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COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

Consideration and approval of country programmes

THIRD COUNTRY PROGRAMME FOR PANAMA

UNDP assistance requested by the Government of Panama  
for the period 1982-1986

Illustrative IPF for 1982-1986: \$7.5 million

INTRODUCTION

1. The third country programme, coinciding with the third programming cycle, has been prepared by the Ministry of Planning and Economic Policy (MIPPE) and is based on the national development targets and objectives established by the Government. The frame of reference is the National Technical Co-operation Plan being prepared by MIPPE, in which, for the first time, actual technical co-operation requirements have been identified by sector and by national agency.

2. The identification of these requirements in Panama was co-ordinated by the international technical co-operation office of MIPPE, with the co-operation of the

Note: In accordance with decision 81/15, adopted by the Governing Council on 27 June 1981 (E/1981/61/Rev.1, annex I), the third country programme for Panama is being submitted to the Council without an accompanying note by the Administrator.

The previous country programmes for Panama and the accompanying notes by the Administrator were issued under document symbols DP/GC/PAN/R.1, DP/GC/PAN/R.2 and DP/GC/PAN/R.1/RECOMMENDATION, respectively.

Office of the UNDP Resident Representative, and utilizing the experience of the following agencies of the United Nations system: United Nations Conference on Trade and Development (UNCTAD), International Civil Aviation Organization (ICAO), United Nations Educational, Scientific and Cultural Organization (UNESCO), Universal Postal Union (UPU), International Atomic Energy Agency (IAEA), United Nations Environment Programme (UNEP), International Trade Centre (ITC), United Nations Industrial Development Organization (UNIDO), Food and Agriculture Organization of the United Nations (FAO), United Nations Centre for Human Settlements (UNCHS), Inter-Governmental Maritime Consultative Organization (IMCO), United Nations Fund for Population Activities (UNFPA), International Labour Organisation (ILO), International Telecommunication Union (ITU), World Health Organization (WHO) Pan-American Health Organization (PAHO), United Nations Children's Fund (UNICEF) and the World Tourism Organization (WTO). The Government thanks them for the part they played in either analysing or defining the 225 projects, costing approximately \$US 90 million in all, selected for inclusion in the National Technical Co-operation Plan.

3. For the third programming cycle the UNDP Governing Council decided to hold the illustrative indicative planning figure (IPF) at the \$7.5 million figure allocated for the previous period in view of the very slight increase, or even a decrease, in voluntary contributions. This means that in real terms, it represents a reduction rather than a static figure. In addition, for financial reasons, only 80 per cent of the figure, that is to say \$6 million, has been programmed.

4. In the light of this reduction in the resources available for Panama's development, the Government, in full awareness of the needs, has decided to help out by contributing \$3 million to supplement the \$6 million already mentioned. In addition to this major national effort, several Government institutions will also contribute resources for the execution of their projects, amounting to approximately \$3,232,000.

5. In short, the Government will contribute \$6,232,000 to be programmed over the five-year period, as a supplement to the UNDP contribution of \$6 million, i.e. 104 per cent of the latter figure and 51 per cent of the cumulative total. Moreover, the Government wishes to engage in ongoing analysis and negotiations with UNDP with a view to establishing an arrangement whereby optimum use is made of the sums given by the Government and that they do not diminish by reason of the administrative costs of the executing agencies of the United Nations system.

6. As can be ascertained from paragraph 2, the national demand identified is far in excess of the resources available from UNDP, as supplemented by the national funding effort. For this reason, the Government is seeking a greater share in the regular programmes of the specialized and executing agencies of the United Nations and, through them in those of agencies and institutions which provide funds for international technical co-operation.

7. It is hoped, under this country programme, to undertake specific activities in the areas of regional planning, eradication of dire poverty, strengthening of the country's agricultural and industrial structures, national integration, the raising of the educational and cultural level of the population, and the upgrading of skills to strengthen national development planning, programmes and projects.

### Summary of Panama's economic and social characteristics

8. **Population:** According to the preliminary returns from the 1980 census, the country has a total population of 1,880,175, the density being 23.7 per square kilometre. The most salient demographic features are the following:

(a) The rate of population growth during the last five-year period (1975-1980) was 2.5 per cent, showing a reduction of some 0.6 per cent in comparison with the previous period. This reduction was the result of a significant country-wide decline in fertility rates;

(b) The birthrate was 28.1 per thousand live births in 1979, and the mortality rate for that year was 4.4 per thousand. Life expectancy rose to 70 in 1980;

(c) The age structure of the Panamanian population showed a continuing narrowing of the base of the pyramid, with a relative reduction in 1980 in the under-15 age group to 39.8 per cent of the population, an increase in groups of working age (15-64 years) to 56 per cent, and a slight, but sustained, increase in the population of 64 years of age and over (4.2 per cent).

9. **Employment:** Among the economically active population major changes have also taken place. Labour force participation dropped from 61.3 per cent in 1970 to 54 per cent in 1977, and recovered in subsequent years, to reach 57.6 per cent in 1979. In 1978 and 1979 the situation improved thanks to the addition of 28,300 new jobs per year. Figures for 1980 are not yet available, but the strong upsurge in construction would also indicate a considerable increase in job opportunities. The unemployment rate for 1979 was 8.8 per cent, and will tend to decline in coming years.

### Economic performance

10. During 1976 the economy was at a low ebb, with a growth rate of minus 0.3 per cent in gross domestic product (GDP) in that year, compared with the 7.1 per cent per annum achieved over the period 1970-1978, because the high GDP growth rate had already begun to lose momentum in the years 1974-1976.

11. The economy was affected by recession and by world inflation, the price of imported inputs having an impact on domestic costs and, consequently, on the cost of goods produced in Panama.

12. Had it not been for Government action to offset this by a sharp increase in its investment through the expedient of external indebtedness and, to a lesser extent, consumer spending, the Panamanian economy would have found itself in dire straits.

13. Between 1977 and 1979 the Panamanian economy grew at an average rate of 6.5 per cent per annum, showing signs of recovery following the major blow dealt by inflationary pressures and recession abroad, and by other external factors.

14. The movement of GDP over the period was favourable, moving from negative growth in 1976 to a rise of 12.3 per cent in 1979.
15. Per capita income in 1979 was 1,208 balboas (B) (1,208 US dollars).
16. Exports and imports: After 1976 renewed activity in the import of goods and services became apparent, especially in respect of manufactured articles, machinery and transport equipment, leading to an expansion in over-all supply.
17. In the period 1974 to 1976 export performance remained more or less stable, with exports growing at an average rate of 3.8 per cent per annum; however, mention must be made of the 1975 rise in sugar prices. In 1976 the increase in the volume of sugar exports was not accompanied by an increase in the value of those exports, and excess supply caused the world price of sugar to fall, and that had repercussions nationally.
18. There was moderate growth in the export of services, travel and tourism being the most dynamic sector. However, net exports of services from the Colón Free Zone were unstable, owing to fluctuations in world trade.
19. For the period 1977-1979, exports of goods and services proved more dynamic. In 1977 they grew at a rate of 7.2 per cent, in 1978 at 8.4 per cent, and in 1979 at 10.5 per cent, as a result of increased exports of services.
20. Investment and savings: Over the period 1974 to 1977 private investment declined under the influence of a series of factors.
21. The decline in private investment was offset by the upward trend in public investment, which expanded to an annual rate of 24 per cent over the period.
22. Government intervention, in the form of public investment, throughout the decade, has brought about the development of the economic infrastructure, for example, energy and transport, and a major improvement in the social sectors, in line with Panama's growth base; this will have an impact in the next decade.

#### Over-all objectives and national development strategy

The basic objectives, from which more specific objectives may be derived, are welfare, national integration, and independence.

#### Welfare

23. The welfare of the population calls for stronger mechanisms for public participation as a means of giving practical expression to and achieving other welfare-related targets.
24. This key objective presupposes the satisfaction of the people's basic needs, for which access to goods and services to meet those needs is essential. This, in turn, requires the receiving of income which, for most people, depends on job opportunities. Such opportunities are a function of growth rates and trends and of the level of skills of human resources.

25. It should be underlined that this will mean increasing the incomes of the poorest groups, which is a necessity if they are not only to live in dignity, but also to increase their productivity and thereby contribute to the generation of wealth.

26. The principal means of achieving this objective are:

(a) Investment of human capital; (b) creation of sources of new and more permanent employment for all Panamanians; (c) improvement of the infrastructure and organization of production, and an increase in productivity; and (d) generation and distribution of new wealth and of ownership of new capital assets.

27. This entails:

laying the foundations for accelerated and sustained economic growth; facilitating the growth and co-operation of the private sector, for which potential new activities and projects must be identified, pre-feasibility and pre-investment studies prepared, and promotion undertaken at home and abroad;

implementing a policy properly of satisfactory and orderly management of public finances;

ensuring stronger institutions.

#### National integration

28. The dynamism of the rural areas must be increased by consolidating those areas with demonstrated potential. Rural development of this kind together with the effective incorporation of the recovered area (the former Canal Zone), from two key aspects of national integration.

#### 29. Independence

Reduction of external vulnerability by promoting greater national independence: For this purpose, it will be necessary to guarantee domestic food supplies and the development and use of national resources, adopting a selective approach to the consolidation of areas with demonstrated potential, and the incorporation of other areas with hitherto undeveloped potential, the promotion of which would benefit sectors that are lagging behind.

30. An expanded infrastructure designed to take full advantage of the country's productive capacity and natural resources, and a regionally integrated political and economic and social system, underpinned by a solid and satisfactory institutional input to development needs.

#### PROPOSED UNDP TECHNICAL CO-OPERATION IN SUPPORT OF NATIONAL DEVELOPMENT PRIORITIES

31. In support of the over-all objectives and national development strategy established by the Government, the following specific objectives are submitted for UNDP consideration in connexion with the third programming cycle (1982-1986):

A. Increased capacity for the preparation and administrative management of plans, programmes and projects for economic and social development at the national, sectoral and regional levels

32. The following projects have been included to meet this objective:

(a) Co-ordination and management of regional planning (PAN/82/001, new phase). Contributes to the execution of annual plans and budgets in three of the country's provinces, and establishes the necessary machinery for the effective participation of the population (bases) in the various phases of regional development;

(b) International technical co-operation planning (PAN/81/004). This consists in providing backup for the preparation of the National Technical Co-operation Plan and in improving and tailoring the functions of the co-ordinating unit to its task of co-ordinating, programming and evaluating international technical co-operation projects as part of a national technical co-operation system. This project will also include a contribution in support of specific technical co-operation activities among developing countries (TCDC) for the purpose of meeting other technical assistance needs, as well as supporting the development efforts of other developing countries through the use of Panamanian nationals;

(c) Institutional support for development planning (PAN/82/003, new phase). In addition to providing backup for the development strategy programme, it will also increase national technical capacity for the preparation and analysis of economic research;

(d) Advisory services on education policies, plans and programmes (PAN/81/012) (new project). The advisers will co-operate in the identification and formulation of specific policies and programmes in order to lay the foundations for a stable education system tailored to social and economic realities.

B. Incorporation and integration in the national economy of the resources recovered under the Torrijos-Carter Panama Canal Treaties

33. The projects to meet this objective are:

(a) Strengthening of the naval school (PAN/81/005) (new project). The operational level of the school must be raised in order to meet the requirements of the Canal and to increase the number of trained Panamanians in the Panama-registered merchant fleet;

(b) Development of civil aviation (PAN/82/007) (new project). Concerns the basic and advanced training of technical and administrative units, especially in air transport planning, to facilitate appropriate institutional development in order to cope with the new commitments entered into under the Torrijos-Carter Treaties;

(c) Establishment of a hydro-meteorological data bank (PAN/82/006) (new project). Concerns the effective improvement of the hydro-meteorological information service in view of the fact that, in a few years, responsibility for weather forecasting for shipping and hydrological forecasts, for the management of the Gatún and Alajuela lakes, which form part of the canal's hydraulic system, will revert to Panama; and

(d) Institutional support to the National Consular and Shipping Board (PAN/80/007). This ongoing project, to be completed in 1982, will result in the increase and rationalization of revenue from Panama-registered shipping.

C. Development of human resources and improvement of the quality of life of the neediest by upgrading of vocational and cultural training

34. To achieve this objective the following projects have been included:

(a) Attack on dire poverty (PAN/81/006) (new project). This project will enable priorities and alternative urgent solutions to be formulated for the problems of poverty and of unmet basic needs in neglected urban and rural areas.

(b) Support for the regionalization of the National Vocational Training Service and for self-employment (PAN/81/009) (phase III). The purpose is to contribute to the development of human resources by means of an effective human resources training and skills service, with particular emphasis on the most underprivileged sectors of the population. It will also help to increase the proportion of self-employed participants;

(c) Development of the cultural heritage (PAN/82/008) (new project). It is intended to promote various aspects of culture and to consolidate the national historical heritage, at the same time training professional restorers, specialist museum staff and archaeologists;

(d) The naval school and educational planning projects already described are to some extent concerned with this objective of the programme, in that the former will train human resource for the maritime sector and the latter will contribute to the preparation of a methodology for the design of school curricula and programmes.

D. Contribution and support to the agricultural production process and encouragement of industrial investment for the country's economic development. Promotion of traditional exports and exports resulting from industrial investment

35. The following projects are included for the achievement of this objective:

(a) Support to agricultural development (PAN/81/001) (new project). This comprises technical support for the agricultural sector for the purpose of increasing the production of basic foodstuffs for the benefit of the most economically deprived groups;

(b) Investment promotion (PAN/-/-) (new project). This refers to the attraction of national and foreign investment by means of institutional support for the preparation of pre-feasibility and feasibility studies for industrial projects, as well as the holding of round-tables for investors;

(c) Forestry development (PAN/82/004) (phase II). The intention is to continue to support the strengthening of the national board concerned in order to achieve profitable resource management, in respect of both tree-planting and felling, as well as increased industrial utilization of timber;

(d) Foreign economic relations (PAN/-/-) (new project). This will be in support of the co-ordinated effort of the national institutions involved in the establishment of a trade policy which, in turn, will contribute to multilateral and bilateral negotiations;

(e) Export promotion (PAN/79/002). This consists in institutional support to the Foreign Trade Department in respect of export promotion.

36. Panama is actively and increasingly participating in UNDP regional and subregional projects, and in some interregional projects. The major areas in which it is participating are education, forestry training, agricultural projects, employment, culture, technical co-operation/TCDC, and science and technology.

37. It is the Government's intention to supplement national IPF efforts by regional resources and those made available to Panama by individual agencies of the United Nations system, in order jointly to ensure the success of its development programmes and thereby optimize the limited financial resources available.

38. In emphasizing what we stated in paragraph 6, the Government urges the UNDP Administrator and the Regional Director for Latin America to commit themselves and the Organization to seeking additional international funding for Panama with a view to the execution of projects which the country needs, namely those identified by the specialized agencies of the United Nations, but which, for lack of resources, could not be included in this programme.

39. In addition, the Government has decided to programme the remainder of the resources relating to 1985-1986 at the time of the annual review of the third country programme in 1982, bearing in mind that by that date a formal reply will have been received from UNDP on the availability of the 20 per cent of the illustrative IPF.

40. The breakdown of programmed resources is shown in the following table:



FINANCIAL SUMMARY OF PROJECTS ('000 \$US)

Title of Project	Totals	1982	1983	1984	1985	1986	Cost-sharing by project
Management of regional planning (PAN/82/001)	750	288	317	145	-	-	-
Attack on dire poverty (PAN/81/006)	560	200	160	200	-	-	-
Export promotion (PAN/79/002)	100	100	-	-	-	-	-
Agricultural development (PAN/81/011)	1 500	280	280	310	330	300	500
Forestry development (PAN/82/004)	500	150	170	180	-	-	150
Education policies and plans (PAN/81/012)	450	80	100	120	150	-	-
Regionalization of SENAFORP (PAN/81/009)	770	278	278	214	-	-	284
Naval school (PAN/81/005)	2 120	780	780	280	280	-	1 800
Civil aviation (PAN/82/007)	510	150	180	180	-	-	300
Support to the National Consular and Shipping Board (PAN/80/007)	42	42	-	-	-	-	-
ITC and TCDC (PAN/81/004)	215	100	20	25	35	35	-
Cultural heritage (PAN/82/008)	224	73	60	91	-	-	-
Investment promotion (PAN/--/-)	660	-	250	250	160	-	-
Development planning (PAN/82/003)	500	200	180	120	-	-	-

FINANCIAL SUMMARY OF PROJECTS ('000 \$US) (continued)

Title of Project	Totals	1982	1983	1984	1985	1986	Cost-sharing by project
Hydrometeorological data bank (PAN/82/006)	348.8	119.7	129.1	100	-	-	198.8
Foreign trade relations (PAN/-/-)	<u>350</u>	<u>-</u>	<u>-</u>	<u>80</u>	<u>120</u>	<u>150</u>	<u>-</u>
<b>TOTAL, PROJECTS</b>	<b>9 599.8</b>	<b>2 840.7</b>	<b>2 904.1</b>	<b>2 295</b>	<b>1 075</b>	<b>485</b>	<b>3 238.8</b>
Cost-sharing by project	3 232.8	1 119.7	1 129.1	584	300	100	-
Cost-sharing by programme	3 000	600	600	600	600	600	-
UNDP IPF	6 000	1 080	1 140	1 200	1 260	1 320	-
<b>TOTAL AVAILABLE RESOURCES</b>	<b>12 232.8</b>	<b>2 799.7</b>	<b>2 869.1</b>	<b>2 384.1</b>	<b>2 160</b>	<b>2 020</b>	<b>-</b>

ANNEX

FINANCIAL SUMMARY

A. <u>Resources</u>	\$ US
IPF and other resources	
(i) Illustrative IPF for programme period	7 500 000
(ii) Other resources: Cost-sharing by project <u>1/</u>	3 232 800
Cost-sharing by programme <u>1/</u>	<u>3 000 000</u>
Total	<u>13 732 800</u>

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1/ Includes administrative costs

B. <u>Use of resources a/</u>	
(a) Programmed	
(i) Ongoing projects	357 000
(ii) New projects and new phases included in the country programme	<u>9 242 800</u>
Subtotal	<u>9 599 800</u>
(b) Reserve	2 633 000
(c) Unprogrammed balance <u>b/</u>	<u>1 500 000</u>
Total	<u>13 732 800</u>

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a/ Including cost sharing.

b/ Representing 20 per cent of the illustrative IPF which has not been taken into account for programming in accordance with the Administrator's instructions contained in UNDP/PROG/FIELD/111, UNDP/PROG/HQTRS/126.

C. Financial distribution of programme, by sector c/

('000 \$ US)

	<u>Ongoing projects</u>	<u>New projects</u>	<u>Total value</u>	<u>Sectoral earmarkings</u> %
11/15 Education and culture	-	674	674	6
02 General development	215	2 160	2 375	19
04 Agriculture, forestry and fishing	-	2 000	2 000	16
05 Industry	-	660	660	5
06 Transport/Communications	42	510	552	5
07 International trade	100	-	100	1
12 Human resources	-	2 890	2 890	24
17 Other	-	349	349	3
Reserve	-	-	2 633	21
<b>Total</b>	<b>357</b>	<b>9 244</b>	<b>12 233</b>	<b>100</b>

c/ According to ACC classification.

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