

Panama

The Development Challenge: Panama is characterized by a dual socioeconomic structure consisting of a modern service and commercial sector and a traditional rural sector. Key social indicators in terms of health and education are relatively better than most Central American and Caribbean countries. However, these mask significant inequalities, considering that Panama has one of the most unequal distributions of income in the Western Hemisphere.

The overall performance of the Panamanian economy is closely linked to the Panama Canal and the Panama Canal Watershed (PCW). Following the United States turnover of the Panama Canal on December 31, 1999, Panama assumed full responsibility for canal operations. A key factor for ensuring continued effective operation of the Panama Canal is the availability of sufficient water to operate the locks system. This water supply is provided by a rain-fed 326,000-hectare watershed, which contains five rivers and two man-made lakes that store the water for canal operations. During the past 50 years, massive deforestation has reduced the forest cover in the Panama Canal Watershed and in the process eroded its river valleys and lakeshores. Increasing rates of population migration into the watershed, with concomitant urbanization and increased economic activities, threatens the Canal's environmental sustainability. As a result, the watershed is increasingly vulnerable to agricultural and industrial pollution, siltation, and sedimentation, resulting in reduction of water storage capacity of the lakes that serve as the water source for the canal.

The organization of Panama's judicial system is complex, involves numerous players and is beset with many problems. Poor people lack adequate access to legal services, and the vast majority of people in prison are indigent and more apt to stay locked up. Corruption is pervasive among the three branches of government and is grudgingly accepted by many in the Panamanian private sector as a cost of doing business. The lack of adequately trained prosecutors and police investigators leads to inept criminal investigations that can take 24 months before indictment. Foreign investors perceive the legal system as working to the benefit of insiders. The judicial system is viewed as slow and cumbersome due to substantial civil and commercial case backlogs.

With escalating violence in Colombia, Panama faces a strong possibility of increasing flows of displaced persons across its border. In the vulnerable Darien region, which borders Colombia, an influx of refugees increases the risk of social, economic, and political upheaval. The corrupting influence of the narcotics trade undermines local institutions, spawns violence and lawlessness, distorts the economy, and discourages legitimate investments.

It is in the United States national interest to ensure that Panama develops the capacity to manage and protect the watershed of this vital international waterway on a sustainable basis. An effectively operating Canal facilitates world maritime commerce and also ensures rapid transit of U.S. warships between oceans. Combating corruption can help increase investor confidence in Panama and help attract more foreign direct investment. Improved development and alternative sources of income in the Darien Province can help stem the flow of illicit drugs into the United States.

The USAID Program: The USAID/Panama country assistance program focuses primarily on ensuring effective protection and management of the Panama Canal Watershed. The Panama Canal is vital for U.S. commercial and military strategic interests. Approximately 14% of United States ocean-going trade and a significant amount of world trade and cargo pass through the Canal. The protection of the watershed's natural environment is necessary to safeguard the fresh water resources required for the canal's continuous operation. USAID's assistance program also seeks to develop momentum towards substantial improvement in the criminal and commercial justice systems of Panama. A democratic, transparent, and stable Panama will help ensure fair treatment of U.S. citizens and businesses in Panamanian commercial and criminal courts. Finally, USAID/Panama recently initiated efforts in support of the Andean Regional Initiative to create a buffer against the spillover effects from the Colombian conflict into Panama's Darien Province. This effort is focused on providing technical assistance, training,

and commodities to selected Darien communities for small self-help community development infrastructure, increased economic productivity, and a more effective local government in the area.

Other Program Elements: The USAID Central American Regional Mission in Guatemala manages programs, mainly through technical assistance and training that support increased Central American participation in global markets, improved environmental management in the Mesoamerican Biological Corridor, and enhanced capacity in Central America and Panama to respond to the HIV/AIDS crisis. In addition to the activities described in the Program Data Sheets, USAID's Office of Human Rights within the Latin America and Caribbean Bureau manages two programs designed to reinforce regional trends that deepen democracy in Latin America and the Caribbean. One program provides training and provides funding for studies, seminars, and special conferences to support indigenous institutions that promote and protect human rights. The other program provides training and technical assistance to increase citizen participation and strengthen civil society organizations and networks.

Panama is also participating in the Regional Quality Coffee Program aimed at increasing the competitiveness and sustainability of quality coffee. The program will provide short-term technical assistance to enable small producers in three important regions near the Costa Rican border and a large, very poor indigenous community, to offer consistent quantities of high quality Panamanian coffee for domestic and export markets. The program improves business practices and provides market linkages to strengthen this important industry in Panama.

Other Donors: USAID continues as the major donor active in the PCW region. The Government of Japan (GOJ) under the Common Agenda provides assistance to the Government of Panama (GOP) and nongovernmental organizations (NGOs) in the PCW that is complementary to, and coordinated with, USAID's effort. The GOJ has supported the establishment of a training center in the PCW area that provides environmental education and awareness training in forestry and agro forestry techniques. The GOJ is also providing technical assistance to a number of pilot communities in the PCW related to improved environmentally friendly agricultural production.

The Inter-American Development Bank (IDB) is assisting the GOP to strengthen its institutional management and implementation mechanisms in support of community environmental mitigation efforts, with particular focus in the PCW. The IDB is also supporting the conversion of destructive agricultural practices to environmentally friendly productive activities in the PCW. In addition, the IDB is supporting the GOP in the implementation of an integrated development program in the Darien Province with important environmental elements. Finally, the IDB is the lead donor supporting a major GOP effort in the improvement of the criminal justice system.

The Food and Agriculture Organization (FAO) of the United Nations is assisting the Ministry of Agricultural Development in its implementation of land use changes in the rural Eastern Region of the PCW and to measure the socioeconomic impacts of these changes. Emphasis is on community participation and on environmental and socioeconomic sustainability. This effort is expected to lead to the development of a longer-term effort (about 20 years) with possible funding from the World Bank. Also, the International Fund for Agricultural Development (IFAD) of the UN is supporting a sustainable rural development effort in the Darien Province with emphasis on the indigenous communities in the area. The USAID effort to strengthen selected communities in Darien will complement both the IDB and UN programs.

The European Union is supporting a modest program aimed at assisting the GOP to implement a program of free legal services for poor pretrial detainees.

**Panama
PROGRAM SUMMARY**

(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual	FY 2003 Prior Request	FY 2004 Request
Development Assistance	3,700	4,500	7,000	5,750
Economic Support Fund	998	4,205	3,500	3,500
Total Program Funds	4,698	8,705	10,500	9,250

STRATEGIC OBJECTIVE SUMMARY

525-004 Protection of the Panama Canal Watershed				
DA	3,700	4,181	7,000	5,750
525-005 Judicial Reforms				
ESF	998	1,205	500	3,500
525-006 Rural Community Development				
ESF	0	3,000	3,000	0
TRANSFER				
DA	0	319	0	0

Data Sheet

USAID Mission:	Panama
Program Title:	Protection of the Panama Canal Watershed
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	525-004
Status:	Continuing
Proposed FY 2003 Obligation:	\$7,000,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$5,750,000 DA
Year of Initial Obligation:	FY 2000
Estimated Completion Date:	FY 2006

Summary: This program provides technical assistance, training, and commodities to enhance Panamanian institutional and civic capacity to effectively protect and conserve natural resources in the Panama Canal Watershed. The focus is on building alliances that integrate the efforts of central government line ministries with those of the private sector, civil society, local governments, and local communities to address critical environmental issues in the watershed through environmentally sound practices, improved management, and activities that enhance biodiversity and water quality conservation.

Inputs, Outputs, Activities:

FY 2003 Program:

Institutional strengthening (\$1,900,000 DA). USAID will continue to provide technical assistance to enhance the coordination capabilities of the Inter-Institutional Watershed Commission (CICH) of the Panama Canal Authority (ACP) and the effectiveness of its Permanent Technical Committee. This assistance will help the ACP reach better decisions and improve the system for monitoring the health of the Panama Canal Watershed (PCW). Assistance also is helping the ACP to develop new sources of funding and to design effective financial mechanisms to address investment and operational needs in the PCW. Principal contractors and grantees are International Resources Group, Academy for Educational Development (AED), Associates in Rural Development, the Louis Berger Group, and the Inter-Institutional Watershed Commission.

Protected area management (\$1,500,000 DA). USAID will continue to provide assistance aimed at strengthening and consolidating protected areas in the PCW. Specific actions include: establishing new protected areas in the PCW; preparing training materials for communities in the PCW designated as members of District Consulting Committees on issues related to soil, water, forest, biodiversity, and natural resources conservation; and strengthening the technical and administrative capacity of the National Environmental Authority. Training material related to biodiversity and ecotourism for a number of NGOs working in the PCW will be developed. In addition, USAID will support a pilot effort in the Chagres National Park in conjunction with the Washington-based Parks in Peril Program led by The Nature Conservancy. Over the next four years this activity will develop conservation area plans, establish a coalition of NGOs to work in the area, formulate policies related to protected area management, and design long-term financial mechanisms to ensure sustainability of the program. Principal contractors and grantees are AED, The Nature Conservancy, and CICH.

Increased civil society participation (\$500,000 DA). USAID will continue to provide assistance and training to improve the capacity of NGOs to participate more fully in activities aimed at the sustainable protection and conservation of natural resources in the PCW. Emphasis will be placed on establishing alliances with communities, the private sector, and local governments in co-management activities and development of environmentally-friendly income generating activities such as ecotourism. The principal contractor is Management Services International in association with local NGOs and CICH.

Increased local government participation (\$600,000 DA). USAID will provide assistance to implement environmental action plans for approximately 50 wards in three districts near the PCW, and along the trans-isthmian corridor in the metropolitan areas in the Panama and Colon Provinces. An environmental office to coordinate and consolidate activities will be established in Colon. In addition, technical assistance and training will continue to strengthen municipalities' institutional and administrative capabilities for environmental management and integrated solid waste management. Principal contractors and grantees are International Resources Group, AED, Associates in Rural Development, the Honduran Foundation for Municipal Development, and CICH.

Pilot sub-watershed activities (\$2,500,000 DA). USAID assistance will enable the ACP to develop and implement integrated watershed management programs in up to four pilot sub-watersheds. Tested policies, mechanisms developed, and lessons learned will provide the basis for replication in the rest of the more than 50 sub-watersheds in the PCW. ACP will provide matching funds to USAID's investment over the next five years. Principal contractors and grantees are International Resources Group, AED, Associates in Rural Development, and CICH.

FY 2004 Program:

Institutional strengthening (\$1,500,000 DA). USAID plans to continue to strengthen the institutional capabilities of the CICH, particularly in terms of better coordination, improved monitoring, and access to increased financing. Efforts to increase and consolidate participation of civil society, local government, and private enterprises in alliances to better protect the PCW and conserve its natural resources are expected to be deepened.

Protected areas management (\$1,500,000 DA). USAID plans to focus its efforts on improved park management with the active participation of local communities and NGOs, including private enterprises where feasible.

Pilot sub-watershed activities (\$2,750,000 DA). USAID and the ACP, with the participation of other government institutions, local communities, NGOs, and the private sector will implement integrated management activities in up to four pilot sites.

Performance and Results: During fiscal year 2002, continued progress was made toward improving effective management of the Panama Canal Watershed. Approximately 50 mid-and-high-level managers from the Panama Canal Authority and other key member institutions of the CICH were exposed to lessons learned from the Chesapeake Bay Program, Tennessee Valley Authority and "Corporación del Valle del Cauca" in Colombia, through selected conferences. The Environmental Information Center is functioning at the CICH and its web page is fully operational. The ACP and other CICH member institutions identified four pilot sub-watersheds to implement applied integrated watershed management activities. ACP and USAID signed a letter of intent to establish a \$5 million seed capital incentive fund to invest in programs and projects in the selected sub-watersheds. ACP will match one-to-one USAID's investments. A methodology for improving sanitation in a small town was field-tested. An indigenous community adopted recommendations from a USAID-funded assessment of ecotourism activities, which increased visitors significantly from 293 in 2000 to 2042 in 2002.

By program completion, the CICH will have a trained staff and have sound operating policies and regulations. CICH will be financially self-supporting and will coordinate PCW activities effectively and in compliance with Panamanian laws. Communities and local authorities will be aware and support actions to manage natural resources in the PCW. The private sector and civil society will be supportive of integrated watershed management initiatives. Businesses and NGOs will be working with communities to minimize pollution, to comply with land use plans, and to generate environmentally sound employment opportunities. The pilot sub-watershed activities will have generated appropriate information and methodologies that are replicable in the remaining sub-watersheds in the PCW.

US Financing in Thousands of Dollars

Panama

525-004 Protection of the Panama Canal Watershed	DA
Through September 30, 2001	
Obligations	7,199
Expenditures	4,347
Unliquidated	2,852
Fiscal Year 2002	
Obligations	4,499
Expenditures	3,155
Through September 30, 2002	
Obligations	11,698
Expenditures	7,502
Unliquidated	4,196
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2003 NOA	
Obligations	7,000
Total Planned Fiscal Year 2003	
Obligations	7,000
Proposed Fiscal Year 2004 NOA	
Obligations	5,750
Future Obligations	4,500
Est. Total Cost	28,948

Data Sheet

USAID Mission:	Panama
Program Title:	Judicial Reforms
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	525-005
Status:	Continuing
Proposed FY 2003 Obligation:	\$500,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$3,500,000 ESF
Year of Initial Obligation:	FY 2000
Estimated Completion Date:	FY 2004

Summary: The USAID Judicial Reform program in Panama is focused on pilot efforts designed to increase access of the poorer segments of the population to justice and to promote increased participation of civil society in justice reform efforts. USAID is providing technical assistance and training to support GOP efforts to: (a) reduce pretrial detention; (b) introduce the use of alternative dispute resolution in commercial disputes; (c) improve the dissemination of Supreme Court and appellate court judicial opinions; and (d) establish a permanent program in ethics training for all judicial personnel.

Inputs, Outputs, Activities:

FY 2003 Program:

Improve access to justice in targeted areas (\$200,000 ESF). USAID will complete the final design and initiate implementation of a pilot project to reduce pre-trial detention by expediting criminal procedures and using alternatives to imprisonment. In addition, USAID will complete implementation of pilot activities utilizing alternative dispute resolution mechanisms in civil courts in order to reduce the caseload entering the system. Finally, the last phase of the ongoing judicial registry pilot project will be completed. The Supreme Court judges are pleased with results to date and have expressed a desire to expand this effort. The principal grantee is Management Science for Development.

Increase the participation of civil society in justice sector reforms (\$200,000 ESF). USAID is supporting a number of activities implemented by the Citizens Alliance for Justice, an umbrella NGO, designed to increase participation and collaboration with judicial officials. Activities include: continuation of a prime time, monthly television program "Cabildo Abierto" (Town Meeting) sponsored by the private sector, in which specific judicial issues are openly debated; the second forum on judicial independence; the Latin American Conference on Penal Reform and Alternatives to Imprisonment; and meetings with mediators to discuss use of alternative dispute resolution and identify additional areas for collaboration with Panamanian government officials. The principal grantee is Management Science for Development.

Evaluation (\$100,000 ESF). In FY 2003 the program will be evaluated to document results and lessons learned. Contractor or grantee to be determined.

FY 2004 Program:

Follow-on program (\$3,500,000 ESF). Based upon the results of the evaluation, USAID will expand the Democracy and Governance program to increase this effort and address other issues of interest to the GOP and the United States Government, such as anticorruption and transparency. The proposed funding will cover initial activities under the expanded program following the anticipated successful completion of the current program.

Performance and Results: The USAID program has resulted in several major achievements during FY 2002 towards consolidating momentum for fairer and faster justice. The Supreme Court has undertaken the development of a Strategic Plan, including a vision statement and results frameworks that clearly identify objectives and expected results in the short, medium, and long term. A significant reduction in the

number of detainees resulting from sentences by administrative authorities has taken place. The Supreme Court website is operational. Free text consultation of cases dating back to 1993 is now computerized and readily available. The implementation of an alternative dispute resolution pilot activity was initiated. The proactive role of civil society in the reform process was improved as evidenced by the active participation of Citizens Alliance for Justice in numerous outreach and mass media communication programs. These programs focused on important reform issues related to the judicial process.

By the end of this activity, having worked with stakeholders inside and outside the justice system, broad-based support for, and confidence in, continued justice sector reform will be established and an agenda for future reforms will be developed.

US Financing in Thousands of Dollars

Panama

525-005 Judicial Reforms	ESF
Through September 30, 2001	
Obligations	1,996
Expenditures	472
Unliquidated	1,524
Fiscal Year 2002	
Obligations	1,000
Expenditures	1,031
Through September 30, 2002	
Obligations	2,996
Expenditures	1,503
Unliquidated	1,493
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2003 NOA	
Obligations	500
Total Planned Fiscal Year 2003	
Obligations	500
Proposed Fiscal Year 2004 NOA	
Obligations	3,500
Future Obligations	0
Est. Total Cost	6,996

Data Sheet

USAID Mission:	Panama
Program Title:	Rural Community Development
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	525-006
Status:	Continuing
Proposed FY 2003 Obligation:	\$3,000,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$0
Year of Initial Obligation:	FY 2002
Estimated Completion Date:	FY 2005

Summary: The USAID program, in support of the Andean Regional Initiative (ARI), provides technical assistance, training, and commodities to selected communities in the Darien Province for small social infrastructure, such as potable water, latrines, footbridges, and appropriate solid waste disposal. It will also assist communities and locally elected officials to better organize in order to address defined needs and to effectively articulate and advocate for GOP and other assistance. Additionally, it provides assistance for the establishment of strategic alliances with private enterprises and civil society, including local and international nongovernmental organizations aimed at fostering increased economic activities, such as eco-tourism, handicraft production, and marketing.

Inputs, Outputs, Activities:

FY 2003 Program:

Improve small community social infrastructure (\$1,700,000 ESF). USAID, with the GOP and implementing private voluntary organization (PVO), will select communities vulnerable to the spillover effects of the Colombian conflict. Small grants and technical assistance will be provided to address small infrastructure priority needs of the communities, such as water and sanitation facilities. Emphasis will be on local management, self-help and sustainability. The principal contractors and grantees are to be determined.

Strengthening the capacity of local government and community-based organizations (\$550,000 ESF). USAID will provide technical assistance and training to locally elected officials, local leaders, local NGOs, and community-based organizations to improve their ability to articulate ideas, develop projects, write proposals, and implement sustainable activities. A pragmatic approach to strengthening local governments and civil society organizations, using the social and productive infrastructure projects, will assist communities to learn by doing. USAID will encourage the active participation of women in the definition of priority community needs as well as in their solutions. The focus will be on building community-based organizations' local planning, decision-making, and oversight capabilities. The principal contractors and grantees are to be determined.

Improvement of productive infrastructure in selected communities (\$750,000 ESF). USAID efforts will be directed at improving the ability of selected communities to keep in touch with markets and to adjust product offerings. USAID will work with local government authorities, NGOs, private enterprises, and community organizations to design, develop, seek matching funds for, and implement productive infrastructure projects. Technical assistance and training will assist in the assessment of infrastructure potential and small grants will be provided for market facilities and support infrastructure such as grading sheds, storage facilities, and small docks. The principal contractors and grantees are to be determined.

FY 2004 Program:

No funding for FY 2004 under this Strategic Objective is being requested.

Performance and Results: This activity is currently in the initial stage of implementation. An agreement was signed with the GOP on September 23, 2002. The GOP is in the process of complying with

conditions precedent to the first disbursement. In parallel, USAID has issued a request for application for the procurement of an umbrella PVO to assist in implementation. It is anticipated that a cooperative agreement will be executed with this organization by the end of January 2003.

By the completion of this activity, selected vulnerable communities will have implemented small priority social infrastructure projects in a learning-by-doing approach, emphasizing self-help. Local authorities will be trained, be more responsive to the needs of the communities, and be better capable of developing and implementing sustainable community development programs. Communities and local authorities will have established alliances with the private sector, leading to the design, development, and implementation of small infrastructure projects, including financial and management strategies for their sustainability.

US Financing in Thousands of Dollars

Panama

525-006 Rural Community Development	ESF
Through September 30, 2001	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2002	
Obligations	3,000
Expenditures	0
Through September 30, 2002	
Obligations	3,000
Expenditures	0
Unliquidated	3,000
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2003 NOA	
Obligations	3,000
Total Planned Fiscal Year 2003	
Obligations	3,000
Proposed Fiscal Year 2004 NOA	
Obligations	0
Future Obligations	0
Est. Total Cost	6,000