléctricas que tuvo lugar en Washington D.C., Estados Unidos a fines de 1991.

Fondos de AID apartados para este fin se hicieron disponibles en julio de 1990 y desembolsados en enero de 1992, una vez que Panamá finalizó un acuerdo con el FMI, el Banco Mundial y el Banco Interamericano de Desarrollo sobre su programa de desarrollo económico.

La normalización de relaciones con el Fondo Monetario Internacional, el Banco Mundial y el Banco Interamericano de Desarrollo le ha permitido a Panamá acceso a nuevos recursos y permitirá la reiniciación de proyectos que fueron suspendidos cuando Panamá entró en situación de morosidad

con el Banco Interamericano de Desarrollo y el Banco Mundial. También se cumple con una de las exigencias incluidas en el acuerdo firmado con el Club de París en noviembre de 1990 (representando los acreedores bilaterales) y ofrece la base para que Panamá pueda renegociar su deuda comercial con bancos privados.

Con la restauración de la situación crediticia de Panamá y la normalización de sus relaciones con las instituciones financieras internacionales, donantes bilaterales y bancos comerciales, Panamá ahora tiene asegurado continuo acceso a financiamiento para su infraestructura productiva y otras necesidades para su desarrollo.

Apoyo para el programa de inversiones del sector público: \$114 millones

El segundo elemento de la asistencia de los Estados Unidos para la recuperación económica provee unos \$114 millones para complementar el presupuesto de inversiones del gobierno. Estos fondos se han usado para la inversión en sectores prioritarios como lo son la agricultura, salud, educación, justicia, recursos naturales, infraestructura y otros sectores sociales.

Unos \$20 millones de estos fondos se destinaron para ayudar a financiar el fondo de emergencia social (FES) auspiciado por el gobierno panameño y que financió 800 proyectos empleando a ocho mil personas. Este fondo canaliza recursos a través de organizaciones del sector privado para la generación de empleos y programas de desarrollo social. A la fecha, aproximadamente \$72 millones de estos \$114 millones se han desembolsado a favor del Gobierno de Panamá.

Crédito para la reactivación del sector privado: \$108 millones

El tercer elemento final de la asistencia de Estados Unidos para la recuperación económica, consiste en \$108 millones para créditos de inversión en el sector privado. Esta asistencia se ha puesto a disposición de inversionistas privados por medio de bancos privados que operan con licencias generales. Cualquier banco de licencia general que opere en Panamá, puede participar en este programa y con el cual se ofrecen financiamientos sobre una base de fondos de contrapartida a tasas comerciales por periodos de uno a cinco años. La totalidad de estos fondos fue retirada por el Gobierno de Panamá en agosto de 1991, paso que hizo posible el financiamiento de 2,400 nuevas inversiones.

ASISTENCIA PARA EL DESARROLLO: \$54.2 Millones

La asistencia de emergencia y de reactivación económica ya descrita, opera con plazos que van de doce a 24 meses. La tercera categoría de la asistencia de Estados Unidos está orientada a la satisfacción de necesidades de desarrollo humano e institucional a largo plazo.

Unos \$54.2 millones se han destinado para el desarrollo de actividades tales como la protección de la cuenca hidrográfica del Canal de Panamá, becas, mejoramiento de los servicios de policía, el fortalecimiento de instituciones democráticas, el desarrollo institucional del sector justicia y de las finanzas públicas y reformas en las políticas de los sectores comercio e inversión.

Acuerdos para estos proyectos fueron firmados en 1990 y 1991 y ahora se encuentran en la fase de su ejecución práctica. El desembolso de recursos financieros se está cumpliendo tal como lo establece el calendario de ejecución de cada proyecto.



La Agencia de los Estados Unidos para el Desarrollo Internacional (USAID/Panamá), ha entregado en varias ocasiones material bibliográfico a las universidades del país a través del Programa Regional de Ayuda Técnica II (RTAC-II, por sus siglas en inglés) con la Universidad Tecnológica de Panamá y la Universidad Santa María La Antigua respectivamente. En la gráfica, autoridades de AID y de la Universidad Tecnológica de Panamá en momentos en que se procedía a la entrega de libros de buena calidad que se venden a los estudiantes a precios razonables.

Como resultado de esta asistencia, se han logrado avances significativos en el sector público y en las instituciones democráticas. Por ejemplo, la Corte Suprema de Justicia tomó la iniciativa, y la Asamblea Legislativa aprobó, la introducción

de cambios en el código judicial que buscan simplificar el manejo de los casos, y los que además, tienen como propósito proteger los derechos de los acusados, establecer alternativas a la detención previa al juicio y mejorar la organización administrativa de las cortes de justicia.

En enero de 1991, el Tribunal Electoral organizó las primeras elecciones libres e imparciales en la historia reciente de Panamá en la que partidos políticos de la oposición ganaron la mayoría de los puestos de la Asamblea Legislativa disputados en la elección. El Tribunal Electoral, con asesoría técnica financiada por la AID, empezó el árduo trabajo de poner al día el registro de electores y de rehacer el Código Electoral heredado del régimen de Noriega.

La asistencia de los Estados Unidos está apoyando la modernización de la Asamblea Legislativa mediante la introducción de un sistema de administración computarizado, mejoras en el sistema de las comisiones de la Asamblea, y capacitación profesional y técnica para los legisladores y el personal al servicio de cada legislador. Para contrarrestar la corrupción en el sector público, la Contraloría General de la República ha promulgado un código de ética del servidor público y ha establecido funciones de auditoría independientes dentro del sector público.

La Agencia de los Estados Unidos para el Desarrollo Internacional (AID) ha otorgado asistencia en apoyo a una sociedad abierta y pluralista. Por ejemplo, por medio de una fundación privada panameña, ciudadanos particulares y organizaciones y grupos privados han recibido capacitación para participar responsablemente, en la discusión y debate de asuntos de interés público y encontrar soluciones a problemas comunes. Para satisfacer el derecho a la libertad de información, los Estados Unidos financian programas independientes

destinados a la capacitación técnica y profesional de los periodistas y de los dueños de medios de información, para mejorar la calidad y rigurosidad de la información presentada al público en los medios periodísticos.

**COMERCIO CON LOS ESTADOS UNIDOS,
GARANTIAS DE PRESTAMOS
Y OTROS PROGRAMAS**

En virtualmente cada caso, la cantidad total del programa de beneficios comerciales, créditos y garantías se han puesto a la disposición del Gobierno de Panamá o del sector privado. El ritmo en la utilización de estos recursos indica la habilidad del Gobierno de Panamá o el sector privado para identificar proyectos específicos. Estos programas se detallan a continuación.

CUOTA DE AZUCAR: \$29 Millones

El monto de la asistencia generada una vez que se reestableció la cuota azucarera de Panamá se puede determinar comparando el precio con el que se vendería azúcar a Estados Unidos con el sistema de cuota con los precios más bajos que ofrece el mercado internacional.

Esta diferencia produjo a Panamá ingresos de \$15 millones en 1990 y \$14 millones en 1991. Ingresos similares se podrán obtener cada año en que Panamá participe del sistema de las cuotas de azúcar. La cantidad exacta de estos ingresos varía de acuerdo a las fluctuaciones de los precios en los mercados mundial y estadounidense.

**LA INICIATIVA DE LA CUENCA DEL CARIBE Y EL
SISTEMA GENERALIZADO DE PREFERENCIAS:
\$20 Millones**

Los programas de la Iniciativa de la Cuenca del Caribe (CBI por sus siglas en inglés) y el Sistema Generalizado de Preferencias (GSP por sus siglas en inglés) le permiten a Panamá exportar productos a los Estados Unidos libres de impuestos de importación y otras tasas que de otro modo les serían impuestas a tales productos. El presidente Bush restauró la elegibilidad de Panamá para participar en estos programas de beneficio comercial el 17 de marzo de 1990. El Departamento de Estado ha estimado que los beneficios producidos por estos programas a Panamá (por ejemplo, exportaciones panameñas adicionales estimuladas por estos programas) fueron de unos \$10 millones en 1990 y 1991.

**OBRAS PUBLICAS DEL EJERCITO DE
LOS ESTADOS UNIDOS: \$15 Millones**

Durante 1990 y 1991, el ejército de los Estados Unidos proporcionó ayuda a Panamá en la forma de alimentos, equipos y suministros médicos y materiales de construcción por un valor estimado en más de \$15 millones.

**PROGRAMAS DE VENTAS DEL EJERCITO DE
LOS ESTADOS UNIDOS: \$9.9 Millones**

Las fuerzas armadas de los Estados Unidos han desembolsado \$9.0 millones a través de las Ventas de las Fuerzas Armadas de los Estados Unidos en el Extranjero (FMS por sus siglas en inglés) y el Programa de Asistencia Militar (MAP por sus siglas

en inglés) para la compra de equipo requerido por la nueva policía nacional.

BANCO DE EXPORTACION E IMPORTACION: \$400 Millones

El Banco de Exportación e Importación (Eximbank) reinició sus operaciones en Panamá el 14 de febrero de 1990, otorgando seguros de créditos a los importadores del sector privado a corto y mediano plazo, año en el que el Eximbank puso a disposición de los interesados un máximo de \$400 millones en garantías de crédito. El Banco de Exportación e Importación otorgó garantías de crédito para la importación de productos estadounidenses por valor de \$70 millones en 1990 y por \$85 millones (cifra estimada) en 1991. Desde el 2 de diciembre de 1991, el Banco de Exportación e Importación tiene disponibles garantías de créditos a mediano plazo para prestatarios del sector público.

CORPORACION DE CREDITOS PARA PRODUCTOS AGRICOLAS: \$29 Millones

La Corporación de Crédito para Productos Agrícolas (CCC, por sus siglas en inglés) garantiza créditos a los bancos estadounidenses para operaciones de venta comercial de productos agrícolas de Estados Unidos. En el año fiscal 1991, la CCC otorgó \$16 millones en garantías de crédito de corto y mediano plazo para la importación a Panamá de malta, granos para forraje, sementales para la crianza de ganado, alimentos proteicos y trigo. En el año fiscal 1992, hay un total de \$13 millones para las importaciones a Panamá de malta, granos para forrajes, sementales para la crianza de ganado, trigo y maderas.



El director de la Agencia de los Estados Unidos para el Desarrollo Internacional (AID) en Panamá Thomas Stukel (tercero de izquierda a derecha) hace entrega al Contralor General de la República, Rubén Carles, (al centro) de seis automóviles donados a la República de Panamá para uso de diversas agencias del gobierno. Observan la entrega funcionarios de AID/Panamá y de la Contraloría.

CORPORACION DE INVERSION PRIVADA DE ULTRAMAR: \$50 Millones

Funcionarios de la Corporación de Inversión Privada de Ultramar (OPIC por sus siglas en inglés) han visitado Panamá en varias ocasiones desde febrero de 1990. Actualmente, unos \$10 millones en garantías para el financiamiento de proyectos

ya especificados, están siendo seriamente considerados por la OPIC.

El potencial para financiamientos de mayor cuantía patrocinados por OPIC es considerable, particularmente cuando se produzcan nuevas oportunidades para inversiones como consecuencia del plan de privatización de entidades públicas que adelanta el gobierno panameño.

P.L. 480: \$15 Millones

El programa de Alimentos para el Progreso (conocido como P.L. 480 en inglés, esto es, Ley Pública 480), ofreció asistencia en donaciones al gobierno panameño en 1990 y 1991 por valor de \$15 millones. Bajos los términos de este programa, el Gobierno de los Estados Unidos provee aceite crudo al Gobierno de Panamá, el que lo puede vender a precios comerciales y retener las utilidades.

PROGRAMA DE COMERCIO Y DESARROLLO: \$0.6 Millón

Durante 1990 y 1991, el Programa de Comercio y Desarrollo de los Estados Unidos (TDP por sus siglas en inglés) costó tres proyectos, concluyó ocho misiones de definición y aprobó cuatro viajes de familiarización para delegaciones panameñas.

Los proyectos aprobados son los siguientes: Estudio de suministro y distribución de agua, estudio sobre generación de energía de La Victoria y el estudio de desarrollo de las telecomunicaciones del INTEL. Las misiones de definición fueron llevadas a cabo por consultores privados, quienes evaluaron las condiciones locales para el desarrollo de futuros estudios formales de viabilidad. Las áreas cubiertas por estas

misiones incluyeron: carretera de peaje Panamá-Colón; desarrollo turístico de Fuerte Amador y Río Hato; expansión de la carretera Puente de las Américas - Arraiján; rehabilitación del sistema de ferrocarril; rehabilitación del aeropuerto de France Field; desarrollo del sistema de telefonía celular y desarrollo de los aeropuertos de Tocumen y Paitilla. El programa de comercio y desarrollo cubrió los costos de estas misiones, incluyendo el de los reportes de los hallazgos presentados al Ministerio de Comercio e Industria. El programa de comercio y desarrollo aprobó el financiamiento para la participación de delegaciones panameñas en cuatro actividades de comercio internacional: EXPOMIN-Santiago, en Chile; Expo y Conferencia Mundial de Minas en Denver, Colorado; un viaje de diez días a los Estados Unidos para conocer el sistema de ferrocarril y una conferencia de servicios médicos en Caracas, Venezuela.

FUNDACION INTERAMERICANA: \$4.3 Millones

La Fundación Interamericana concentra sus actividades en el desarrollo de comunidades por medio de proyectos orientados a la generación de ingresos y al fomento de la producción. En el año fiscal 1991 el presupuesto de la Fundación para Panamá fue de \$1.9 millones, con \$2.5 millones adicionales planeados para el año fiscal 1992.

DONACIONES DEL PROGRAMA DE BIENES EXCEDENTES: \$4.2 Millones

Bienes declarados como excesivos a las necesidades del gobierno de los Estados Unidos, se ponen a la disposición de agencias públicas y privadas con fines humanitarios. Panamá ha recibido de este programa equipos y bienes valorados en unos \$4.2 millones. Estos equipos se han distribuido a 252 entidades públicas, incluyendo al Ministerio de Obras Públicas, escuelas, hospitales y clínicas de salud.



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U.S. ECONOMIC ASSISTANCE TO PANAMA

The U.S. assistance program to Panama began in 1940 with technical assistance for the establishment of a rubber plantation. Over the past 60 years, the U.S. Agency for International Development (USAID) and predecessor agencies has provided more than \$1.2 billion in bilateral economic assistance to Panama.

During the '60s, '70s and most of the '80s, substantial financial resources were dedicated to assisting Government of Panama (GOP) efforts in a range of socio-economic sectors. Activities were financed in health, education, population and nutrition, housing, rural and urban development, institutional strengthening, and community development, to mention a few. During the '90s USAID embarked on a process of reengineering, in order to achieve greater efficiencies and development impacts with ever-limited resources. As a result, USAID/Panama's efforts and resources have been focussed on a reduced number of strategic objectives.

The current USAID program in Panama contributes to the achievement of U.S. foreign policy objectives in the areas of environment and democracy. It focuses on ensuring effective protection and management of the Panama Canal Watershed (PCW), and on substantial

improvements in the criminal and commercial justice systems of Panama.

The U.S. has a major stake in the effective operation of the Canal. Approximately 14% of U.S. maritime trade and 4% of that world trade transits the Canal. The U.S. accounts for approximately 70% of the volume transiting the Canal, while Japan accounts for nearly 18%. Additionally, a democratic, transparent and stable Panama also help ensure efficient canal operations.

The program seeks to achieve two objectives: 1) ensure that Panama effectively develops its capacity to sustainably manage and protect the Panama Canal Watershed and buffer areas; and 2) establish momentum towards fairer and faster justice systems in Panama.

The Development Challenge **Environment Issues**

Fresh water powers the Panama Canal. The Panama Canal Watershed (PCW) is the only source of water to meet the needs of the Canal as well as the fast growing population in the area. Numerous studies have demonstrated the link between environmental protection of the PCW and the effective long-term

operation of the Panama Canal. Protection of the environment in the PCW helps ensure the availability of adequate volumes of water for Canal operations by maintaining and increasing forest cover where possible, and by minimizing sedimentation and drainage of contaminants into the reservoirs that are the sources of potable water. Efficient operation of the Canal, which is gravity fed, relies on the fresh water provided by rain across the 326,000 hectares watershed, as each ship passage requires 52 million gallons of fresh water.

During the past 50 years, massive deforestation has reduced the forest cover in the Watershed by 60% and in the process eroded its river valleys and lake shores. Additionally, increasing rates of population migration into the Watershed, with concomitant urbanization and economic activities, threatens its environmental health. As a result, the fresh water supplies of the Watershed are increasingly vulnerable to agricultural and industrial pollution, siltation, sedimentation and the reduction of storage capacity of the lakes.

THE USAID ENVIRONMENTAL PROGRAM

USAID has determined that four key results are necessary to achieve its environmental strategic objective: (1) Institutional arrangements for effective management functioning are adopted, (2) Natural resources in the PCW and buffer zone are managed effectively, (3) Civil society organizations are strengthened in order to actively support sustainable management in the PCW, and (4) Local government and private sector capacity for environmental management in the PCW and buffer areas are increased. Many activities have been designed, most still being implemented, in support of the achievement of these results. Progress

to date has been significant.

Major Achievements to Date

- USAID assistance is enabling the Government of Panama (GOP) to make significant progress toward strengthening both the institutional capacities of GOP entities involved in the management of the PCW and their capabilities to coordinate plans and actions. With technical assistance provided by USAID, the Inter-Institutional Commission (IIC) for the Canal Watershed is developing and implementing inter-agency agreements, initiated the development of improved financial planning capacity, and has taken steps toward the establishment of a data information center.
- USAID, ANAM, and the Nature Conservancy have established an Ecological Trust Fund. The interest earnings of this trust fund (about \$1.5 million annually) provide funding in perpetuity to finance the maintenance of infrastructure in the PCW. These earnings also finance small projects sponsored by local NGOs, and community based organizations in support of environmental awareness, education and other related activities.
- A Canal Watershed Monitoring Program, spearheaded by USAID with technical support provided by the Smithsonian Tropical Research Institute (STRI), has been incorporated on a permanent basis into Panamanian institutions. The program, which will be overseen by the IIC, monitors the condition of the Panama Canal Watershed by tracking forest cover, hydrology, soil composition, biodiversity status and the dynamics of human settlements.
- USAID assistance enabled the GOP's

National Environmental Authority (ANAM) to demarcate all of the officially protected national parks in the PCW, a total of 166,860 hectares or 51% of the watershed area.

- The protected areas in the PCW have been provided with basic infrastructure such as guard stations, administrative facilities, and commodities such as portable radios and vehicles.
- "Visitor Guides" of the protected areas and maps of "Protected Areas in the PCW" have been produced.
- Park guards have received and continue to receive training in conservation and protection of natural resources.
- A training program for journalists on environmental issues affecting the PCW was implemented. The National Environment Authority (ANAM), with technical assistance provided by the Academy for Educational Development through a contract known as GreenCom, is leading an effort to develop an environmental education strategy for the PCW, in partnership with the Ministry of Education and the PCA.
- Training in agroforestry and innovative environmentally friendly production technology has been provided to small and medium size farmers in the PCW as alternatives to current destructive "slash and burn" and cattle ranching practices.
- A highly successful mass media campaign, featuring television, radio, and the print media contributed to heightening the awareness of the Panamanian population of the benefits and the issues related to the PCW.

Other awareness-raising activities included seminars, workshops, and conferences.

- Community Environmental Plans have been developed in four communities, either in the canal watershed or on its borders, to address solid waste management issues.
- Three targeted municipalities in the PCW have developed strategic, environmental and financial plans that will improve their management of municipal lands in the watershed. The financial plans are aimed at increasing revenues by a minimum of 15% to enable these local governments to address environmental management issues effectively.
- Following an assessment of the environmental impact of factories in three industries (cement, tanneries, and electroplating), ANAM with USAID support has established an inter-institutional commission for clean production and is formulating norms and standards for these three industries.

Administration of Justice (AOJ) Issues

Development in Panama, including the environmental sector, is affected by a justice system that is inherently slow, complex and non-transparent. The system is difficult to understand or access for both Panamanians and non-Panamanians alike, and is believed by many to be 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. Most of the negative remarks have been confined to

the criminal system, but the same criticisms apply to commercial law.

USAID work in the criminal justice system during the period 1991-1997 supported Panama's newly restored democracy in its initial steps towards reform. This period saw the restoration of the rule of law in Panama, with the Government of Panama (GOP), USAID and the US Department of Justice's International Criminal Investigative Training Assistance Program (ICITAP) fostering significant improvements in judicial, prosecutorial and investigative systems.

However, in 1997, because of funding limitations and the expectation that the Inter-American Development Bank (IDB) would inaugurate a large, comprehensive Administration of Justice (AOJ) program of its own, USAID decided to terminate its AOJ program ahead of schedule and without having fully funded it.

Notwithstanding past Panamanian, USAID and other donor efforts, the criminal justice system continues to suffer serious, systemic weaknesses that have produced delayed, flawed, or legally incorrect decisions. Major consequences of these weaknesses are increasing backlogs in court cases and a prison population in which about 65% of the prisoners held in preventive detention have never even appeared before a judge. Just as worrisome, the courts are believed by many to be subject to manipulation and political influence. The civil system, including its commercial component, is similarly lacking. Court productivity is low and slow: approximately 60% of all cases in the judicial system (the majority in civil courts) have been pending over a year, and 40% have been waiting for over three years.

THE CURRENT USAID JUSTICE PROGRAM

The current USAID program seeks to achieve four key intermediate results.

(1) Criminal court systems functioning more effectively by implementing targeted institutional reforms, (2) Commercial court systems functioning more effectively by demonstrating the effectiveness of alternative dispute resolutions (ADR), (3) increased public pressure for judicial sector reform, and (4) Improved collaboration between investigators and prosecutors.

The new program refocuses resources in an intensive effort to develop momentum for reform in the Panamanian Justice Sector by the end of FY2002. While USAID/Panama's pilot effort will not tackle all the challenges noted, it funds discrete activities that contribute to improvements in the justice system by providing technical assistance and training for prosecutors and judges aimed at increasing the efficiency for the criminal and commercial court systems.

The program will also help civil society and GOP actors to strengthen a civil advocacy base that will push for reform and provide sustained momentum for long-term change. This program is specifically designed to establish momentum toward a fairer and faster justice system by testing pilot reform efforts already identified by both the justice system itself and by civil society to promote institutional strengthening, and by supporting civil society, and other reformers to organize and advocate for continued reform.

Major Achievements to Date

USAID can report a number of achievements from its initial administration of Justice assistance. Notable among these are: 1) the creation and initial operations of a Judicial School which serve professional and administrative personnel of

the courts, including Public Defenders and the Attorney General's Office (AGO); 2) the establishment of legal libraries in the Supreme Court, AGO, Judicial School and the nine regional legal centers; and 3) the provision of 233 small legal reference collections to individual professional staff. The USAID intervention also strengthened the Public Defenders' Program by consolidating its existing staff into a single organization, erecting facilities, and providing equipment. The GOP expanded the staff to 36 defenders and a comparable number of legal assistants that represented an increase of almost 100%. The Public Defenders Program (PDP) also opened offices in judicial centers outside the capital (Bocas del Toro, Chitre, Colon, David, La Chorrera, Las Tablas, San Miguelito and Santiago). The US Department of Justice, through ICITAP, carried out a parallel program aimed at the investigative police and coordinated its work with that of the prosecutors trained by USAID. Since 1990, ICITAP has provided substantial amounts of technical assistance, training and equipment.

After more than a two-year hiatus from the justice sector and taking into consideration the results of a comprehensive assessment undertaken in 1998, USAID re-engagement in the sector is critically important despite significant investments by other donors.

Currently, USAID/Panama resources are focused on three areas, designed to complement a larger effort by the GOP and other donors. A fourth area is covered by ICITAP.

The following have been achieved in over a six-month period following approval of this program. A contract for the assessment and design of a modern judicial registry has been negotiated and awarded. A contract for the assessment and design of a pilot project for administrative justice courts has been awarded. The Mission supported two

activities requested by the Panamanian justice sector authorities: the Annual Conference of the Public Defense Institute, and an Anti-Corruption Conference for the Public Ministry. The design of a strategy for broadening/enhancing ADR mechanisms in commercial law disputes is ongoing. Additionally, the Mission has strengthened its bonds at different levels with justice sector authorities and with civil society organizations. Close coordination with the IDB and other donors ensured that key niches in the sector not covered by their programs are being filled. A publication on the results of the annual civil society conference and a newsletter was supported. Also with USAID support the relationship between court officials and civil society organizations has improved. A local NGO was supported to implement a training program for journalists on justice issues, and the first of a series of six seminars was held.

At the end of FY2002, by working with stakeholders inside and outside the justice system, USAID/Panama intends to have helped build broad-based support for and confidence in continued justice sector reform by accomplishing a series of changes in the system and developing an agenda for future reforms. USAID/Panama will evaluate the overall impact of the program and identify those elements of the program, which have been the most successful. If evaluation results warrant, the program will be continued, and the USAID/Panama will design a refined performance framework and set of activities for future implementation.

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U.S. ECONOMIC ASSISTANCE TO PANAMA

The U.S. assistance program to Panama began in 1940 with technical assistance for the establishment of a rubber plantation. Over the past 58 years the U.S. Agency for International Development (USAID) and predecessor agencies provided \$1.2 billion in bilateral economic assistance to Panama -- of which \$2.7 million was provided in fiscal year (FY) 1997 and another \$3.5 million in FY 1998. An estimated \$5.1 million is projected for FY 1999.

The USAID current program in Panama supports the U.S. foreign policy objective aimed at the successful implementation of the Panama Canal Treaties under which Panama will assume full ownership, control and operation of the Canal on December 31, 1999. The U.S. has a major stake in the effective operation of the Canal and its smooth transfer to Panamanian control and management. About 12% to 14% of U.S. maritime trade and 4% of world trade transits the Canal. The U.S. accounts for approximately 70% of the volume transiting the Canal, while Japan accounts for nearly 18%.

As such, the USAID/Panama program has one Strategic Objective and two Special Objectives: (1) Strategic Objective "Improvement in the Institutional Capacity to Manage and Protect the Panama Canal Watershed"; (2) 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"; and (3) Special Objective "To Facilitate the Legal and Policy Changes Required to Sustain Fair, Fast and Independent Criminal and Commercial Justice Systems".¹

I. Environmental Management and Protection of the Panama Canal Watershed (PCW)

Fresh water powers the Panama Canal. Every ship that transits requires 52 million gallons of gravity-fed fresh water that is lost to the sea. The Panama Canal Watershed (PCW), an area of 326,000 hectares, is the only source available to meet these needs. Its five rivers feed two large lakes which are indispensable to Canal operations. Unfortunately, over the past fifty years, the PCW has suffered massive deforestation, reducing its forest cover from approximately 80% to slightly less than 40% and eroding its river valleys and lake shores. As a result, the fresh water supplies of the PCW are increasingly vulnerable to siltation, sedimentation and the reduction of storage capacity of the lakes. Therefore, the management and protection of the PCW is an urgent priority.

The U.S. supports Panamanian efforts to manage and protect the PCW and strengthen the capacity of responsible Government of Panama (GOP) institutions and local communities within the PCW. Through USAID it has provided almost \$23.0 million over the past seven years to assist the Panamanians to improve their capacity to manage and protect the Panama Canal Watershed (PCW). This assistance has taken the form of technical assistance, training and the provision of commodities.

The major part of the assistance (\$19.0 million) has been to the GOP's National Environmental Authority (ANAM). With USAID assistance, ANAM has been able to demarcate all of the officially protected national parks in the Watershed, a total of 166,860 hectares or 51% of the Watershed area. The protected areas have been provided with basic infrastructure such as guard stations, administrative facilities, and commodities such as portable radios and vehicles. The park guards have received and continue to receive training in conservation and protection of natural resources.

USAID, ANAM and the Smithsonian Tropical Research Institute have established a monitoring unit to track the health of the PCW. This unit continuously monitors the extent of the forest cover, water quantity and quality, soil erosion, population dynamics and biodiversity in the PCW.

¹The Mission has prepared a Strategic Plan for assistance to Panama beyond FY 2000. The plan proposes to elevate the Special Objective dealing with justice issues to a Strategic Objective and introduces the concept of sustainability in the Strategic Objective dealing with Panama Canal Watershed issues.

Additionally, USAID, ANAM and The Nature Conservancy have established an Ecological Trust Fund. The interest earnings of this trust fund (about \$1.5 million annually) provide funding in perpetuity to finance the maintenance of the infrastructure in the PCW and small projects sponsored by local NGOs and community-based organizations in support of environmental awareness, educational and other related activities.

USAID is also providing assistance to local governments in the PCW to strengthen their capacity to better address local environmental issues, such as waste management and land use planning.

Small and medium size farmers in the PCW have received and continue to receive training in agroforestry and innovative environmentally friendly production technology as an alternative to current destructive "slash and burn" and cattle ranching practices.

Finally, USAID has played, and continues to play, an important critical role in assisting the GOP in the area of appropriate legal and regulatory instruments for the effective protection of the PCW.

II. The Transfer of the Canal and Reversion of the U.S.-Owned Properties.

Imminent transfer of the Canal and the reverted areas presents Panama with great opportunities and challenges. The extensive U.S. military bases and Canal operating areas which border the Panama Canal from the Atlantic to the Pacific are already reverting to Panamanian control. About 2,374 buildings (34% of all structures in the Canal area) and 12,945 hectares or 31,974 acres (33%) have reverted. However, the majority of the reversion will take place in 1999.

USAID supports Panamanian efforts to assure a seamless transition of the Panama Canal and to offset the loss of employment and income resulting from the closure of U.S. military bases by focussing on strengthening the capacity of key GOP institutions. USAID supports (1) the new GOP Panama Canal Authority (PCA) which will assume control and operation of the Canal and will become responsible for managing and protecting the PCW on December 31, 1999 -- the latter was never the responsibility of the U.S. Panama Canal Commission; and (2) the Inter-Oceanic Regional Authority (ARI) which is responsible for establishing productive uses for the reverting U.S.-owned properties. To assure participatory democracy at the local level, the U.S. will facilitate communities' and local governments' involvement in this process.

USAID's role is primarily as a facilitator in the Canal transfer and reversion processes in those areas of expertise where the U.S. possesses a particular comparative advantage to help accelerate the process, and to ensure high quality of the technical assistance "products" that ARI and the PCA need in order to evaluate management and asset disposition options.

USAID helped to develop the terms of reference and funded the development of the GOP's Canal Transition Plan, which guides current planning. Based on that planning, the GOP developed the framework law to operationalize the new PCA. USAID has also assisted the FCA by funding technical assistance efforts to: develop a public information plan to explain to a world-wide audience the role of the PCA; determine the programming, monitoring and control mechanisms required to manage the transition process; and support non-confrontational resolution of labor issues through training with the U.S. Federal Mediation and Conciliation Service.

USAID is also actively supporting the institutional strengthening of ARI as the primary interlocutor of the GOP for reversion and investment. USAID funded among others, the feasibility study for tourism development for Fort Amador. With USAID support, ARI has carried out planning, marketing and sales activities for private sector productive use of the U.S. military bases and certain Canal operating areas that are being transferred to Panamanian control.

USAID support of Fundación ANDE, a private sector non-profit organization, is encouraging the private sector's partnership with the GOP in a fair and transparent reversion process, through improvements of the business climate, particularly as they relate to the Canal and reverted areas. Fundación ANDE developed an incentive law for tourism development in the reverted areas, a law for streamlining procedures for business licensing by the GOP, and is actively involved in promoting intellectual property rights and fair business practices.

III. The Administration of Justice.

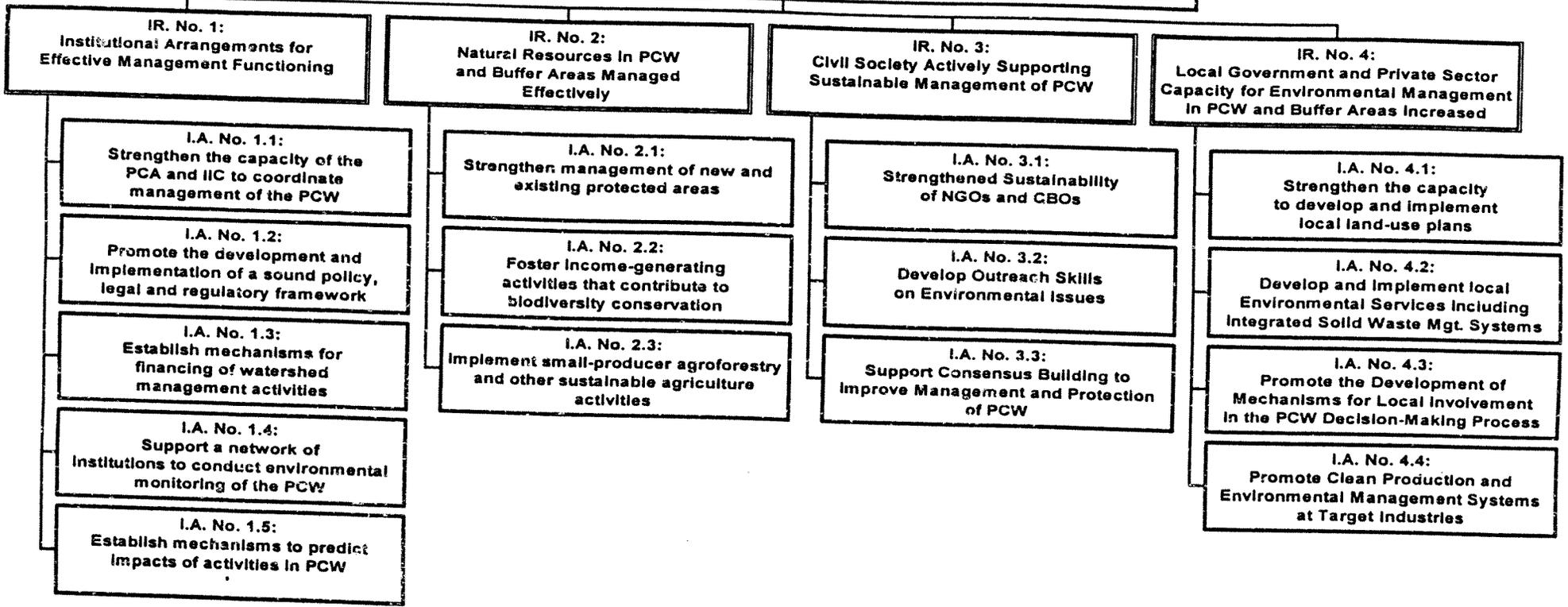
Since Panama's return to democracy in 1990, efforts have been undertaken to reestablish a strong, modern, independent Panamanian justice system. In 1995, budget stringencies forced the phase out of the Administration of Justice project. A 1997 project evaluation revealed that it was a successful activity, particularly with the formation of integrated teams of judges and prosecutors, and the training of judges, prosecutors and public defenders. The project's early termination, however, left important program components unfinished. Moreover, public confidence in the justice system declined dramatically; decisions were made against U.S. interests, both in the criminal and commercial sectors, in a less than fair and transparent manner, and political leaders and influential Panamanians assert that the system is slow, lacking credibility, and corrupt.

Recognizing that a fair and transparent justice system underpins the economic health and political stability of a nation, USAID reopened its project in fiscal year 1998 with a small, strategically-targeted effort, focused on creating fundamental systemic changes in the criminal and commercial areas where other donors currently are not assisting.

USAID/PANAMA

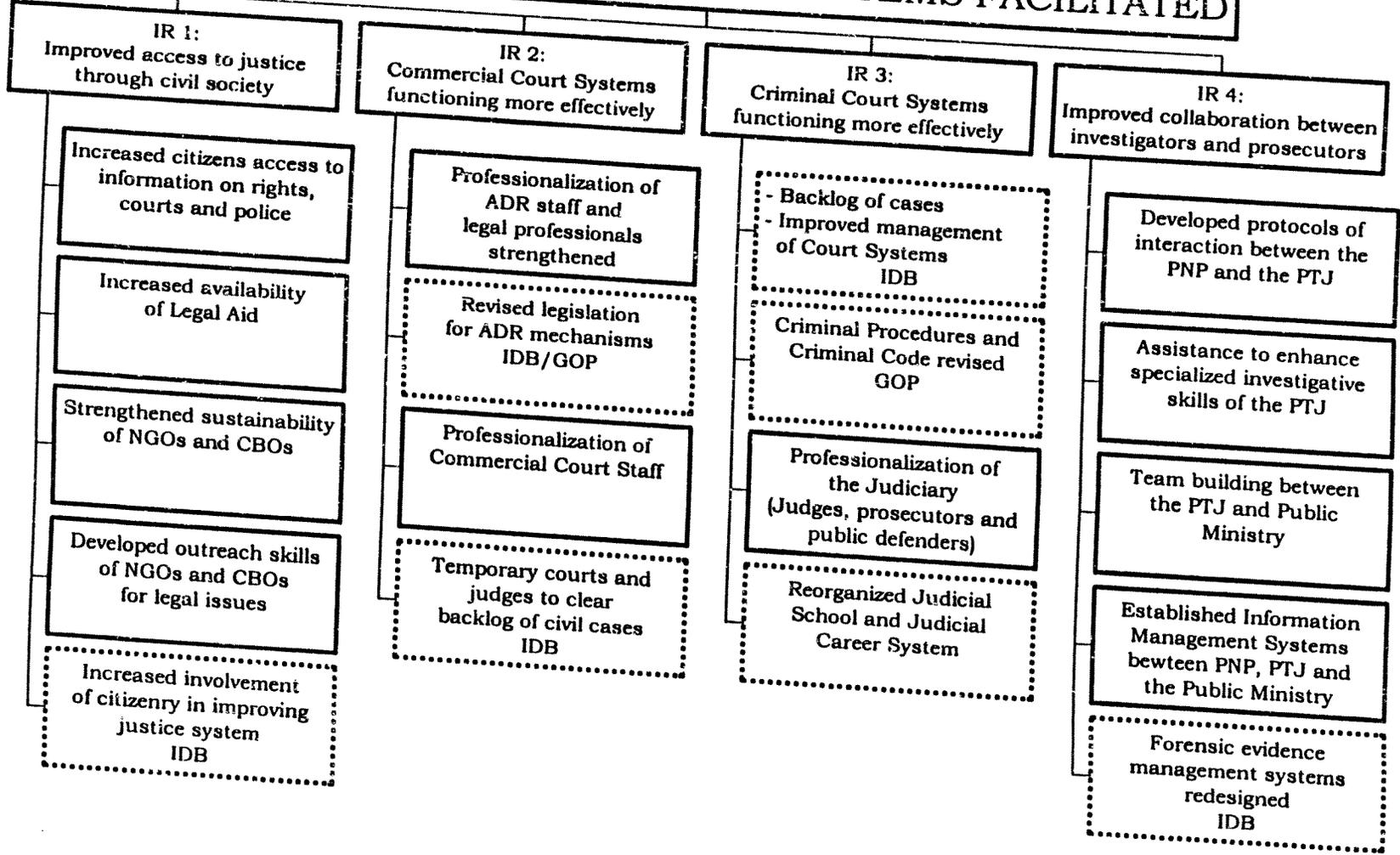
STRATEGIC OBJECTIVE No. 1

PANAMA SUSTAINABLY MANAGES THE CANAL WATERSHED AND BUFFER AREAS



RESULTS FRAMEWORK FOR THE STRATEGIC OBJECTIVE NO. 2

FAIRER AND FASTER JUSTICE SYSTEMS FACILITATED



IR 1:
Improved access to justice through civil society

Increased citizens access to information on rights, courts and police

Increased availability of Legal Aid

Strengthened sustainability of NGOs and CBOs

Developed outreach skills of NGOs and CBOs for legal issues

Increased involvement of citizenry in improving justice system IDB

IR 2:
Commercial Court Systems functioning more effectively

Professionalization of ADR staff and legal professionals strengthened

Revised legislation for ADR mechanisms IDB/GOP

Professionalization of Commercial Court Staff

Temporary courts and judges to clear backlog of civil cases IDB

IR 3:
Criminal Court Systems functioning more effectively

- Backlog of cases
- Improved management of Court Systems IDB

Criminal Procedures and Criminal Code revised GOP

Professionalization of the Judiciary (Judges, prosecutors and public defenders)

Reorganized Judicial School and Judicial Career System

IR 4:
Improved collaboration between investigators and prosecutors

Developed protocols of interaction between the PNP and the PTJ

Assistance to enhance specialized investigative skills of the PTJ

Team building between the PTJ and Public Ministry

Established Information Management Systems between PNP, PTJ and the Public Ministry

Forensic evidence management systems redesigned IDB

USAID/PANAMA

PROJECT DESCRIPTIONS

1. **Project No.:** 525-0101
Project Name: Special Development Activities

Original Agreement Date: 10/31/84
Project Assistance Completion Date: 09/30/00

Financial Status (\$000)

Actuals through FY 1998

Obligations \$ 1,118
Expenditures 836

Planned FY 1999

Obligations 190
Expenditures 250

Purpose/Description: This project promotes community development through small, self-help activities in the rural areas of Panama. Typical activities include, but are not limited to: rural potable water supply systems, school classrooms, footbridges, health posts, etc. USAID funds the costs of imported construction materials. Community members identify the problem to be addressed, devise a solution and gather sufficient resources to finance at least 50% of total costs (usually unskilled labor and local materials). When appropriate, the community is also responsible for collecting user fees to cover maintenance costs. Beginning in FY 97 all activities under this project has been focussed in the Panama Canal Watershed.

2. **Project No.:** 525-0306
Project Name: Financial Management Reform

Original Agreement Date: 06/05/91
Project Assistance Completion Date: 06/30/00

Financial Status (\$000)

Actuals through FY 1998

Obligations 6,550
Expenditures 5,538

Planned FY 1999	
Obligations	400
Expenditures	1,020

Purpose/Description: To improve and integrate GOP financial management and audit systems and promote accountability of government officials in managing public resources. The Project calls for the establishment of an Integrated Financial Management System (SIAFPA) comprising four subsystems as follows: A Budget Subsystem which produces an effective financial plan and which facilitates control over the expenditure of government funds; An Accounting Subsystem which classifies, records and analyzes all government financial transactions; A Debt Subsystem that manages acquisition, servicing and retirement of the public debt; and a Treasury Subsystem which manages the cash assets of the government through projection and monitoring of cash flows, receipt and control of revenues and the processing of disbursements. The Project also calls for the establishment of a Comprehensive Audit System, which assures fair, objective, reliable and independent review of government performance and financial reporting. Resources are also devoted to the establishment of ecological accounting and auditing systems with particular emphasis in the Panama Canal Watershed.

3. **Project No.:** 525-0308
Project Name: Natural Resources Management (MARENA)

Original Agreement Date:	06/07/91
Project Assistance Completion Date:	09/30/00

Financial Status (\$000)

Actuals through FY 1998	
Obligations	18,800
Expenditures	15,977

Planned FY 1999	
Obligations	1,450
Expenditures	2,305

Purpose/Description: The Canal is dependent on an abundant and continuous source of fresh water for its operations. At capacity, canal operations consume over 2 billion gallons of fresh water a day. In addition, more than 1,000,000 people depend upon canal lakes for potable water.

Poor land use practices are a threat to the long-term integrity of the Panama Canal Watershed. Deforestation, overgrazing, urbanization, and increasing potable water demand by nearby communities, to name a few, are major threats to the water supply and future operations of the canal, particularly during the dry season when the canal operations depends on stored water. These poor land use practices also contribute to increased siltation in canal lakes and decrease biodiversity. This project focuses on improving land use practices and the conservation of forest cover, within the Panama Canal Watershed.

The project is assisting the establishment of a permanent physical presence of ANAM staff within the national parks and reserves located in the Panama Canal Watershed to ensure their protection. This involves surveying and marking the boundaries of the parks, providing infrastructure and equipment for the park guards as well as upgrading their technical capabilities through training and technical assistance. Also, an Ecological Trust Fund is financing activities of the local NGO sector in natural resources protection and management in the PCW. Agroforestry programs, with strong technical training components, are being implemented in several communities throughout the watershed to improve local community understanding and implementation of proper land use practices and to improve income levels of families residing within the watershed.

4. **Project No.:** 525-0324
Project Name: Municipal Development

Original Agreement Date: 08/07/95
 Project Assistance Completion Date: 09/30/00

Financial Status (\$000)

Actuals through FY 1998

Obligations	2,500
Expenditures	644

Planned FY 1999

Obligations	500
Expenditures	900

Purpose/Description: This Project focuses on improving local institutional capacity to manage and protect the Panama Canal Watershed (PCW). The primary objective of the MDP is to increase the institutional capacity of key municipalities to implement local land use plans and to improve solid waste management to

protect the PCW. Technical assistance and training will be provided to the municipalities of Arraijan, La Chorrera, Capira and Portobelo. In addition, the MDP will include selected corregimientos along the transisthmian corridor in land use planning, awareness campaigns and solid waste management training sessions.

5. **Project No.:** 525-1001
Project Name: Caribbean and Latin American Scholarship Program II (CLASP II)

Original Agreement Date: 09/30/91
Project Assistance Completion Date: 09/30/00

Financial Status (\$000)

Actuals through FY 1998

Obligations 4,935
Expenditures 1,945

Planned FY 1999

Obligations 500
Expenditures 800

Purpose/Description: Originally this project was designed to equip a broad base of Panamanian leaders and potential leaders with technical skills, training and academic education along with an appreciation and understanding of the workings of a free market economy within a democratic society. Scholarships were provided for training, in the United States, of young, grass-roots leaders. Participants were identified by volunteer groups or Provincial Committees. Due to budget constraints and a refocussing of USAID's strategy, the nature of the training activities has been changed to reflect the new realities.

Present orientation of the CLASP II Program is now very focused towards specific results-orientated, high impact, short-term training. Training programs are designed in support of USAID/Panama new priorities. Training programs are tailored made in order to respond to focused results considering local needs in the PCW. Transfer of technology is integrated to the concept of entrepreneurship and participatory, free market, democratic values. Under the results-orientation strategy, "replicability" of the training program is a target goal. The program continues to perform in partnership but only within the geographical area of the Panama Canal Watershed with those institutions identified as key players in the management of the PCW. The mandate for increased female participation has required conscious efforts to provide equal opportunity for women in traditionally

male dominated working areas. This new approach increases recognition of women's role and of women's participation in their chosen field.

6. **Project No.:** 525-0313
Project Name: Economic Policy Development

Original Agreement Date: 04/19/91
Project Assistance Completion Date: 09/30/00

Financial Status (\$000)

Actuals through FY 1998

Obligations	8,514
Expenditures	6,411

Planned FY 1999

Obligations	1,228
Expenditures	2,605

Purpose/Description: The Panama Canal is a major economic resource in Panama's economy. The smooth transfer and efficient, post transfer, operation of the Panama Canal is at the center of U.S. Foreign Policy interests in Panama. This Project is now focussed on providing resources to assist the Government of Panama's Regional Inter-Oceanic Authority (ARI) and the Panama Canal Authority (PCA) in the development of policies and administrative options for the management of the Canal and reverted areas. Successful transition of the Panama Canal and the productive use of reverted military properties are monumental tasks. Both require adequate and timely technical assistance in a race against the clock.

Resources are provided to finance studies, technical assistance, information technology, and training to help the GOP effect a smooth and transparent transfer of the Panama Canal and establish the enabling conditions for generating investment and employment in the reverted areas.

7. **Project No.:** 525-0309
Project Name: Trade and Investment Development

Original Agreement Date: 04/19/91
Project Assistance Completion Date: 09/30/00

Financial Status (\$000)

Actuals through FY 1998

Obligations	\$2,000
Expenditures	1,457

Planned FY 1999

Obligations	250
Expenditures	480

Purpose/Description: The Project is assisting Panama to diversify and increase its volume of trade. The Project enlists and supports local private sector organizations in promoting necessary policy changes. These define the legal judicial and regulatory environment of Panama's trade regime and help to remove internal constraints to increased production for export.

Purpose is to provide technical assistance to local private sector organizations to collaborate with the Government of Panama to streamline bureaucratic procedures and develop regulations for existing laws that unduly constrain economic activity and exports.

8. **Project No.:** 525-0312
Project Name: Improved Administration of Justice

Original Agreement Date:	03-08-91
Project Assistance Completion Date:	09-30-00

Financial Status (\$000)

Actuals through FY 1998

Obligations	9,800
Expenditures	9,538

Planned FY 1999

Obligations	275
Expenditures	400

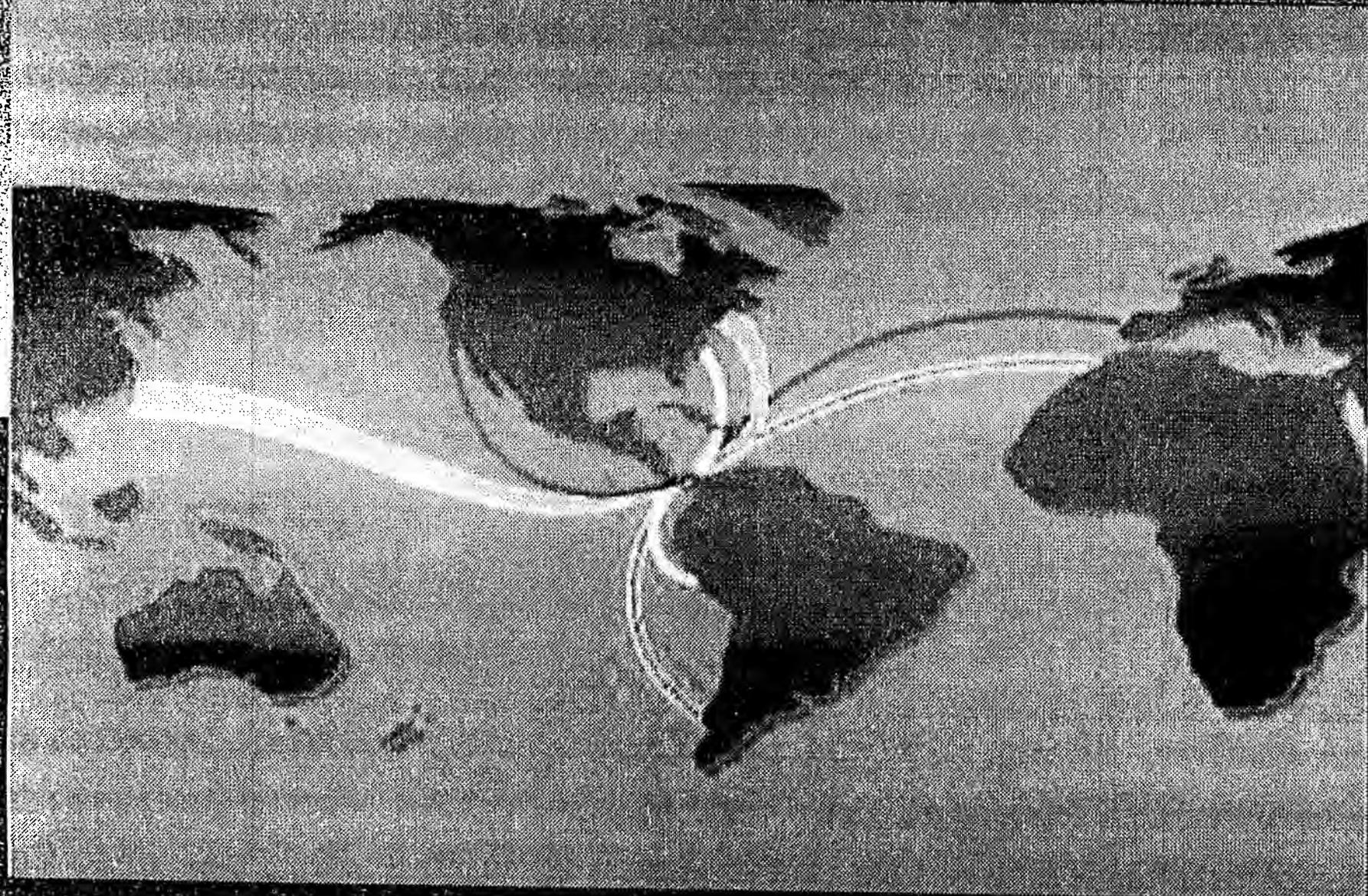
Project Description: The Project supports the consolidation of on-going efforts by the Government of Panama to implement critical reforms by the Government of Panama to implement critical reforms of its criminal and civil justice systems. The Inter-American Development Bank (IDB) is providing primary support for the criminal justice system. This project complements efforts in areas not covered by IDB's assistance, and provides additional assistance to the commercial justice system. The civil code in Panama dates back to 1917 and have not been updated

since. Substantial reforms are required to upgrade this legislation to standards required by the globalized market of the next century. The project will focus significant resources on assuring the application of internationally recognized commercial law and legal practices, enforcement of environmental regulations, and on active participation of an organized civil society in the effort to modernize the justice systems.

Purpose is to provide technical assistance to review and propose selected changes to existing criminal and commercial legislation and legal practices; and to support the strengthening of local civil society organizations aimed at increasing their participation in efforts to modernize the justice systems.

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USAID ASSISTANCE TO PANAMA

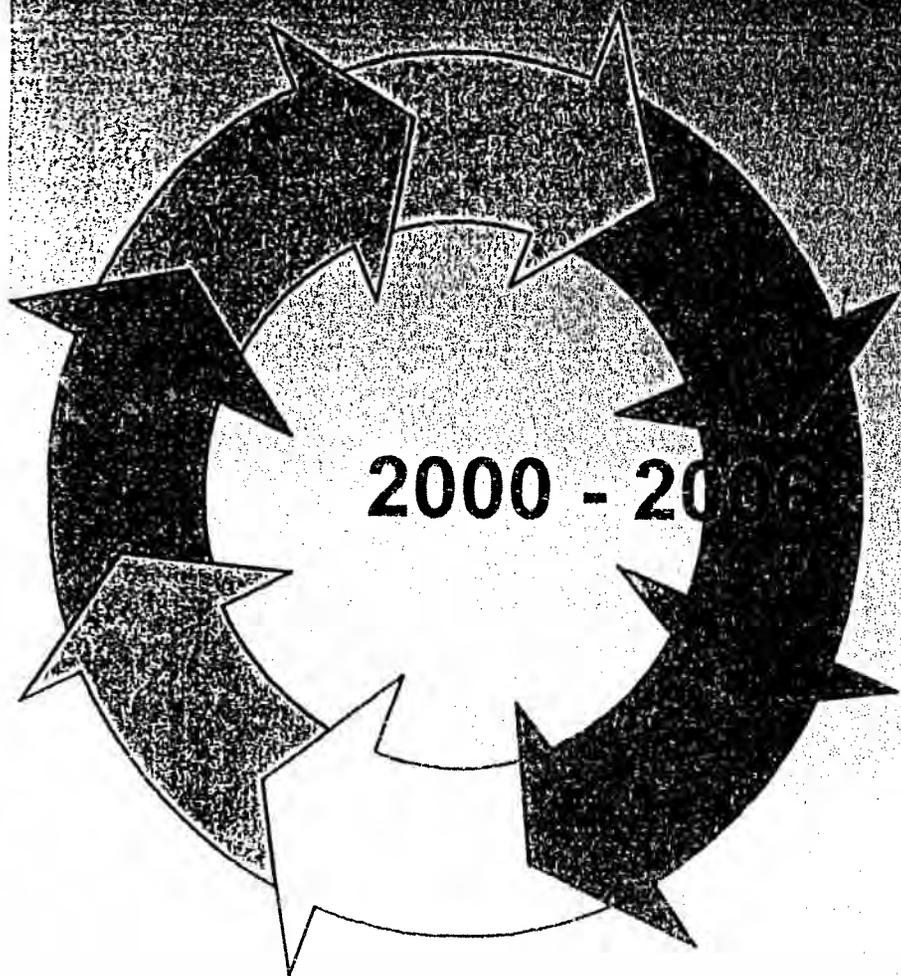


PROGRAM JUSTIFICATION AND GOAL

▲ **The USAID program in Panama supports the U.S. Foreign Policy Objective aimed at sustaining the achievements and intents of the Panama Canal Treaties,**

▲ **The Goal is to ensure sustainable and productive use of the Panama Watershed to safeguard the fresh water resources upon which the canal hydrology depends and optimal use of all reverted properties, within the framework of reliable commercial and criminal justice systems.**

USAID Proposed Strategic Plan



2000 - 2006

- **Watershed Management**
- **Administration of Justice**

Strategic Objective No. 1

- PANAMA SUSTAINABLY MANAGES THE CANAL WATERSHED AND BUFFER AREAS



Four Intermediate Results will help achieve the Objective

- **Institutional Arrangements for Effective Management Functioning.**
- **Natural Resources in PCW and Buffer Areas Managed Effectively.**
- **Civil Society Actively Supporting Sustainable Management of the PCW.**
- **Local government and Private Sector Capacity for Environmental Management in PCW and Buffer Areas Increased.**

Intermediate Result No. 1 and Illustrative Approaches

■ Institutional Arrangements for Effective Management Functioning

- Strengthen the capacity of the PCA and CICH to coordinate management of the PCW;
- Promote the development and implementation of a sound policy, legal and regulatory framework;
- Establish mechanisms for tracking of watershed management activities;
- Support a network of institutions to conduct environmental monitoring of the PCW;
- Establish mechanisms to assess environmental and economic impacts of activities in PCW.

Intermediate Result No. 2 and Illustrative Approaches

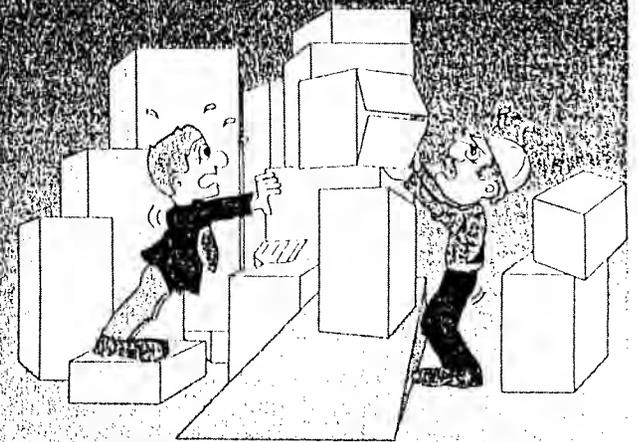
■ **Natural Resources in PCW and Buffer Areas Managed Effectively**

- **Strengthen management of new and existing protected areas;**
- **Foster income-generating activities that contribute to biodiversity conservation;**
- **Implement small-producer agroforestry and other sustainable agriculture activities.**



Intermediate Result No. 3 and Illustrative Approaches

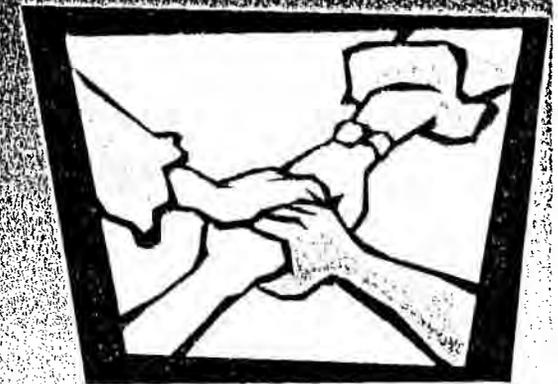
■ Civil Society Actively Supporting Sustainable Management of PCW



- Strengthen sustainability of NGOs and CBOs;
- Develop outreach skills on environmental issues;
- Support consensus building to improve management and protection of PCW.

Intermediate Result No. 4 and Illustrative Approaches

■ Local Government and Private Sector Capacity for Environmental Management in PCW and Buffer Areas Increased



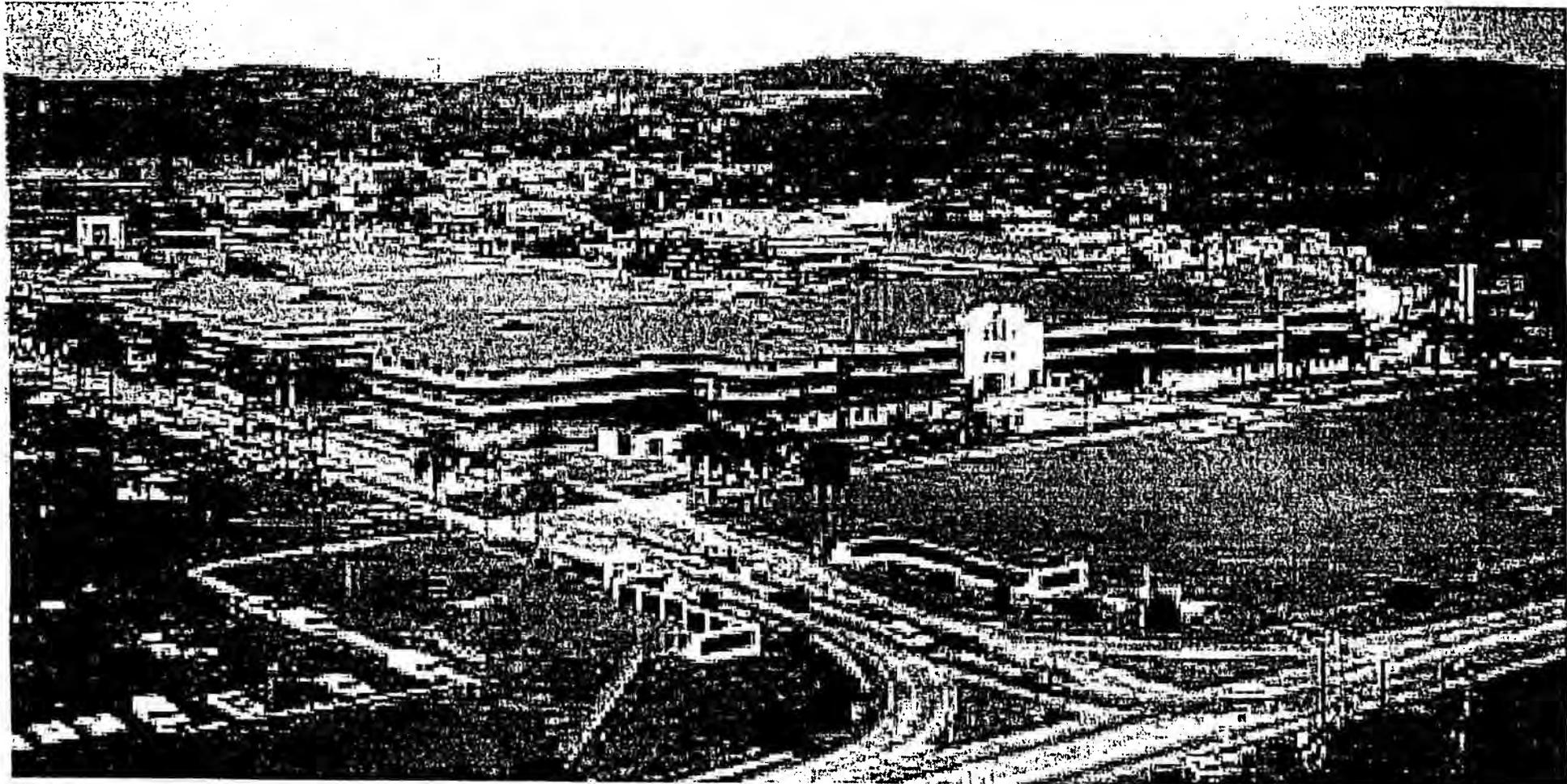
- Strengthen the capacity to develop and implement local land-use plans;
- Develop and implement local environmental services including integrated waste management systems;
- Promote the development of mechanisms for local involvement in the PCW decision-making process;
- Promote clean production and environmental management systems at target industries.

Cross-Cutting Activities

■ Environmental Communication Program (GreenCom)

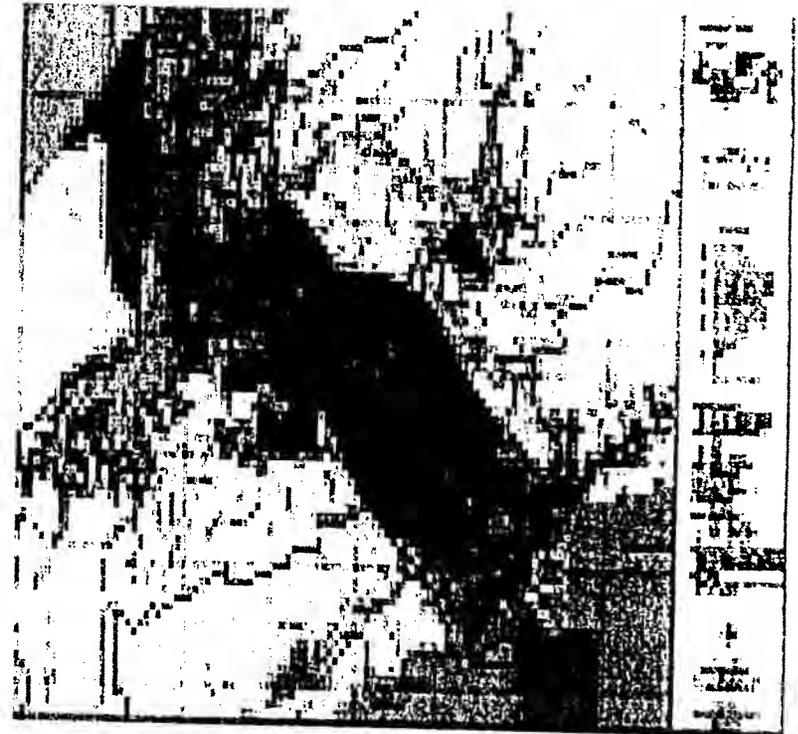
- Focussed non-formal education (e.g. radio and television, posters, training, etc.)
- Designed to improve awareness and support of institutional structures for watershed management among national and local government, NGOs/CBOs, and the private sector,
- Training Programs (e.g., CLASP-II)
- Women in Development
- Global Climate Change

REVERTED PROPERTIES PUT TO PRODUCTIVE USE



SpO: Reverted Properties Put to Productive Use

- * Emphasizes the productive use of the reverted properties as a key goal of the GOP by making maximum contributions and benefits to Panama's economic and social development.



Intermediate Results:

- ➔ **Conversion Process Facilitated**
- ➔ **Investment Climate Improved**



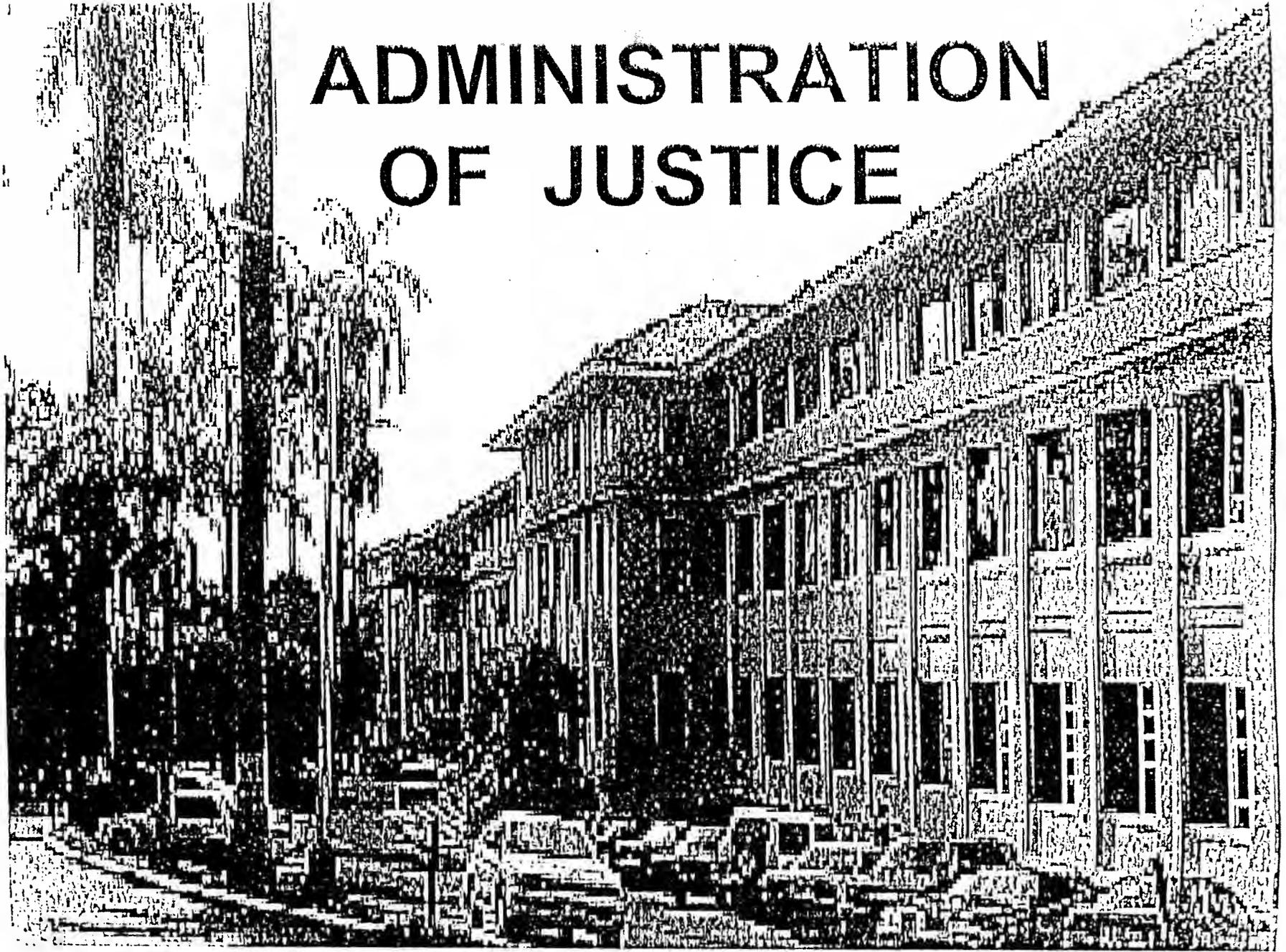
IR No. 1: Conversion Process Facilitated

Illustrative Approaches:



- ◆ Institutional Management for General Land Use Plan Strengthened (Law 21);
- ◆ Marketing Capacity Strengthened;
- ◆ Project Development Capacity Enhanced.

ADMINISTRATION OF JUSTICE



SO 2: Fair, Fast and Independent Criminal and Commercial Justice Systems Facilitated

- SO2 is designed to support the consolidation of the on-going efforts of the GOP to implement critical reforms of its criminal and commercial systems



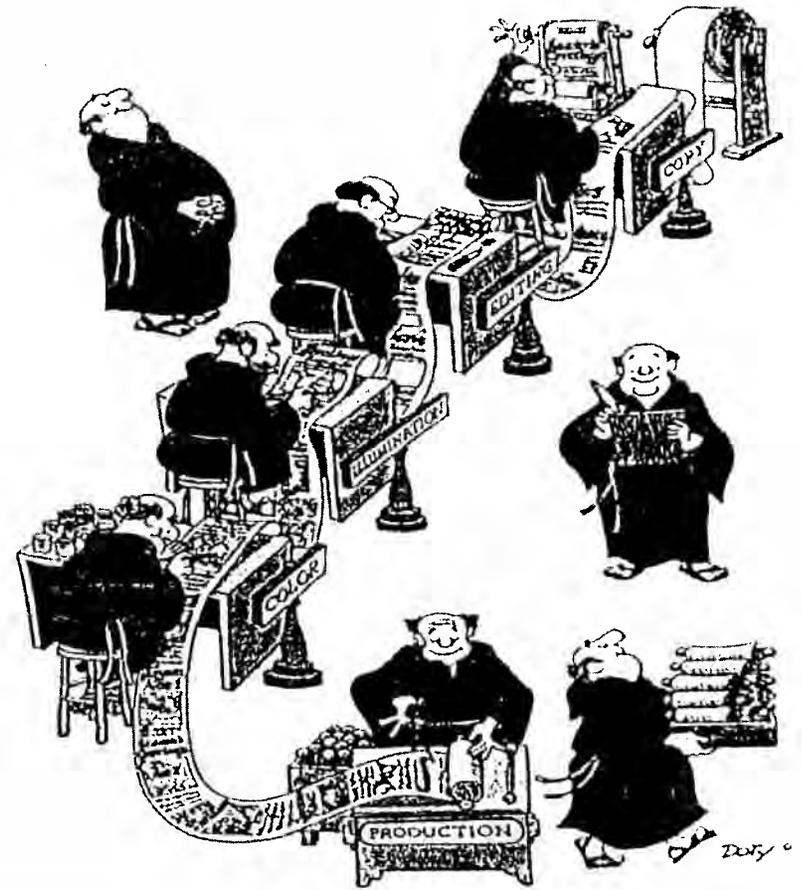
Intermediate Results:

- Informed civil society (NGO's) working together with other sectors to improve the justice system.
- Prosecution and public defender systems improved on a sustained basis.
- Court systems and ADR mechanisms functioning efficiently.
- Police resources used more efficiently for crime control.

IR No. 2: Investment Climate Improved

Illustrative Approach 2.1:

- ◆ Adequate Public Policies Adopted;
- ◆ Relevant GOP's Systems and Procedures Streamlined.



INTERMEDIATE RESULT 1:
INFORMED CIVIL SOCIETY
(NGO's) WORKING
TOGETHER WITH OTHER
SECTORS TO IMPROVE THE
JUSTICE SYSTEM

Intermediate Result 1

Illustrative Approach 1:



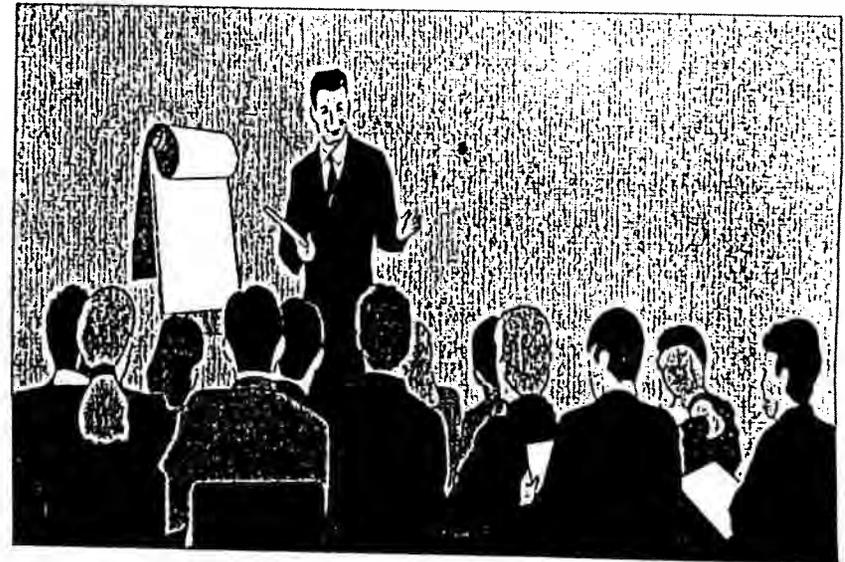
- Developed and/or strengthened NGO's and community-based organizations that will identify areas for improvement in the justice sector



Intermediate Result 1

Illustrative Approach 2:

Media training in justice issues



Intermediate Result 1

Illustrative Approach 3:

- Research and studies to support initiatives for change in the justice system



Intermediate Result 1

Illustrative Approach 4:

- Strengthen pro-bono and other legal assistance systems for helping poor and disadvantaged prisoners and victims of crime



INTERMEDIATE RESULT 2:
PROSECUTION AND PUBLIC
DEFENDER SYSTEMS
IMPROVED ON SUSTAINED
BASIS

Intermediate Result 2

Illustrative Approaches:



- Training of prosecutors
- Strengthening public defense (through training of public defenders)

INTERMEDIATE RESULT 3:
COURT SYSTEMS AND ADR
MECHANISMS
FUNCTIONING EFFICIENTLY

Intermediate Result 3

Illustrative Approach 1:

- Training programs for criminal judges



Intermediate Result 3

Illustrative Approach 2:



- Strengthening of Commercial Court Systems and Related ADR Mechanisms

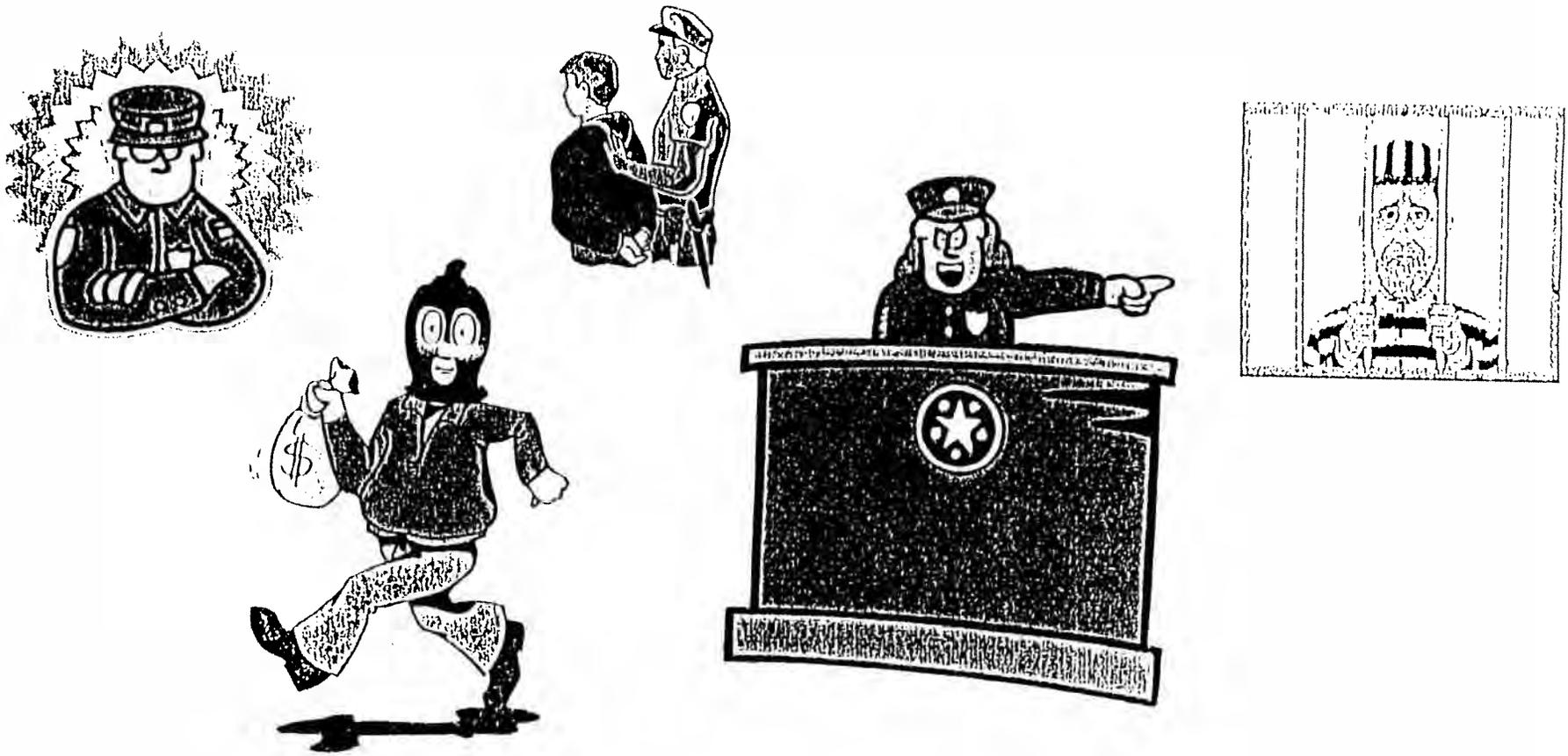
Intermediate Result 3

Illustrative Approach 3:

- Improvement in the Night/Administrative Court Systems
(training in the use of remedies already in the law, such as community service)



INTERMEDIATE RESULT 4: POLICE RESOURCES USED MORE EFFICIENTLY FOR CRIME CONTROL



Intermediate Result 4

Illustrative Approach 1:

Team Building



Intermediate Result 4

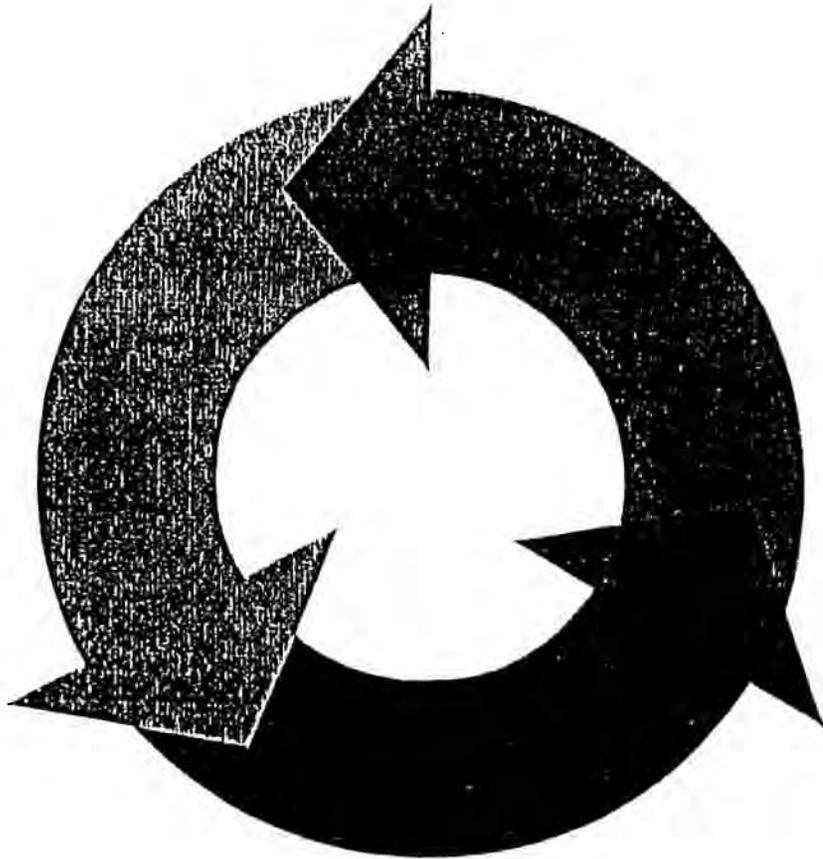
Illustrative Approach 2:

2 Human Resources
Development



Intermediate Result 4

Illustrative Approach 3:



Information Management System





*UNA
HISTORIA
DE
AMISTAD*



**COLABORACION ECONOMICA ENTRE LA REPUBLICA DE PANAMA Y LOS
ESTADOS UNIDOS DE AMERICA**



*Presidente de los Estados Unidos de América
George Bush*

“Hoy tenemos la oportunidad de forjar una nueva relación entre dos estados soberanos, democráticos -- una relación madura basada en el respeto mutuo así como de intereses comunes, una asociación basada en nuestro apoyo a la democracia y autodeterminación Panameña.”

Declaraciones del Embajador de los Estados Unidos de América en Panamá, su Excelencia Deane R. Hinton en discurso pronunciado ante la Cámara de Comercio Americana de Panamá el 30 de mayo de 1990.

“Entre los muchos desafíos compartidos,”.....”hay una visión: en las Américas hay muchas naciones con un sólo destino. Vemos un nuevo amanecer, en el que los hombres y mujeres comunes deciden quién vá a gobernar, y en el que las libertades económicas no son amenazas al privilegio, sino las llaves de la prosperidad”.

Declaraciones del Presidente de los Estados Unidos de América, el Excelentísimo George Bush en discurso pronunciado el 8 de diciembre de 1990 durante una visita a la República de Venezuela.



*Embajador de los Estados Unidos de América en Panamá
Deane R. Hinton*



*Administrador de la A. I. D.
Dr. Ronald W. ROSKENS*

“Uno de los objetivos a largo plazo de la A.I.D. en Panamá es el de apoyar a Panamá a consolidar sus instituciones democráticas, desarrollar su potencial económico y crear una sociedad en la que todos los panameños tengan igualdad de oportunidades para trabajar e incrementar su bienestar”.

Declaraciones del Sr. Thomas W. Stukel, Director de la USAID/Panamá en discurso presentado ante la Asociación Panameña de Becarios Fulbright el 31 de enero de 1991.

“Para ser efectivo en este mundo de cambios rápidos, creo que debemos cambiar el concepto de ‘asistencia externa’ a uno de ‘socios internacionales’...”

...Lo que sugiero para el futuro es que no estaremos trabajando con países **recipientes**, sino con países **socios**: no estaremos **utilizando** varias entidades del sector privado como agentes, sino **canalizando** las energías de agencias voluntarias privadas, universidades y empresas en el desafío del desarrollo.”

Declaraciones del Dr. Ronald W. Roskens, Administrador de la Agencia de los Estados Unidos para el Desarrollo Internacional al Comité de Asuntos Externos de la Cámara de Representantes el 7 de febrero de 1991.



*Director de USAID / Panamá
Sr. Thomas W. Stukel*

COMO AYUDA EL GOBIERNO Y PUEBLO DE LOS ESTADOS UNIDOS DE AMERICA AL GOBIERNO Y PUEBLO DE PANAMA



El pueblo de los Estados Unidos de América, a través de su Gobierno, ha estado trabajando con el pueblo panameño, tanto en el sector público como privado, en sus esfuerzos para realizar un desarrollo integral desde hace más de 38 años.

Desde la época del Punto Cuatro, pasando por los años de la Alianza para el Progreso, hasta el presente, se pueden observar los resultados de esta cooperación, tanto en las áreas urbanas como en las regiones más aisladas de las áreas rurales.

Los ejemplos son muchos. En el campo de la infraestructura básica, el Gobierno de los Estados Unidos ha apoyado y participado en la construcción desde carreteras modernas hasta caminos

rurales de acceso que sirven a las necesidades de la gente más aislada y marginada del país.

Desde sistemas de agua potable sofisticados en áreas urbanas hasta acueductos y pozos en zonas rurales. En el campo de la salud, esa cooperación ha resultado en hospitales, clínicas y centros de salud construidos desde Darién y la provincia de Colón, hasta Chiriquí y Bocas del Toro.

Además, la educación del pueblo panameño ha recibido significativo apoyo del pueblo norteamericano. Comunidades en gran parte del país cuentan con sus propias escuelas primarias y en muchos casos escuelas secundarias como resultado de este apoyo.

Miles de panameños han sido beneficiados con becas para cursar estudios tanto en Panamá, como en los Estados Unidos de América y en terceros países.



QUE ES Y COMO TRABAJA LA A.I.D.



En estas faenas el pueblo y Gobierno de los Estados Unidos siempre han encontrado en Panamá un pueblo comprometido en su propio desarrollo, que en el análisis final, constituye el verdadero y único motor para un desarrollo integral.



La Agencia de los Estados Unidos para el Desarrollo Internacional está compuesta por personas que trabajan en compañía de otras personas, que se ayudan y se comprenden las unas a las otras.

La A.I.D. significa gente que ayuda a otra gente a lograr un futuro mejor. Gente de los Estados Unidos de América que trabajan hombro a hombro con los panameños en una lucha común contra todos los obstáculos a un desarrollo integral y un bienestar cónsono con su potencial.

La Agencia de los Estados Unidos para el Desarrollo Internacional trabaja conjuntamente con el Gobierno de Panamá, el sector privado y con las comunidades organizadas para acelerar el crecimiento económico del país y establecer los mecanismos que permiten una distribución más justa de los beneficios.

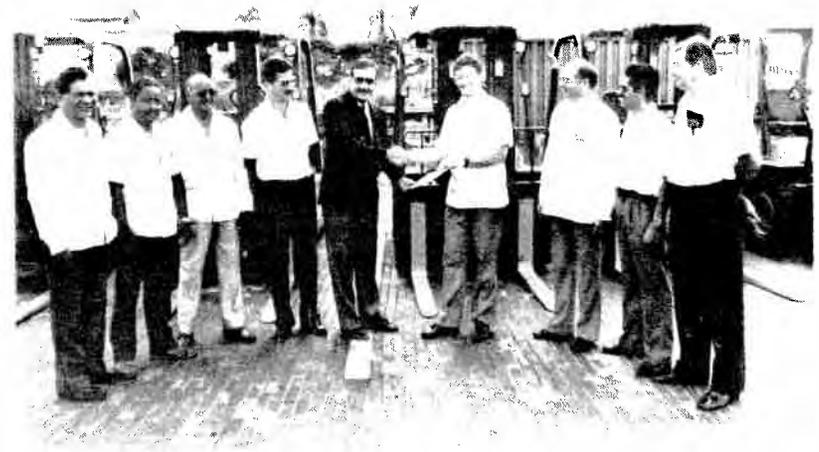
Para hacer efectivo este apoyo, la A.I.D. proporciona asistencia técnica, materiales, equipos y recursos de capital. Colabora en el diseño y realización de los proyectos de desarrollo a solicitud del Gobierno de Panamá y sólo de acuerdo con las metas y objetivos nacionales propios de Panamá.



Funcionarios de USAID/Panamá intercambian impresiones con residentes locales.



Entrega de equipos y accesorios al Ministerio de Obras Públicas bajo el Proyecto de Apoyo de Emergencia al Sector Público.



Montacargas entregadas por el Sr. Kevin Kelly Sub-director de USAID/Panamá al Sr. Jerry Salazar Director de la Autoridad Portuaria Nacional.

LA USAID/PANAMA REANUDA SU APOYO Y ASISTENCIA A PANAMA DESPUES DE UNA BREVE INTERRUPCION



El Administrador de la AID, Dr. Ronald W. Roskens hace entrega de un cheque a empresario beneficiado a través de FUNDES bajo el Proyecto de Créditos para Pequeñas Empresas.

En diciembre de 1987, el cese de actividades y el abandono del país de los funcionarios de la USAID/Panamá fue solicitado por el Gobierno Panameño de turno. Luego de los incidentes de diciembre de 1989, el nuevo Gobierno de Panamá solicitó la reanudación de las actividades de la USAID en Panamá.

Como resultado de la crisis política de los tres años anteriores, la economía panameña se deterioró significativamente y el desempleo se incrementó a niveles alarmantes. El vandalismo generalizado en las ciudades de Panamá y Colón en diciembre de 1989, destruyó muchos negocios y empresas, lo que tuvo el efecto de

transformar una situación económica delicada a una insostenible. El nuevo Gobierno de Panamá, con el apoyo de la USAID/Panamá que reactivaba sus actividades en enero de 1990, luego de analizar someramente la situación económica del país, concluyó que había que actuar rápidamente y decisivamente para evitar un colapso económico y los efectos extremadamente adversos que esto acarrearía.

En un lapso inusualmente breve se diseñó e inició un programa de emergencia a corto plazo para solucionar los problemas más álgidos, resultado de la crisis y el vandalismo.

Seguidamente se diseñó un programa a mediano plazo destinado a reactivar la economía panameña para encaminarla a un crecimiento rápido y sostenible. Este programa ya está en ejecución y se estima que tendrá una duración de aproximadamente 18 meses.



El Director de USAID/Panamá entrega un cheque a una empresaria para reactivar su empresa bajo el Proyecto de Créditos para Pequeñas Empresas.

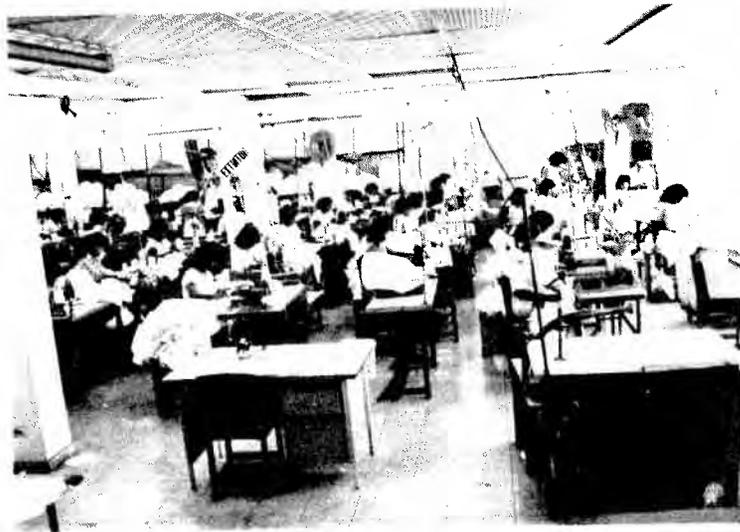
ASISTENCIA DE EMERGENCIA

La actividad de la USAID se reanuda en enero de 1990 con cuatro programas a corto plazo con carácter de suma urgencia. Para estos programas se destinaron \$51.9 millones.



Construcción de nuevas viviendas para familias desplazadas del Chorrillo.

Finalmente, se está diseñando un programa de desarrollo económico, que como implica su nombre, es a más largo plazo. Estos programas se describen en forma más amplia a continuación



Empresa en plena actividad luego de financiamiento recibido del Programa de Asistencia de Emergencia - Créditos para Pequeñas Empresas.



Guardería Infantil en el Campamento de Albrook.

- **Alimentación, alojamiento y reposición de viviendas para familias desplazadas.**

En diciembre de 1989, los hogares de más de 2,700 familias fueron destruidos o afectados, principalmente en el área de El Chorrillo. Ya se ha reparado totalmente el edificio "24 de Diciembre" y otros ocho edificios de apartamentos que en su totalidad alojan un total de 588

familias en el área de El Chorrillo. Además, al terminar este programa en marzo o abril de este año, más de 2,100 familias adicionales habrán recibido \$6,500 para la adquisición de una vivienda, más \$800 para la adquisición de muebles y enseres básicos.

- **Generación de Empleo Temporal.**

A principios de febrero de 1990, los Ministerios de Obras Públicas y Educación y la Asociación Nacional para la Conservación de la Naturaleza (ANCON), iniciaron 89 proyectos generadores de empleos de emergencia, para la construcción de pequeñas obras públicas, reparación de escuelas y la reforestación y protección de parques naturales. Como resultado, se proporcionó empleo temporal y aumento de ingresos para aproximadamente 3,000 personas. Más de \$1.0 millón se invirtió en el área de Colón en la reparación de escuelas, caminos, calles y sistemas de alcantarillado y desagüe pluvial.



*Reparación de calles financiado bajo el Programa de Asistencia de Emergencia
- Generación de Empleo Temporal. -*

- **Crédito para Pequeñas Empresas.**

Se realizó una donación de \$5.0 millones a la Fundación Nacional para el Desarrollo Económico y Social (FUNDES), que a la vez concedió créditos a las pequeñas empresas afectadas por el saqueo de diciembre de 1989. Estos fondos, ya desembolsados totalmente, beneficiaron a más de 250 pequeñas empresas que emplean aproximadamente 1,800 personas.

- **Apoyo de Emergencia al Sector Público.**

Al Gobierno de Panamá se le proporcionó \$ 5.2 millones para ayudar a reacondicionar los servicios públicos básicos y otras operaciones del Gobierno. Estos recursos proporcionaron equipos y asistencia técnica, críticamente requeridos, a varios ministerios e instituciones públicas. Entre estos están los Ministerios de Salud y de Obras Públicas, la Corte Suprema de Justicia, el Instituto de Acueductos y Alcantarillados Nacionales (IDAAN), la Dirección Metropolitana de Aseo (DIMA) y la Autoridad Portuaria Nacional.



*Limpieza de hombros y cunetas financiado bajo el Programa de Asistencia de Emergencia
- Generación de Empleo Temporal. -*

RECUPERACION ECONOMICA

Una vez en ejecución los programas de asistencia de emergencia, se inicia el diseño de un programa multi-millonario de apoyo para la recuperación económica de Panamá. Estos recursos, complementados con recursos de otras instituciones internacionales y de otros donantes proveerán el capital que requiere Panamá para reactivar y reconstruir su economía y encaminarla hacia un crecimiento rápido y sostenido. Este programa consta de tres elementos, a saber:

- **Normalización de las Relaciones con las IFT's.**

Se ha destinado \$130 millones como contribución al esfuerzo del Grupo de Apoyo para cancelar la morosidad de \$540 millones de la deuda externa de Panamá con el Banco Interamericano, el Banco Mundial y el Fondo Monetario Internacional. Esto permitirá la normalización de las relaciones panameñas con estos organismos, restaurando la elegibilidad para créditos y la reactivación inmediata de flujos hacia Panamá de aproximadamente \$200 millones.

- **Inversiones Públicas**

Para apoyar el presupuesto de inversiones del Gobierno de Panamá durante 1990 y 1991, se han aportado \$114 millones. Estos recursos se están utilizando en inversiones prioritarias en agricultura, salud, educación, justicia, otros sectores sociales, recursos naturales e infraestructura. Además, parte de estos fondos se han destinado al

Fondo de Emergencia Social, auspiciado por el Gobierno, el cual está canalizando recursos a través de organizaciones del sector privado para proyectos diseñados a fomentar el empleo y el desarrollo social.

- **Reactivación del Sector Privado.**

Para asegurar una adecuada disponibilidad de recursos financieros para las inversiones del sector privado se han destinado \$108 millones, canalizados a través del Banco Nacional de Panamá y bancos privados con licencia general. Este programa ofrece financiamiento a mediano y largo plazo a tasas comerciales.

ASISTENCIA PARA EL DESARROLLO

Actualmente la A.I.D. está colaborando con el Gobierno de Panamá en el diseño de un programa de desarrollo socio-económico. Como el término lo indica, se trata de un conjunto de proyectos y actividades con objetivos e impactos a más largo plazo.

Todos estos proyectos están en diferentes etapas de diseño e incluyen Protección de los Recursos Naturales y la Cuenca del Canal, Promoción de Exportaciones e Inversiones, Mejoramiento de Servicios Policiales, Apoyo para Instituciones Democráticas, Mejoramiento de la Administración Pública y Desarrollo de Recursos Humanos. Se espera completar el diseño de estos proyectos e iniciar su ejecución durante el presente año.

OTROS PROGRAMAS DE USAID/PANAMA



Entrega de libros de textos a la USMA por el Director de la USAID/Panamá Sr. Thomas Stukel.

En adición a los programas descritos en las páginas anteriores, USAID/Panamá ha decidido reactivar algunos de los proyectos que estaban vigentes antes de la suspensión de actividades al final de 1987. Estos incluyen:

- **Becas para la Paz de Centroamérica:** Este proyecto tiene como propósito ofrecer oportunidades a estudiantes de escasos recursos para cursar estudios en los Estados Unidos de América.
- **Becas del Sector Privado:** Este proyecto, ejecutado por el Consejo del Sector Privado para la Asistencia Educacional (COSPAE), ofrece becas a trabajadores de la empresa privada con el propósito de incrementar su capacidad, productividad e ingresos.



Adiestramiento en el campo sobre la crianza y cuidados de animales proporcionado por PANAJURU.

- **Becas Locales PANAJURU:** El propósito de este proyecto es el de capacitar a jóvenes de escasos recursos en las áreas rurales en la producción agropecuaria.
- **Bienes y Materiales Excedentes:** Con esta actividad la A.I.D. coordina la canalización de bienes y materiales excedentes de otras entidades del Gobierno de los Estados Unidos en Panamá a entidades y grupos en Panamá para su utilización en apoyo a actividades de desarrollo.
- **Excedentes de Productos Agropecuarios (PL-480):** Este proyecto canaliza excedentes de productos agropecuarios de los Estados Unidos a Panamá para apoyar sus programas de desarrollo.
- **Programa de Libros de Texto:** Este proyecto suministra libros de texto y otros materiales didácticos a las librerías universitarias a bajos precios.

ASISTENCIA ECONOMICA DE LOS ESTADOS UNIDOS A PANAMA

Desde Enero de 1990

Asistencia Económica de la USAID/Panamá Recursos Asignados 1990 - 1991 (En \$ Millones)

	<u>Asignados</u>
Programa de Emergencia	51.9
- Alimento, Alojamiento y reposición de viviendas para familias desplazadas	34.7
- Generación de Empleo Temporal	7.0
- Crédito para Pequeñas Empresas	5.0
- Apoyo de Emergencia al Sector Público	5.2
Programa de Recuperación Económica	351.8
- Normalización de Relaciones con IFI's	130.0
- Inversiones Públicas	113.9
- Reactivación del Sector Privado	107.9
Asistencia para el Desarrollo	51.4
- Mejoramiento de Adm. Pública	16.0
- Apoyo para Inst. Democráticas	3.1
- Desarrollo de Recursos Humanos	7.0
- Mejoramiento de Servicios Policiales	13.2
- Protección a la Cuenca del Canal	10.1
- Promoción de Exportaciones/Inversiones	2.0
<u>Diseño, Administración, Audito y Evaluación de Programas</u>	<u>6.0</u>
TOTAL	<u>461.1</u>

Otra Asistencia Económica de los Estados Unidos a Panamá Recursos Asignados 1990 - 1991 (En \$ Millones)

<u>Asignados</u>	
Comerciales	38.4
- Cuota Azucarera	13.4
- ICC y Sistema Generalizado de Preferencias	10.0
- Excedentes de Productos Agropecuarios (PL-480)	15.0
Garantías	468.0
- Garantías de Crédito del "Ex-Im Bank"	400.0
- Garantías del "Commodity Credit Corporation" (CCC)	18.0
- Garantías del "Overseas Private Investment Corporation (OPIC)	50.0
Otros	24.0
- Acción Cívica del Ejército de los Estados Unidos	24.0
TOTAL - OTRA ASISTENCIA	<u>530.4</u>
Asistencia Económica Total Asignada a Panamá por los Estados Unidos de América	<u>991.5</u>



U.S. ECONOMIC ASSISTANCE TO PANAMA

1990

*TEXT OF A SPEECH
PREPARED FOR DELIVERY TO
THE AMERICAN CHAMBER OF COMMERCE
BY
THOMAS W. STUKEL
DIRECTOR, USAID PANAMA*

JULY 31, 1990

AMERICAN CHAMBER OF COMMERCE

JULY 31, 1991

PRESENTATION BY THOMAS W. STUKEL

DIRECTOR USAID PANAMA

I. INTRODUCTION

ON DECEMBER 1, 1987 THE NORIEGA REGIME ORDERED AID OUT OF PANAMA. ALL AID FINANCED PROGRAMS WERE SUSPENDED. WE WERE GIVEN ONE WEEK TO CLOSE DOWN OUR AID MISSION. 1987 ALSO MARKED THE BEGINNING OF TWO YEARS OF POLITICAL TURMOIL AND ECONOMIC TRAUMA FOR PANAMA.

THAT IS BEHIND US NOW, OR IN GOOD PANAMANIAN, " ESTA VAINA SE ACABO." TODAY PANAMA IS A FAR DIFFERENT PLACE. THE COLLECTIVE TRAUMA OF THE PAST SEVERAL YEARS HAS CLEARLY TAKEN ITS TOLL ON THE ECONOMY. PANAMA IS PRESENTLY AT AN ECONOMIC CROSSROAD AND A HEALTHY DEBATE IS GOING ON REGARDING ITS FUTURE ECONOMIC GROWTH STRATEGY. THE RIGHT DECISIONS NOW WILL UNDOUBTEDLY ENSURE A PEACEFUL AND PROSPEROUS FUTURE FOR PANAMA.

I FEEL FORTUNATE TO BE HERE AT THIS POINT IN PANAMA'S HISTORY. I DOUBT THAT ANY OF MY PREDECESSORS OVER THE PAST 28 YEARS EVER HAD AS MUCH REASON TO BE OPTIMISTIC ABOUT PANAMA'S FUTURE. THIS COUNTRY IS ENDOWED WITH ASSETS THAT OFFER GREAT PROMISE FOR SUSTAINED ECONOMIC GROWTH. IT HAS ONE OF THE HIGHEST LITERACY

RATES IN THE REGION; A SKILLED, BILINGUAL LABOR FORCE; A DYNAMIC AND RESOURCEFUL PRIVATE SECTOR; A DOLLAR BASED ECONOMY, A SOPHISTICATED FINANCIAL SECTOR; AND A SOLID INFRASTRUCTURE BASE. IT HAS ABUNDANT NATURAL RESOURCES AND AN IDEAL GEOGRAPHIC LOCATION FOR PARTICIPATING IN REGIONAL AND WORLD MARKETS. MORE IMPORTANTLY, LAST DECEMBER 20, AFTER 21 YEARS OF MILITARY CONTROL, PANAMA REVERTED TO DEMOCRATIC RULE BY A POPULARLY ELECTED CIVILIAN GOVERNMENT COMMITTED TO PRESERVING BASIC HUMAN RIGHTS AND CONSTITUTIONAL LAW. PANAMA IS, INDEED, IN AN ENVIABLE POSITION, AND WE WHO MANAGE THE U.S. ASSISTANCE PROGRAM ARE PLEASED TO WORK IN THE ENVIRONMENT OF HOPE AND PROMISE THAT CHARACTERIZES PANAMA TODAY.

OUR PURPOSE HERE IS TO SUPPORT PANAMA AS IT WORKS TO CONSOLIDATE ITS DEMOCRATIC INSTITUTIONS, REALIZE ITS FULL ECONOMIC POTENTIAL AND CREATE A SOCIETY IN WHICH ALL PANAMANIAN HAVE THE OPPORTUNITY TO WORK AND INVEST TO IMPROVE THEIR OWN WELL-BEING.

PRESIDENT BUSH HAS MADE A CLEAR AND STRONG PERSONAL COMMITMENT TO SUPPORT PANAMA'S IMMEDIATE RECOVERY AND ITS LONGER TERM DEVELOPMENT EFFORTS. LAST FEBRUARY, IN RESPONSE TO HIS REQUEST FOR ASSISTANCE TO PANAMA, OUR CONGRESS APPROVED AN INITIAL \$41.4 MILLION OF EMERGENCY GRANT AND LOW-INCOME HOUSING CREDIT ASSISTANCE. ON MAY 25 THE CONGRESS APPROVED THE FINAL COMPONENT OF THE PRESIDENT'S PROPOSED ASSISTANCE PACKAGE -- \$420 MILLION OF ADDITIONAL GRANT FUNDS. THE GRAND TOTAL OF JUST OVER \$460

MILLION IN DIRECT GRANT ASSISTANCE AND HOUSING CREDIT PROVIDED TO PANAMA SINCE JANUARY OF THIS YEAR MAKES THIS COUNTRY THE LARGEST RECIPIENT OF U.S. ECONOMIC ASSISTANCE IN THE HEMISPHERE AND THE THIRD LARGEST IN THE WORLD, AFTER ISRAEL AND EGYPT.

WE HAVE NOW SIGNED AGREEMENTS FOR CLOSE TO \$400 MILLION OF THE FUNDING MADE AVAILABLE BY CONGRESS. HENCE, THIS IS AN OPPORTUNE MOMENT TO TAKE STOCK OF THE VARIOUS COMPONENTS OF THE U.S. ASSISTANCE PACKAGE.

I WILL ALSO BROACH THE SUBJECT OF FUTURE U.S. TRADE AND INVESTMENT IN PANAMA IN LIGHT OF PRESIDENT BUSH'S RECENTLY ANNOUNCED NEW TRADE AND INVESTMENT INITIATIVE FOR LATIN AMERICA. THIS NEW INITIATIVE OFFERS FAR GREATER BENEFITS FOR PANAMA IN TERMS OF LONGER TERM DEVELOPMENT OPPORTUNITIES THAN DOES U.S. ECONOMIC ASSISTANCE.

II. ECONOMIC ASSISTANCE

I HAVE BEEN ASKED ON A NUMBER OF OCCASIONS WHY THE U.S. ASSISTANCE IS NOT MORE APPARENT. THE FACT IS THAT OUR ASSISTANCE TO DATE HAS BEEN IMPLEMENTED ENTIRELY THROUGH PANAMANIAN PUBLIC AND PRIVATE INSTITUTIONS. PERHAPS ONE HAS TO KNOW WHERE TO LOOK. U.S. ASSISTANCE IS PROVIDING JOBS, FEEDING PEOPLE, BUILDING NEW HOMES, REHABILITATING SCHOOLS, PAVING STREETS AND REPAIRING STORM DRAINS. IT IS PROVIDING SCHOLARSHIPS IN THE U.S. AND TRAINING

RURAL YOUTH IN AGRICULTURE. IT IS PROVIDING CREDIT TO SMALL BUSINESSES FOR WORKING CAPITAL AND TO REPLACE INVENTORIES. IT IS PROVIDING CRITICALLY NEEDED EQUIPMENT FOR THE SUPREME COURT, IHRE, IDAAN, DIMA AND THE MINISTRIES OF HEALTH AND PUBLIC WORKS.

I WILL DISCUSS THE AID PROGRAM IN TERMS OF THREE BROAD CATEGORIES OF ASSISTANCE: FIRST, EMERGENCY NEEDS ASSISTANCE; SECOND, SUPPORT FOR IMMEDIATE ECONOMIC RECOVERY (COMMONLY REFERRED TO AS "JUMP START"); AND THIRD, LONGER TERM DEVELOPMENT ASSISTANCE.

I SHOULD MENTION THAT, SINCE SOME OF THE SECOND TRANCHE OF ASSISTANCE APPROVED IN MAY COMPLEMENTS PROJECTS INITIATED UNDER THE EARLIER EMERGENCY PACKAGE, I HAVE INTEGRATED THE FUNDING ALLOCATIONS FROM THE TWO SOURCES IN THE DESCRIPTIONS THAT FOLLOW. THUS, SOME OF THE NUMBERS WILL BE SLIGHTLY DIFFERENT FROM THOSE THAT YOU HAVE SEEN REPORTED EARLIER. HOWEVER, THE GRAND TOTAL REMAINS THE SAME.

A. EMERGENCY NEEDS ASSISTANCE (\$48.8 MILLION)

THE FIRST BROAD AREA OF ASSISTANCE IS DIRECTED AT EMERGENCY NEEDS AND TOTALS \$48.8 MILLION. IT HAS BEEN ALLOCATED TO SHELTER AND HOUSING FOR THE DISPLACED FAMILIES, EMPLOYMENT GENERATION,

REACTIVATION CREDIT FOR SMALL BUSINESSES AND REHABILITATION OF BASIC PUBLIC SERVICES.

1. DISPLACED FAMILIES: FOOD, TEMPORARY SHELTER, AND REPLACEMENT HOUSING (\$22.3 MILLION GRANT AND \$10.0 MILLION HOUSING CREDIT GUARANTY)

THE LARGEST OF THESE ACTIVITIES PROVIDES FOR TEMPORARY SHELTER, FOOD AND PERMANENT REPLACEMENT HOUSING FOR DISPLACED FAMILIES. IN TOTAL WE HAVE SPENT OR EARMARKED SOME \$22.3 MILLION IN GRANT FUNDS AND \$10.0 IN LOW INCOME HOUSING CREDIT GUARANTY FUNDS FOR THIS PURPOSE. PART OF THESE FUNDS CONTINUE TO FINANCE THE ALBROOK CAMP AND OTHER TEMPORARY SHELTERS. AT THE OUTSET WE PROVIDED FOR SOME 1200 FAMILIES. THAT NUMBER HAS NOW DECLINED TO APPROXIMATELY 1000 AND WILL CONTINUE TO FALL AS PERMANENT HOUSING IS PRODUCED FOR THE DISPLACED FAMILIES. AND HERE I WANT TO ACKNOWLEDGE THE OUTSTANDING WORK OF THE PANAMANIAN RED CROSS, THE PATRONATO FOR THE DAMNIFICADOS, THE PANAMANIAN CHAMBER OF COMMERCE AND MANY OF THE CHORRILLEROS THEMSELVES IN SUPPORTING AND OPERATING THE TEMPORARY SHELTERS.

THIS PROGRAM ALSO FINANCED REPAIR OF THE 24TH OF DECEMBER APARTMENT COMPLEX AND EIGHT OTHER APARTMENT BUILDINGS HOUSING A TOTAL OF 580 FAMILIES IN THE CHORRILLO AREA. IN ADDITION, WE HAVE PROVIDED \$7300 (\$6500 FOR HOUSING AND \$800 FOR BASIC FURNITURE AND APPLIANCES) FOR EACH OF SOME 1950 FAMILIES WHO LOST

THEIR HOMES AND BELONGINGS IN CHORRILLO, COLON AND THE SAN MIGUELITO AREA. FAMILIES THAT QUALIFY WILL ALSO HAVE ACCESS TO MORTGAGE FINANCING TO COMPLEMENT THE OUTRIGHT GRANT OF \$6500 FOR THE PURCHASE OF A HOME. APPROXIMATELY 400 FAMILIES HAVE NOW EITHER PURCHASED AN EXISTING HOME OR CONTRACTED FOR THE CONSTRUCTION OF A NEW HOME WITH PRIVATE BUILDERS. OVER 100 NEW HOUSES HAVE ALREADY BEEN DELIVERED AND 200 ARE UNDER CONSTRUCTION. MOST OF THE DISPLACED FAMILIES SHOULD BE IN THEIR NEW HOMES BY THE END OF THIS YEAR.

2. EMERGENCY EMPLOYMENT PROGRAM (\$7.0 MILLION)

WHILE HOUSING FOR THE DISPLACED WAS THE MOST IMMEDIATE CONCERN, CREATING EMPLOYMENT WAS ALSO A HIGH PRIORITY FOR OUR EMERGENCY ASSISTANCE. IN FEBRUARY WE PROVIDED \$7.0 MILLION TO THE MINISTRIES OF PUBLIC WORKS AND EDUCATION AND TO THE NATIONAL CONSERVATION ASSOCIATION, ANCON FOR 89 SEPARATE EMERGENCY EMPLOYMENT PROJECTS INCLUDING SMALL PUBLIC WORKS, REPAIR OF SCHOOLS, AND REFORESTATION AND PARK PROTECTION. THESE PROJECTS PROVIDED TEMPORARY EMPLOYMENT AND INCREASED INCOMES FOR SOME 2800 PERSONS. APPROXIMATELY \$1.5 MILLION OF THIS WAS SPENT IN THE COLON AREA.

3. SMALL BUSINESS EMERGENCY CREDIT FUND (\$5.0 MILLION)

THE EMERGENCY ASSISTANCE AGREEMENT ALSO PROVIDED \$5.0 MILLION TO THE FUNDACION NACIONAL DE DESARROLLO (FUNDES) TO PROVIDE CREDIT TO SMALL BUSINESSES AFFECTED BY THE ECONOMIC SANCTIONS AND THE DECEMBER LOOTING. THESE ARE BUSINESSES THAT WOULD NOT NORMALLY HAVE RECOURSE TO BANK CREDIT. ALL OF THESE FUNDS HAVE NOW BEEN DISBURSED TO SOME 252 SMALL BUSINESSES WHO HAVE EMPLOYED APPROXIMATELY 1800 PERSONS AS A DIRECT RESULT OF THIS CREDIT PROGRAM. SOME \$640,000 OF THESE FUNDS WERE PROVIDED TO 30 SMALL BUSINESSES IN THE COLON AREA. FUNDES AND THE PARTICIPATING BANKS DID A SUPERB JOB OF IMPLEMENTING THIS PROGRAM.

4. EMERGENCY PUBLIC SECTOR SUPPORT (\$4.5 MILLION)

FINALLY, UNDER THE EMERGENCY ASSISTANCE AGREEMENT, AID PROVIDED \$4.5 MILLION TO THE GOVERNMENT OF PANAMA TO HELP REACTIVATE BASIC PUBLIC SERVICES AND GOVERNMENT OPERATIONS AFTER DECEMBER 20. THESE FUNDS PROVIDED CRITICALLY NEEDED EQUIPMENT AND TECHNICAL ASSISTANCE TO SEVERAL KEY MINISTRIES AND AGENCIES INCLUDING THE MINISTRIES OF HEALTH AND PUBLIC WORKS, THE SUPREME COURT, IDAAN, IHRE, DIMA AND THE PORT AUTHORITY.

B. SUPPORT FOR IMMEDIATE ECONOMIC RECOVERY (\$352 MILLION)

THE SECOND BROAD CATEGORY OF U.S. ASSISTANCE TOTALS \$352 MILLION AND IS DESIGNED TO HELP "JUMP START" THE ECONOMY. THIS REPRESENTS THE MAJOR PORTION OF OUR ASSISTANCE, AND AS OF LAST TUESDAY, IS FULLY COMMITTED UNDER AGREEMENTS SIGNED WITH THE GOVERNMENT. THIS \$352 MILLION IS, IN TURN, ALLOCATED TO THREE SUBPROGRAMS: FIRST, NORMALIZATION OF RELATIONS WITH THE INTERNATIONAL FINANCIAL INSTITUTIONS; SECOND, PUBLIC INVESTMENT; AND THIRD, PRIVATE SECTOR REACTIVATION CREDIT:

1. NORMALIZATION OF RELATIONS WITH INTERNATIONAL FINANCIAL INSTITUTIONS (\$130 MILLION)

FOR PANAMA TO REALIZE ITS FULL ECONOMIC POTENTIAL, SIGNIFICANT PUBLIC AND PRIVATE INVESTMENT IN PRODUCTIVE PUBLIC INFRASTRUCTURE WILL BE REQUIRED OVER THE COMING YEARS. WHILE PRIVATE SOURCES SHOULD PROVIDE A SIGNIFICANT PORTION OF THE FINANCING NEEDS, THE WORLD BANK AND THE IDB REPRESENT AN IMPORTANT SOURCE OF INFRASTRUCTURE FINANCING, ESPECIALLY FOR UTILITIES, TRANSPORTATION, AND COMMUNICATIONS. HOWEVER, UNTIL IT PAYS ITS ARREARS PANAMA IS INELIGIBLE FOR FUNDING FROM THESE INSTITUTIONS. RIGHT NOW SOME \$200 MILLION OF IDB AND WORLD BANK PROJECT FINANCING IS SUSPENDED BECAUSE OF PANAMA'S ARREARS PROBLEM. SOME OF THESE PROJECTS, SUCH AS THE EXPANSION OF THE FORTUNA DAM, ARE CRUCIAL TO THIS COUNTRY'S FUTURE ECONOMIC GROWTH. IN THE FUTURE,

THE IDB AND THE WORLD BANK TOGETHER COULD PROBABLY PROVIDE AS MUCH \$200 MILLION PER YEAR TO PANAMA FOR SIMILAR KINDS OF CRITICALLY NEEDED INVESTMENTS IN ECONOMIC INFRASTRUCTURE.

THE U.S. HAS PLEDGED \$130 MILLION IN GRANT FUNDS TO A PANAMA SUPPORT GROUP OF DONOR COUNTRIES FOR PAYMENT OF \$540 MILLION IN ARREARS TO THE IFIS WHICH ACCUMULATED DURING THE NORIEGA REGIME. THE BALANCE OF \$410 MILLION WILL BE PAID BY PANAMA, USING \$130 MILLION OF FUNDS PREVIOUSLY FROZEN IN THE U.S., AN EQUAL AMOUNT FROM OTHER MEMBERS OF THE SUPPORT GROUP, AND A \$150 MILLION SHORT TERM BRIDGE LOAN FROM THE U.S. TREASURY. CLEARING ARREARS WILL ALSO LAY THE GROUNDWORK FOR PANAMA TO ENTER INTO RESCHEDULING AGREEMENTS WITH THE PARIS CLUB OF BILATERAL DONORS AS WELL AS ITS COMMERCIAL BANK CREDITORS. PANAMA'S CREDIT STANDING IN THE GLOBAL ECONOMY MUST BE RESTORED IF IT IS TO OBTAIN THE RESOURCES NECESSARY FOR ECONOMIC GROWTH IN THE MEDIUM AND LONG TERM. WE, THUS, VIEW THIS JOINT EFFORT AS AN EXCELLENT INVESTMENT IN PANAMA'S FUTURE.

2. PUBLIC INVESTMENT (\$114 MILLION)

PANAMA'S BASIC INFRASTRUCTURE AND SERVICES HAVE SUFFERED GREATLY FROM YEARS OF NEGLECT UNDER THE NORIEGA REGIME. POWER, WATER, ROADS, SCHOOLS, AND HEALTH FACILITIES URGENTLY REQUIRE MAJOR MAINTENANCE AND NEW INVESTMENT. IN MARCH OF THIS YEAR, THE GOVERNMENT OF PANAMA APPROVED A DISCIPLINED BUDGET WHICH PROVIDES

ONLY \$37 MILLION FOR CENTRAL GOVERNMENT NON-FINANCIAL INVESTMENTS. ACCORDINGLY, SOME \$114 MILLION ARE EARMARKED TO SUPPLEMENT THE GOVERNMENT'S INVESTMENT BUDGET IN 1990 AND 1991. THESE FUNDS WILL BE USED FOR PRIORITY INVESTMENT NEEDS IN AGRICULTURE, HEALTH, EDUCATION, JUSTICE, OTHER SOCIAL SECTORS, NATURAL RESOURCES, AND INFRASTRUCTURE. IN ADDITION, A PORTION OF THESE FUNDS WILL BE SET ASIDE TO HELP FINANCE THE GOVERNMENT SPONSORED SOCIAL EMERGENCY FUND WHICH WILL CHANNEL RESOURCES THROUGH PRIVATE SECTOR ORGANIZATIONS FOR EMPLOYMENT AND SOCIAL DEVELOPMENT PROGRAMS. THE PANAMANIAN GOVERNMENT WILL ALLOCATE THE FUNDS WITHIN THESE BROAD AREAS IN KEEPING WITH NATIONAL PRIORITIES.

3. PRIVATE SECTOR REACTIVATION CREDIT (\$108 MILLION)

THIS FINAL ELEMENT OF U.S. ECONOMIC RECOVERY ASSISTANCE CONSISTS OF \$108 MILLION FOR PRIVATE SECTOR INVESTMENT CREDIT AND IS BEING IMPLEMENTED THROUGH THE NATIONAL BANK OF PANAMA AND PRIVATE GENERAL LICENSE BANKS. THE PROGRAM IS DESIGNED TO FUNCTION AS SIMPLY AS POSSIBLE, RELYING ON THE BANKING SYSTEM TO ALLOCATE RESOURCES ON THE BASIS OF SOUND BANKING CRITERIA. ANY BANK OPERATING UNDER A GENERAL LICENSE IN PANAMA MAY PARTICIPATE IN THE PROGRAM WHICH WILL OFFER TERM FINANCING ON A MATCHING FUNDS BASIS, AT COMMERCIAL RATES, FOR PERIODS OF UP TO FIVE YEARS. THE FUNDS WILL BE PLACED IN THE BANKS IN THE FORM OF CERTIFICATES OF DEPOSITS PURCHASED BY THE NATIONAL BANK OF PANAMA. THE INTEREST

ON THE CERTIFICATES OF DEPOSIT WILL BE LIBOR PLUS AT LEAST ONE PERCENTAGE POINT AND THE TERM OF THE CDS WILL BE MATCHED TO THE AVERAGE MATURITY OF THE NEW LOANS EXTENDED BY THE BANKS.

C. DEVELOPMENT ASSISTANCE (\$ 53.9)

THE EMERGENCY AND IMMEDIATE RECOVERY ASSISTANCE JUST DISCUSSED DEALS WITH A TIME LINE OF TWELVE TO EIGHTEEN MONTHS. THE THIRD BROAD CATEGORY OF U.S. ASSISTANCE IS ORIENTED TO DEVELOPMENT AND, AS THE TERM IMPLIES, DEALS WITH LONGER TERM OBJECTIVES SUCH AS INSTITUTIONAL AND HUMAN RESOURCE DEVELOPMENT. SOME \$53.9 MILLION HAS BEEN EARMARKED FOR DEVELOPMENT ACTIVITIES.

THE SPECIFIC, LONGER TERM OBJECTIVES WHICH PROVIDE THE FRAMEWORK AND CRITERIA FOR U.S. DEVELOPMENT ASSISTANCE PROGRAMS HERE ARE THREE FOLD:

1. TO ASSIST PANAMA IN DEVELOPING STABLE DEMOCRATIC INSTITUTIONS, INCLUDING A CIVILIAN-CONTROLLED POLICE FORCE, IN ORDER TO CONSOLIDATE ITS TRANSITION FROM IMPOSED MILITARY TO ELECTED CIVILIAN RULE.

2. TO SUPPORT IMPLEMENTATION OF THE CANAL TREATIES THROUGH TRAINING PROGRAMS AND ASSISTANCE IN STABILIZING THE CANAL WATERSHED.

3. TO ASSIST PANAMA IN EXPANDING AND DIVERSIFYING ITS ECONOMY IN ORDER TO INCREASE EMPLOYMENT OPPORTUNITIES, INCOMES, AND WELL-BEING FOR THE MAJORITY OF PANAMANIAN CITIZENS

I EMPHASIZE THAT AID'S ROLE IS TO "ASSIST" PANAMA IN ACHIEVING THESE OBJECTIVES. IF WE HAVE LEARNED ONE THING IN THE 43 YEARS SINCE THE INCEPTION OF U.S. FOREIGN AID PROGRAMS IN THE FORM OF THE MARSHALL PLAN WHICH HELPED REBUILD EUROPE, IT IS THAT WE CAN ONLY BE SUPPORTIVE OF SOVEREIGN COUNTRIES IN THEIR OWN DEVELOPMENT EFFORTS. A COUNTRY MUST HAVE THE POLITICAL WILL TO DEAL WITH ITS OWN DEVELOPMENT CONSTRAINTS. THIS CANNOT BE IMPOSED BY FOREIGN DONORS. AID'S GREATEST SUCCESS STORIES ARE THOSE WHERE WE HAVE SUPPORTED TRULY INDIGENOUS NATIONAL DEVELOPMENT INITIATIVES; OUR GREATEST FAILURES ARE INVARIABLY MARKED BY A MISCALCULATION OF LOCAL POLITICAL WILL. THE TOOLS OF EXTERNAL DONORS LIKE AID ARE LIMITED TO TECHNICAL ASSISTANCE, TRAINING, MATERIAL, AND FINANCIAL SUPPORT. BY DEFINITION, THE ONE CRUCIAL INGREDIENT THAT WE, AS OUTSIDERS, CAN NEVER BRING TO THE DEVELOPMENT EQUATION IS A NATIONAL COMMITMENT TO DEMOCRACY AND ECONOMIC GROWTH BASED ON SOUND MARKET PRINCIPLES. IN A DEMOCRATIC SOCIETY THERE WILL ALWAYS EXIST HONEST DIFFERENCES ABOUT SPECIFIC MEASURES AND PLANS AS VARIOUS SECTORS OF THE ECONOMY VIEW THE FUTURE FROM THEIR INDIVIDUAL PERSPECTIVES. DEBATE AND DIALOGUE IS HEALTHY BUT THERE NEEDS TO BE SOME COMMON GROUND FOR SETTING THE FUNDAMENTAL POLICY FRAMEWORK. WITHOUT

SUCH COMMON GROUND THE CENTRIFUGAL FORCE OF INDIVIDUAL INTERESTS WILL SURELY INHIBIT POSSIBILITIES. THE REPUBLICANS AND DEMOCRATS IN THE U.S. CAN BE BITTER FOES AT ELECTION TIME, BUT IN THE FINAL ANALYSIS THEIR VISION OF ECONOMIC AND SOCIAL STRUCTURES FOR THE U.S. HAVE FAR MORE IN COMMON THAN IN CONFLICT.

IN KEEPING WITH THE LONGER TERM OBJECTIVES OF U.S. ASSISTANCE, AID DEVELOPMENT ASSISTANCE IN PANAMA WILL FOCUS ON SEVERAL AREAS OVER THE MEDIUM TO LONG TERM. THIS TYPE OF ASSISTANCE IS, FOR THE MOST PART, LIMITED TO FUNDING OF TECHNICAL ASSISTANCE AND TRAINING ALONG WITH LIMITED AMOUNTS FOR BUDGET SUPPORT AND MATERIAL. IT IS PROVIDED TO BOTH PUBLIC AND PRIVATE SECTOR INSTITUTIONS DEPENDING ON THE NATURE OF THE PROJECT. SUBJECT TO CONGRESSIONAL APPROPRIATIONS, ADDITIONAL FUNDING BEYOND THE \$53.9 MILLION ALREADY APPROVED COULD BE PROVIDED IN FUTURE YEARS TO CONTINUE AND EXPAND ONGOING U.S. SUPPORT OF PANAMA'S EFFORTS IN THE FOLLOWING AREAS:

1. PUBLIC ADMINISTRATION AND POLICY IMPROVEMENT (\$17.6 MILLION)

TWENTY-ONE YEARS OF MILITARY RULE LEFT A LEGACY OF CORRUPTED AND DISTORTED PUBLIC SECTOR INSTITUTIONS AND FUNCTIONS. MODERN, EFFICIENT AND TRANSPARENT PUBLIC SECTOR INSTITUTIONS ARE CRITICAL ELEMENTS TO STABLE DEMOCRATIC GOVERNMENT AND SUSTAINED ECONOMIC GROWTH. AN INITIAL ALLOCATION OF \$17.6 MILLION OF U.S.

ASSISTANCE HAS BEEN ALLOCATED TO ASSIST THE ENDARA GOVERNMENT IN REACTIVATING AND MODERNIZING PUBLIC POLICY AND INSTITUTIONS.

2. SUPPORT FOR DEMOCRATIC INSTITUTIONS (\$2.0 MILLION)

\$2.0 MILLION HAS BEEN EARMARKED INITIALLY TO SUPPORT THE DEVELOPMENT OF PUBLIC AND PRIVATE INSTITUTIONS THAT SERVE THE DEMOCRATIC PROCESS. THESE FUNDS WILL SUPPORT ACTIVITIES SUCH AS: ASSISTANCE TO THE PANAMANIAN ELECTORAL TRIBUNAL TO BE PROVIDED BY THE CENTRAL AMERICAN CENTER FOR ELECTORAL COUNSELING AND PROMOTION (CAPEL); THE REGIONAL JOURNALISM DEVELOPMENT PROGRAM OF FLORIDA INTERNATIONAL UNIVERSITY WHICH OFFERS ASSISTANCE TO NATIONAL MEDIA ORGANIZATIONS AIMED AT ENHANCING PROFESSIONALISM IN JOURNALISM; AND THE PROMOTION OF RESPONSIBLE, DEMOCRATIC LABOR UNIONS THROUGH PROGRAMS OF THE AMERICAN INSTITUTE FOR FREE LABOR DEVELOPMENT.

3. HUMAN RESOURCES DEVELOPMENT (\$20.7 MILLION)

\$20.7 MILLION OF THE ASSISTANCE PACKAGE IS EARMARKED FOR HUMAN RESOURCE DEVELOPMENT PROGRAMS INCLUDING SCHOLARSHIPS AND EXCHANGE PROGRAMS. SOME \$13.2 MILLION OF THIS AMOUNT WAS SET ASIDE TO ASSIST THE PANAMANIAN GOVERNMENT IN IMPROVING POLICE SERVICES. THIS PROGRAM WILL BE CARRIED OUT BY THE U.S. DEPARTMENT OF JUSTICE WORKING WITH THE MINISTRY OF GOVERNMENT AND JUSTICE. AT PANAMA'S REQUEST, IT WILL FOCUS HEAVILY ON TRAINING THE NEWLY

