



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Seventy-Fourth Session
Rome, 5-6 December 2001

REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

REPUBLIC OF PANAMA

FOR THE

**SUSTAINABLE RURAL DEVELOPMENT PROJECT FOR THE NGÖBE-BUGLÉ
TERRITORY AND ADJOINING DISTRICTS**



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CURRENCY EQUIVALENTS

Currency Unit	=	Balboa (PAB)
USD 1.00	=	PAB 1.00
1.00 PAB	=	USD 1.00

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

ANAM	<i>Autoridad Nacional del Medio Ambiente</i> (National Environmental Authority)
DCAP	<i>Dirección General para el Crédito Productivo Rural</i> (Directorate of Rural Productive Credit)
FIS	<i>Fondo de Inversión Social</i> (Social Investment Fund)
MEF	Ministry of Economy and Finances
MIDA	<i>Ministerio de Desarrollo Agrícola</i> (Ministry of Agricultural Development)
M&E	Monitoring and Evaluation
PMU	Project Management Unit

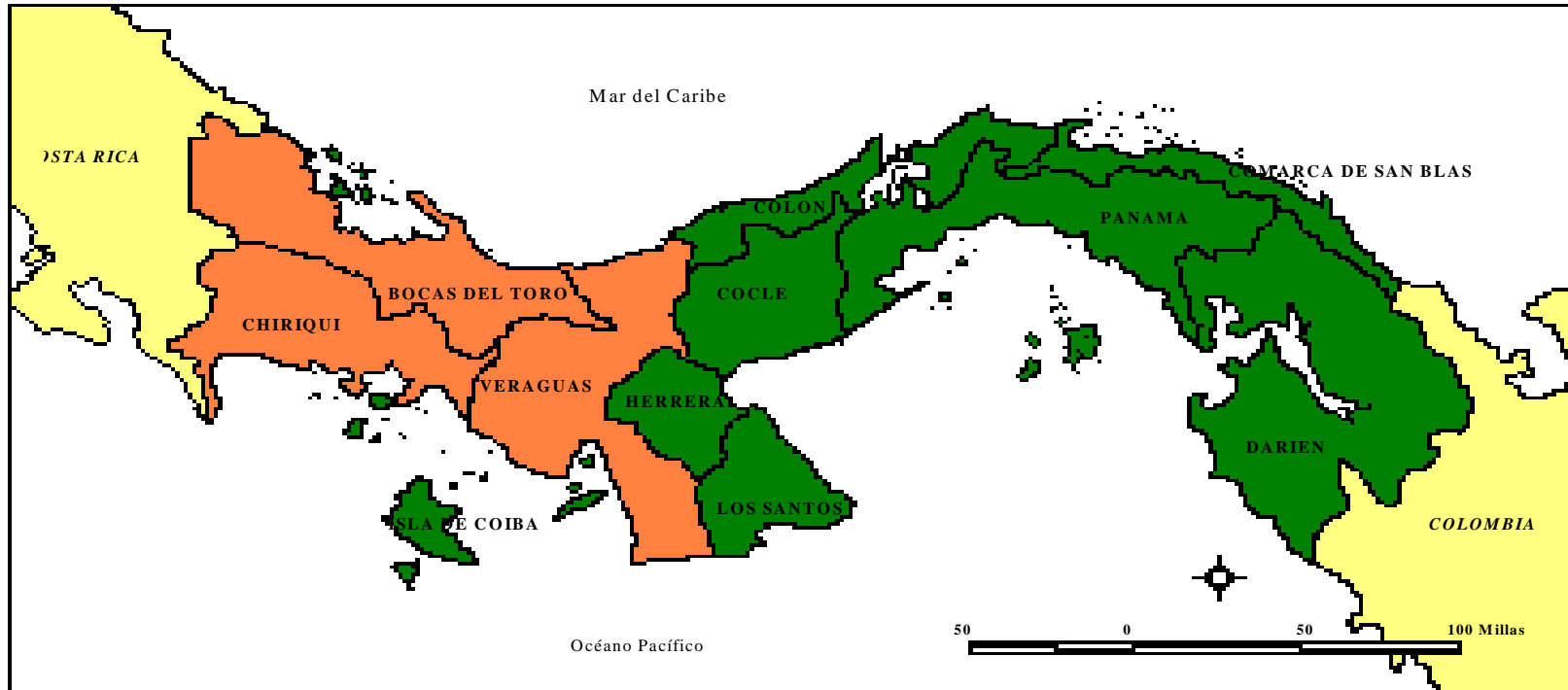
GOVERNMENT OF THE REPUBLIC OF PANAMA


Fiscal Year

1 January - 31 December

MAP OF THE PROJECT AREA

PANAMA



 Área del Proyecto

Source: IFAD

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.





REPUBLIC OF PANAMA

**SUSTAINABLE RURAL DEVELOPMENT PROJECT FOR THE NGÖBE-BUGLÉ
TERRITORY AND ADJOINING DISTRICTS**

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of Panama
EXECUTING AGENCY:	Social Investment Fund (FIS)
TOTAL PROJECT COST:	USD 33.0 million
AMOUNT OF IFAD LOAN:	SDR 19.4 million (equivalent to approximately USD 25.0 million)
TERMS OF IFAD LOAN:	18 years, including a grace period of three years, with an interest rate equal to the reference interest rate per annum as determined by the Fund annually
COFINANCIERS:	None
CONTRIBUTION OF BORROWER:	USD 6.0 million
CONTRIBUTION OF BENEFICIARIES:	USD 2.0 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	Andean Development Corporation (CAF)



PROJECT BRIEF

Who are the beneficiaries?

Poverty and extreme poverty affect 65 and 39%, respectively, of the rural population of Panama. To the already high incidence of rural poverty, the indigenous factor adds a tremendous further impact on income and living conditions: 95.4% of indigenous populations live under the poverty line (USD 905 per capita/year) and 86.6% live under the extreme poverty line (USD 519 per capita/year). Thus the indigenous ethnic communities of Panama are primary IFAD target groups, while the non-indigenous rural poor constitute the secondary target group.

Why are they poor?

Historical prejudices and present-day social and economic exclusion and geographical isolation are the primary causes of poverty and extreme poverty among indigenous communities. Lack of public investment in education, health and communications in the indigenous territories, or *comarcas*, coupled with very limited or no access to basic services and markets have resulted in the country's highest incidence of illiteracy, the lowest human development indicators and the lowest family incomes.

What will the project do for them?

The proposed project will address the needs of 30 000 rural poor – indigenous Ngöbe-Buglé 75% and non-indigenous poor 25% – located in the western provinces of Panama. One project innovation is to promote the integration of indigenous and non-indigenous beneficiaries, thus increasing the potential for an integrated local economic development process and for improved income opportunities for beneficiaries. The project will support and invest in human and social capital: strengthening beneficiary educational and organizational capacity and establishing a horizontal working-relations scheme with the beneficiary population. The approach will be devoid of any trace of paternalism and will promote the evolution of the Ngöbe-Buglé population from 'clients' to actors and partners in the rural development of their *comarca*. This process should strengthen the self-esteem of indigenous populations, stimulate the country's respect for their ancestral cultural heritage and promote the empowerment of traditional organizations. The project will promote sustainable income-generating activities in a context of rational use of natural resources. It will support rural communities in waste management and in natural-resource and land-use conflict resolution. Mechanisms will be established for systematic policy dialogue and the exchange of rural development and poverty-alleviation methodologies for indigenous populations with the Government, other donors and other IFAD-financed projects.

How will beneficiaries participate in the project?

The project will be demand-driven. Project clients will design their own community development plans, a training and scholarship programme, and activities suitable for financing and implementation under the project. Each community will also monitor its own plan, and the information will be shared with the project. Four members of the traditional Ngöbe-Buglé leadership, from three provincial congresses and the General Comarcal Indigenous Congress, will represent project clients on the project steering committee.

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I submit the following Report and Recommendation on a proposed loan to the Republic of Panama for SDR 19.4 million (equivalent to approximately USD 25.0 million) on ordinary terms to help finance the Sustainable Rural Development Project for the Ngöbe-Buglé Territory and Adjoining Districts. The loan will have a term of 18 years, including a grace period of three years, with an interest rate equal to the reference interest rate per annum as determined by the Fund annually. It will be administered by the Andean Development Corporation (CAF) as IFAD's cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Agricultural Sector

1. The Republic of Panama is located in the Isthmus of Panama, bordering Costa Rica to the west, Colombia to the east, the Caribbean Sea to the north and the Pacific Ocean to the south. The country's territorial area covers 75 500 km², divided into nine provinces, 67 municipal districts, 510 *corregimientos* and three indigenous *comarcas*². Panama's total population was 2 815 644 in 2000, with 45% located in rural areas. The inter-census (1990-2000) annual population rate of growth was 1.91%. Close to 10% of the population is of indigenous origin, with seven major ethnic groups: Ngöbe, Buglé, Embera, Wuonaa, Kuna, Naso and Teribe.

2. Panama's specialization in services and its monetary system have historically influenced the evolution of the country's economy. The Panama Canal, banking services and the free-trade zone of Colon have been the basic foundations of the country's economy. By 1999, financial services and intermediation, Panama Canal fees, the Colon Free Zone, real estate and commerce generated close to 60% of the gross domestic product (GDP), the public sector 12.7%, manufacturing 8.2% and agriculture and fisheries 7.1%. In accordance with the country's economic structure, 66% of the economically active population is employed in the tertiary sector (commerce and services), 18.2% in the secondary sector (manufacturing and construction) and 15.8% in the primary sector (agriculture). Thus better income opportunities are concentrated in urban areas, with limited economic opportunities for less-educated and geographically isolated rural inhabitants and indigenous populations.

3. Since 1994 the Government of Panama has been implementing an economic structural reform programme based on the renegotiation of external debt, privatization of state-run public utility enterprises, trade liberalization, competitive labour and market regulations, public-sector reorganization and incremental social public investment. The economic crisis that affected most Latin American countries, particularly Colombia, Ecuador and Venezuela, main trading partners in the Colon Free Zone, caused a decline of the GDP annual growth rate, reaching 3.2% by 1999.

¹ See Appendix I for additional information.

² *Comarcas* are territorial areas assigned by law to indigenous ethnic groups. *Comarcas* are equivalent to a province and are also divided into municipal districts and *corregimientos* (a political division).



4. The agricultural sector accounts for 7.1% of Panama's GDP and 16% of total employment. By 1999 agricultural products represented 30.4% of the value of exports and 6.0% of total external earnings. Main export-oriented commercial crops include sugar cane, bananas, coffee, cattle, tobacco and fruit. Products oriented towards the internal market are rice, maize and beans. Due to the effects of the *El Niño* climatic phenomenon in 1997, the evolution of Panama's gross agricultural product showed low performance in 1996, 1997 and 1999. Smallholder agricultural production is oriented towards basic grains, cassava, legumes and fruit for family consumption and local markets.

5. Panama's economic structure – service oriented and basically urban – underscores a significant prevalence of poverty and extreme poverty affecting rural populations with particular force. Nationwide, over one million people live under the poverty line (37% of the population) and half a million (19%) live under the extreme poverty line. Poverty and extreme poverty affect 64.9 and 38.5% of the rural population, respectively.

6. To the already high incidence of poverty in rural areas, the indigenous factor adds a tremendous further impact on income and living conditions: 95.4% of indigenous populations live under the poverty line and 86.6% live under the extreme poverty line. With close to 10% of Panama's total population, indigenous groups represent 19.3 and 34.6% of the nation's poor and extremely poor. Poverty in indigenous areas of Panama can only be described as abysmal. With higher rates of fecundity, indigenous areas are the most rapidly growing segment of the population, with an annual growth rate of 5.4% as compared with the country average of 1.9%. Due to isolation and lack of economic opportunities, virtually all indigenous people residing within indigenous areas are poor, while about half of indigenous people living outside these areas are poor. For these reasons, one of the highest priorities of the Government is a focused social development and investment programme that aims to promote a consistent reduction in poverty, extreme poverty and social inequality.

B. Lessons Learned from Previous IFAD Experience

7. IFAD has approved six loans³ to Panama for a total of USD 46.4 million (of which three have already closed and three are under implementation), focusing its interventions with a high priority on indigenous populations. The most significant achievements cited in the preliminary report of the Interim Evaluation of the Ngöbe Buglé Project completed in March 2001 are: (i) a decisive project contribution in obtaining legal status for the territories of the Comarca Ngöbe Buglé; (ii) an important contribution towards empowerment of the traditional indigenous authorities; (iii) ample participation of the Ngöbe Buglé ethnic group as professionals, technical and project support staff; (iv) improvement of the organizational base and training level of the target group; (v) generation of environmental awareness and introduction of natural resource conservation practices; and (vi) a gender approach applied by the beneficiaries and project management unit (PMU). The most important factors negatively affecting project implementation were: (i) a high rate of rotation of project directors and staff caused by political interference by the Government and the traditional indigenous leadership; (ii) lack of a long-term project planning horizon; (iii) lack of decentralized and participatory decision-making mechanisms; and (iv) very weak performance of the credit component. IFAD experiences working with indigenous communities in Panama show that support to legalize the status of their territories is the first and foremost goal. Once a *comarca* is established, all other actions related to rural development and income improvement can be successfully undertaken.

C. IFAD's Strategy for Collaboration with Panama

8. Due to the poverty conditions of Panama's indigenous populations, continuous support to these groups is the primary target for joint IFAD-government operations. Since Panama's poverty diagnosis

³ See Appendix II



underscores the fact that those indigenous populations settled in their legally assigned territories or *comarcas* are poorer than their counterparts located elsewhere, the geographical areas for project intervention should be broader than the limits of a *comarca*. This proposal will avoid the risk of isolating indigenous areas from the mainstream of economic and social rural development, joining development and investment efforts with neighbouring non-indigenous areas. These broader regions could provide needed economic development ‘engines’ that could help accelerate and integrate the economic development process. In line with the proposed strategic framework, beneficiary participation will be the cornerstone of IFAD’s operational scheme in Panama. Beneficiary participation should be implemented together with efficient and transparent targeting mechanisms that will ensure an efficient flow of resources and services to selected groups. Proposed thrusts of IFAD’s country strategy are: (i) human and social capital development; (ii) on and off-farm income generation; (iii) community development; and (iv) a poverty-alleviation institutional framework. Cross-cutting thrusts are gender equity and environmental management and conservation.

PART II - THE PROJECT

A. Project Area and Target Group

9. The project area is located in the western region of Panama, comprising all districts of the Comarca Ngöbe Buglé and 12 neighbouring districts of the provinces of Bocas del Toro, Chiriquí and Veraguas⁴ (see map of the project area). Based on the project strategic approach, a central indigenous area, the Comarca Ngöbe Buglé, will be the core of the project area. Surrounding non-indigenous communities and villages have been selected in order to establish an inclusive project area in which market and services relations could be strengthened, stimulating the integration and joint development of the total indigenous and non-indigenous areas.

10. The founding of the Comarca Ngöbe Buglé in March 1997 constituted an effective deterrent against a historic land-exploitation process by non-indigenous settlers and farmers. Its legal basis established a communal ownership of all land included in its boundaries under the framework of the Constitution of Panama and the Constitutional Chart of the *Comarca*. Traditional authorities are responsible for the appropriate and equal-opportunity use of collective land for the benefit of its inhabitants.

11. In the past, traditional indigenous agriculture was an itinerant combination of crops and fruit-gathering over a large geographical territory. Claims by non-indigenous settlers to the best agricultural soil caused a substantial reduction of the indigenous territories, pushing communities into hilly areas with low-quality soil. Slash and burn is the basic farming system of Ngöbe Buglé communities, with the exception of those dedicated to coffee or cocoa plantations. Families normally hand-clear 1.5 hectares (ha) of forest that will be cultivated for about three years, until the soil fertility declines and the land enters a four-year fallow period. Farming systems in the project area are oriented towards subsistence agriculture in indigenous communities and subsistence and market agriculture in non-indigenous groups. Production and productivity are low due to limited productive assets, environmental and soil degradation and lack of productive support services. Other economic activities include off-farm wage labour (in coffee and sugar plantations), small processing and crafts production.

12. Based on the incidence of poverty and extreme poverty among indigenous and non-indigenous rural inhabitants of the project area, the target group has been estimated at 96 000 individuals. From this total, the beneficiary population has been estimated at 66 000, using a 68% selection criterion

⁴ Selected districts include Bocas del Toro and Chiriquí Grande in the province of Bocas del Toro; Boquete, Gualaca, San Lorenzo, San Felix, Remedios and Tolé in Chiriquí; and Santa Fe, Cañazas, La Mesa and San Francisco in Veraguas.



based on the inaccessibility of 20% of the rural population in remote areas⁵ lacking access roads, and a standard 12% of the target population that chooses not to participate in project activities. Direct beneficiaries have been estimated at 30 000 and indirect at 36 000. Direct beneficiaries will include 21 800 Ngöbe Buglé and 8 200 non-indigenous rural poor. It has been estimated that 3 000 non-indigenous small-farmer families live inside the *comarca* and that close to 5 000 Ngöbe Buglé families live in surrounding districts outside of it. Indirect beneficiaries include those residing in areas in which rural roads, small bridges and environmental conservation works will be implemented by the project.

13. **Gender.** Due to the tremendous disparities in access to education, productive and basic services, the project has a proactive bias towards Ngöbe Buglé women. Thus preferential access has been established for indigenous women to the project education and training programmes, particularly to basic education in order to reverse historically large inequalities in education that affect this group today. A comprehensive reproductive health programme will also be implemented in order to improve access to and coverage of these services for Ngöbe Buglé women.

B. Objectives and Scope

14. The project rationale is framed by IFAD country strategies defined in the Panama Country Strategic Opportunities Paper (COSOP), as well as by the Government's poverty-alleviation and rural development policies. Thus the primary focus of project activities is the poor indigenous communities located in the country's western provinces. The project has been designed using a matrix analysis of poverty determinants and rural development issues that are affecting the target population and the project area. Five determinants of poverty and its effects on the *comarca* and the target population have been identified: levels of social and of human capital, level of productive assets, degradation of natural resources and geographical isolation (Appendix III). The project is designed to provide complete or partial solutions to poverty determinants through a 'menu' of required project actions. These proposed actions, ordered and systematized, are the basis for the organization of the project components.

15. The most pressing challenge of the present project will be to reestablish a horizontal working-relations scheme with the beneficiary population. The new approach should be devoid of any trace of paternalism so that the Ngöbe Buglé population can evolve from 'clients' to actors and partners in the rural development process of the *comarca*. This process should strengthen the self-esteem of indigenous populations, stimulate the country's respect for the ancestral cultural heritage of the Ngöbe Buglé and promote the empowerment of traditional organizations.

16. The overall project goal is the sustainable improvement of the economic and social conditions of Ngöbe Buglé communities and poor small farmers in the western provinces of Panama. The project's general objective is to improve the economic and social integration of project beneficiaries and their access to local, regional and national productive and marketing opportunities in agriculture and microenterprise, as well as to local/national labour markets.

17. Specific objectives are to: (i) develop and strengthen human and social resources through education and training; (ii) strengthen productive, market and labour links for indigenous communities and poor small farmers, enhancing income opportunities of beneficiary families; (iii) promote the rational use and conservation of local natural resources; (iv) promote a gender-balanced approach to project activities; and (v) improve the government institutional framework in the *comarca* and enhance its capacity for poverty alleviation and rural development in indigenous areas. The project logical framework (Appendix IV) specifies the project's objectives and expected outputs.

⁵ The Atlantic area of the *comarca* and the province of Veraguas is characterized by a highly dispersed population, which requires several days of travel by boat or on horseback to reach main roads and/or small rural cities.



C. Components

18. Project activities have been organized into three components: (i) human and social resources development; (ii) sustainable economic development; and (iii) a rural investment fund.

19. **Human and social resources development.** Its objectives are to: promote a rural development perspective based on an entrepreneurial approach among all actors involved in project activities; improve the educational level of Ngöbe Buglé children, young men and women; improve the managerial capacity of the traditional leadership as well as of its base organizations; strengthen the technical and managerial capacity of young entrepreneurs; and promote more equitable gender relations in all project activities. In order to reach the proposed goals, the following activities will be implemented: (i) human resource formation programme: a project-managed scholarship fund oriented towards supporting Ngöbe Buglé youth for basic education for 500 girls; secondary education for 250 boys and girls; technical vocational training for 900 young men and women; university degrees for 50 young men and women; and bilingual reading and writing primarily for 320 adult women; (ii) nursery of young entrepreneurs: a project development and implementation training programme for young men and women organized around innovative economic/business initiatives identified by the trainees; (iii) reproductive health programme⁶: will support an ongoing project to widen its coverage to 64 communities, providing reproductive health services, gender, family and rural development training; (iv) strengthening local economic and political organizations: through organizational and leadership training for local producers and grass-roots and traditional indigenous organization officials, the project will promote an entrepreneurial approach to productive activities, gender equity and environmental sustainability; (v) continuous training for project and service-provider staff: continuous training in conceptual and methodological aspects required to promote and diffuse the project developmental approach; and (vi) communications and project relations.

20. **Sustainable economic development.** the general objective of this component is to transform current subsistence agriculture and non-agricultural productive activities into small market-oriented rural businesses. The following activities will be implemented: (i) comarcal strategic rural development plan: in order to provide a long-term planning framework for all activities undertaken by the project, a participatory strategic plan for the *comarca* and surrounding districts will be financed, taking into consideration traditional indigenous knowledge; (ii) geographical information system: to be established as a management, planning and monitoring tool for project activities; (iii) marketing and rural business support: including general and specific market training; marketing support services and technical assistance to small rural business; (iv) generation and development of agricultural and non-agricultural technologies: to contract the generation of appropriate technologies from recognized national research institutions and universities; (v) natural resource and environmental management: including activities to improve fallow in shifting agriculture, reforestation, soil and water conservation practices, microwatershed management, rural waste disposal and natural-resource and land-use conflict resolution; (vi) private technical assistance services: to support the creation of technical assistance services organized by Ngöbe Buglé professionals, who will provide beneficiaries with the required agricultural and non-agricultural production technologies.

21. **Rural investment fund.** Its objective is to provide non-reimbursable financial resources for demand-based rural roads, environmental and productive investments to local communities, grass-roots organizations, small agricultural and non-agricultural producers and women's and youth groups. Beneficiaries' demands will be selected in a competitive process taking into consideration, among other factors: the adjustment of the proposal to the comarcal strategic plan, the level of beneficiary contribution to the construction and maintenance of proposed works and the social, economic and environmental relevance of the proposed investment. The fund will finance three types of

⁶ An activity implemented in association with the Ngöbe Buglé Women's Organization, the United Nations Population Fund (UNFPA) and the Ministry of Health.



investments: rural roads, environmental conservation works and productive investments. Rural roads/communications infrastructure will include the improvement and maintenance of the comarcal transportation network and construction of feeder roads, small hanging bridges and walk-in paths linking communities with other communities, markets, schools and health facilities. All unskilled labour required for construction works will be recruited locally. Environmental investments will include microwatershed management works, reforestation and community soil and water conservation works. Productive investments are oriented towards strengthening the economic capacity of communities, economic organizations and microenterprises through physical infrastructure, small machinery and equipment or market/productive feasibility studies/analysis.

22. The General Directorate of Rural Productive Credit (DCAP) of the Social Investment Fund (FIS) will provide access for project beneficiaries to rural financial services, as agreed with the FIS Director General during appraisal. DCAP operates an innovative rural financial service with sufficient resources to provide credit coverage of beneficiary needs. DCAP is currently providing satisfactory services to IFAD's ongoing Triple C Project (the Sustainable Rural Development Project in the Provinces of Coclé, Colón and Panama West) and FIS beneficiaries. This unit will be responsible for the recovery and use of loans provided under the credit component of the proposed project.

23. **Project operational scheme.** The comarcal strategic rural development plan will constitute the basis and the initial point of implementation for all project component operational activities (Appendix V). Results from implementation of the plan will allow the PMU to adjust and fine tune component activities and will provide the basis for a medium-term project planning process. Thus the plan will define a general framework for project activities, and the subsequent status of project area current and prospective economic activities, natural, human and social resources and rural infrastructure will provide the basis for each component's medium-term planning.

24. Annual and mid-term evaluations will provide the management information required to adjust the project implementation process for more efficient achievement of the proposed objectives. Project beneficiaries will be active participants of all project development processes. Through continuous participatory consultations, beneficiaries will provide information to the PMU on the effectiveness of proposed activities and required corrective measures.

D. Costs and Financing

25. **Costs.** Total project costs have been estimated at USD 33.0 million; baseline costs amount to USD 30.8 million and physical and price contingencies represent, respectively, 3 and 4% of the baseline costs. Costs and prices were calculated as of July 2001. The cost structure by component is presented in Table 1.

26. **Financing.** The proposed project financial structure, presented in Table 2, is as follows: IFAD loan of USD 25.0 million representing 76% of total project costs; government counterpart contribution of USD 6.0 million (18%) and beneficiaries in-kind contribution of USD 2.0 million (6%). Total costs, including physical and price contingencies, for the human and social resources development component are USD 6.6 million (20%). The sustainable economic development component has a cost of USD 10.6 million (32%), the rural investment fund component, USD 10.7 million (33%) and the PMU, including monitoring and evaluation (M&E) costs, a total of USD 5.1 million (16%). The disbursement period has been estimated at eight years, divided in two periods of four years. By year four, a joint Ministry of Economy and Finances (MEF)-IFAD evaluation team will ascertain project impact and evaluate operations before entering into a second four-year implementation period.

**TABLE 1: SUMMARY OF PROJECT COSTS^a**
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
A. Human and social resources development					
1. Coordination, communication and diffusion	578	82	660	12	2
2. Beneficiary strengthening	3 989	247	4 236	6	14
3. Training and organizational strengthening	869	75	944	8	3
Subtotal	5 437	404	5 840	7	19
B. Sustainable economic development					
1. Coordination and marketing strategy	581	91	672	14	2
2. Technology development	1 163	181	1 344	13	4
3a. Environmental management	943	161	1 104	15	4
3b. Geographical information system (GIS) and strategic plan	439	83	522	16	2
Subtotal	1 383	244	1 627	15	5
4. Technical assistance to agricultural producers and microenterprises	5 403	493	5 895	8	19
Subtotal	8 529	1 009	9 538	11	31
C. Rural investment fund	10 584	83	10 667	1	35
D. Project management unit					
1. Project management unit	3 332	419	3 751	11	12
2. Monitoring and evaluation	899	120	1 019	12	3
Subtotal	4 231	539	4 770	11	15
Total base costs	28 781	2 034	30 815	7	100
Physical contingencies	795	70	865	8	3
Price contingencies	1 219	102	1 321	8	4
Total project costs	30 794	2 206	33 000	7	107

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN^a
(USD '000)

Components	IFAD		Government		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
A. Human and social resources development											
1. Coordination, communication and diffusion	382	53	337	47	-	-	719	2	88	563	68
2. Beneficiary strengthening	4 470	93	334	7	-	-	4 805	15	280	4 272	253
3. Training and organizational strengthening	670	65	358	35	-	-	1 028	3	81	879	68
Subtotal	5 522	84	1 030	16	-	-	6 552	20	449	5 714	389
B. Sustainable economic development											
1. Coordination and marketing strategy	319	43	418	57	-	-	737	2	98	564	76
2. Technology development	1 352	95	71	5	-	-	1 423	4	189	1 163	71
3a. Environmental management	1 101	95	58	5	-	-	1 159	4	166	935	58
3b. Geographical information system (GIS) and strategic plan	451	84	84	16	-	-	535	2	84	415	36
Subtotal	1 552	92	142	8	-	-	1 694	5	251	1 350	93
4. Technical assistance to agricultural producers and microenterprises	6 146	91	582	9	-	-	6 728	20	553	5 811	364
Subtotal	9 369	89	1 213	12	-	-	10 582	32	1 090	8 888	604
C. Rural investment fund	6 774	63	1 947	18	2 000	19	10 721	33	87	10 560	73
D. Project management unit											
1. Project management unit	2 613	64	1 444	36	-	-	4 057	12	454	3 255	348
2. Monitoring and evaluation	722	66	366	34	-	-	1 088	3	125	868	94
Subtotal	3 335	65	1 810	35	-	-	5 145	16	580	4 123	442
Total disbursement	25 000	76	6 000	18	2 000	6	33 000	100	2 206	29 286	1 509

^a Discrepancies in totals are due to rounding.





E. Procurement, Disbursement, Accounts and Audit

27. **Procurement.** Goods and civil works financed by the loan will be procured in accordance with IFAD procurement guidelines, while recruitment of consultants will be done in accordance with the procedures of the cooperating institution and acceptable to IFAD. Vehicles and equipment will be procured through local competitive bidding. Private civil engineering contractors, private rural development agencies and technical assistance will be contracted through local bidding, with procedures acceptable to IFAD and in agreement with government purchasing-of-services regulations.

28. **Disbursement.** Disbursements will be made in accordance with the procedures of the cooperating institution and the loan agreement. A special account in United States dollars will be opened at a private bank acceptable to IFAD. Project funds will be allocated annually on the basis of an annual work plan approved by the project Directive Committee.

29. **Accounts and audit.** Immediately upon loan effectiveness and prior to initial deposit in the special account, the project will set up its accounting and internal control systems, to be installed by a specialized accounting firm. Accounting will be by component, categories and by the Government's expense classification procedures. An audit firm will be selected, satisfactory to IFAD, to undertake annual financial and management audits to be financed by the project. Other contracted agencies will keep separate accounts for project-related expenditures.

F. Organization and Management

30. Panama's FIS will be responsible for the implementation of the project. A Directive Committee chaired by the Executive Director of FIS or its representative, will be organized to provide general policy and implementation guidance as well as overall supervision of activities. The committee will be also responsible for approval and supervision of the annual operating plans and budgets, approval of investment fund projects over USD 50 000 and for overall project guidance. It will meet at least twice a year. Committee members will include representatives from the MEF Directorate of Social Policies, National Authority for the Environment (ANAM), Ministry of Agriculture Development (MIDA), Directorate of Rural Development, FIS Directorate of Institutional Coordination, one representative of each of the Regional Ngöbe-Buglé Congresses and one representative of the General Ngöbe-Buglé Congress. Members representing project beneficiaries include: one representative from each provincial congress, one from the General Ngöbe Buglé Congress, one representative of non-indigenous beneficiaries and one woman representative of local Ngöbe Buglé women's organizations.

31. An Inter-Institutional Methodological Coordinating Committee will be established in order to systematize and coordinate the application of rural development and poverty-alleviation strategies and methodologies in indigenous and non-indigenous areas. It will be chaired by the director of Social Policies of MEF and will include IFAD project directors, representatives of MIDA and FIS, and representatives from the Japanese International Cooperation Agency (JICA), the German Technical Cooperation Agency (GTZ) and other relevant projects. The project director will act as technical secretary of this committee, which will meet every four months. Conceptual and operative instruments will be shared with other Latin American and Caribbean projects through the Fund's on-line network FIDAMERICA and through the Programme for Strengthening the Regional Capacity for Monitoring and Evaluation of Rural Poverty-Alleviation Projects in Latin America and the Caribbean (PREVAL), the M&E regional programme, in order to increment the number of proven tools applied in the economic and social development of indigenous populations.

32. A Project Management Unit with financial and administrative autonomy will be established in the project area, with responsibilities and authority delegated by FIS. The PMU responds directly to the Directive Committee and is responsible for management and supervision of day-to-day operations. The project director will be selected by FIS, satisfactory to IFAD. The PMU will consist of the project director and three component coordinators. Three units – administrative, monitoring and technical



support – will provide administrative, technical and managerial support to the project director. According to the agreement between the Government and United Nations Development Programme (UNDP), the local UNDP office will assist the executing agency in procurement of goods and services and recruitment of technical assistance and local staff, either directly by assuming tasks or indirectly by close coordination of these activities. Ngöbe Buglé professional and support personnel will fill at least 60% of all project positions in order to strengthen local capabilities. Women will fill at least 30% of all professional project positions.

33. The monitoring and evaluation unit will provide project management with regular information on implementation and impact, using standard M&E methodologies. This unit will design a baseline study for the project area, surveying the situation of Ngöbe Buglé farmers, women heads of households and beneficiaries at the family and community level. The baseline study will be contracted to an independent institution during the first year of project activities, supervised by the M&E unit. Results of the study will be the basis for the M&E system. Completion of the study will be required for further IFAD loan disbursements in M&E. Training courses in M&E will help project staff contribute to supporting evaluation activities. Beneficiaries will be trained and will participate in project evaluations. The M&E unit will provide the project director and Directive Committee with an annual evaluation, including assessment of individual components and suggested corrective measures.

34. **Gender considerations.** The project is expected to contribute to a decrease in gender inequities throughout the project area. The project will ensure that all contracted rural service providers apply gender-equity strategies. Gender-related experiences and recommendations will be analysed in the Fund's regional seminars and supported by technical assistance grant for the Regional Programme to Consolidate Gender-Mainstreaming Strategies in IFAD-Financed Projects of Latin America and the Caribbean (PROGENDER). Successful gender-related field practices will be implemented and monitored by the project specialist. In all opportunities created by the project, gender parity will be observed. The gender expert will monitor gender awareness courses for beneficiary families, as well as all activities related to gender equity. Among contracted private training and technical support organizations, at least 20% of the social and agricultural extension field staff will be women.

G. Economic Justification

35. The project will promote the social, political and economic integration of the Comarca Ngöbe Buglé and its rural indigenous and non-indigenous inhabitants into Panama's development mainstream. Further, project human capital and economic development activities will contribute to strengthening the self-esteem of indigenous populations, stimulate the country's respect for the ancestral cultural heritage of the Ngöbe Buglé and promote the empowerment of their traditional organizations. At the end of the project, as a result of its operative and institutional coordinating strategies, all relevant central and sectoral institutions should be operating in the Comarca Ngöbe Buglé on the same basis as in a province. The comarcas strategic rural development plan, funded and executed by the project, should be the major instrument for medium- and long-term planning of the Government's rural development and poverty-alleviation programmes in the region.

36. The project will strengthen the human and social resource base and the sustainable social and economic development of 30 000 indigenous and non-indigenous poor men and women, small farmers and wage workers and their families, in the Comarca Ngöbe Buglé and its surrounding districts. The human resource capacity of the project area, particularly that of rural indigenous women, will be enhanced through systematic education and training. Men and women beneficiaries will also be trained in small-farm and microenterprise management and marketing, with base, community and traditional leaders actively involved in local development efforts.

37. It is estimated that at least 30 000 beneficiaries will directly benefit from agricultural technical assistance programmes, including at least 15 000 women. A total of 9 500 families will directly



benefit from non-refundable social and productive investments in education and health, soil and water management, productive investments and environmental conservation works. A total of 36 000 individuals will be indirect beneficiaries through access to rural roads, paths and small bridges that will significantly improve the transportation and communication network of the *comarca*. They will also benefit from investments in watershed management, waste disposal and natural resource and land-use conflict-resolution efforts.

38. The project will improve access of beneficiaries to local, national and external markets by identifying market opportunities, improving storing and handling infrastructure, and training beneficiaries. Within groups, organizations or communities, commodity-oriented productive, marketing, processing and/or agro-industrial interest groups will be organized and trained to create economically oriented organizations, rural market enterprises, cooperatives or formal producers associations. Family production systems will be improved using an integrated approach considering all annual and perennial cash and subsistence crops, in combination with natural resource conservation and management practices. Backyard pig and poultry farming production will be strengthened as a sustainable source of family food and cash, enhancing rural household food security. Particular attention will be given to the improvement of permanent cash crops (coffee and cacao), given its positive effect on the local environment. Productive technologies will be linked to market and price information so as to enhance income opportunities.

39. With 2 020 young and adult Ngöbe Buglé benefiting from formal basic, secondary, technical and university bilingual education, the project will bring a significant improvement in the quality of local human resources. It will also generate 236 000 days of employment from rural roads and communication infrastructure, 325 000 days from environmental conservation works and 80 000 from intensified agricultural systems and small business, creating an estimated 5 000 permanent job posts during the life of the project. Further, through the establishment of private rural development support services, job opportunities for over 80 Ngöbe Buglé professionals and technical field assistants will be created. At the end of the project it is expected that sectoral offices from MIDA, the Ministry of Education, FIS and ANAM will be opened and operating in the Comarca Ngöbe Buglé. All sectoral offices will enhance basic and productive services provided to indigenous and non-indigenous rural inhabitants.

H. Risks

40. Project risks are related to: (i) political and institutional changes generated by the electoral process of 2004 that could affect rural development and poverty-alleviation policies, as well as project staff stability; (ii) political interference from different factions of traditional indigenous authorities that could affect project activities and staff stability; and (iii) the existence of adequately trained, local indigenous rural development organizations capable of undertaking participatory demand-led extension and rural development methodologies. Assurances have been obtained from the Government and traditional authorities that the required institutional stability for effective project implementation will be maintained. Assurances have also been obtained from the traditional indigenous authorities that communication mechanisms will be established for project planning and staff selection. Finally, strong and systematic training of contracted local training and extension organizations will be conducted prior to the initiation of field activities.

I. Environmental Impact

41. The project has been given a Category B environmental classification, indicating a positive impact on the environment and natural resources. Agricultural productive recommendations will be consistent with safe practices in terms of soil, water and vegetation conservation, and the regulated use of pesticides and chemicals. Care will be taken when providing assistance in permanent and annual crop cultivation in order to avoid deforestation and soil erosion. Recommendations for tropical and semi-tropical landscape conservation and management will be used in association with extension recommendations and technologies. Technical advice provided to small-scale enterprises will correct



and/or avoid environmental damage caused by pollution discharges. Support will be also provided to small rural villages for the solution of solid and liquid waste disposal, as well as for conflict resolution in farmland/natural resources use and management of communal land.

J. Innovative Features

42. The first innovation in the project design and operational scheme is the integration of the excluded and isolated Comarca Ngöbe Buglé into Panama's main developmental process and government investment programmes. Geographical integration and social and economic inclusion is based on three simultaneous operational thrusts: (i) improving the quality of human resources through a comprehensive scholarship and training programme, with particular emphasis on Ngöbe Buglé women; (ii) promoting a small-business approach to productive activities; and (iii) improving the *comarca* market and transportation linkages. The second innovation is the inclusion in the environmental conservation activities of: (i) solution of the waste-management problems of small rural villages; and (ii) use of conflict resolution to solve problems related to the use of communal land and natural resources.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

43. A loan agreement between the Republic of Panama and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

44. The Republic of Panama is empowered under its laws to borrow from IFAD.

45. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV - RECOMMENDATION

46. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of Panama in various currencies in an amount equivalent to nineteen million four hundred thousand Special Drawing Rights (SDR 19 400 000) to mature on and prior to 1 February 2020 and to bear an interest rate equal to the reference interest rate per annum as determined by the Fund annually, and to be upon such other terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge
President



SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 19 October 2001)

1. **Availability of loan proceeds.** In order to finance the execution of the project, the Government of Panama (hereinafter "the Government") will place the resources of the loan at the disposal of FIS in accordance with the annual work plans and customary national procedures relating to the management of external resources.
2. **Availability of additional resources.** During the execution phase of the project the Government will place at the disposal of the FIS, counterpart funds from its own resources for a total of approximately USD 6 000 000, in accordance with the annual work plans and customary national procedures of the Government relating to development cooperation. To this end, the Government will make budgetary allocations during each fiscal year equivalent to the amount of counterpart funds provided for in the annual work plan of the related project year and will place such allocations at the disposal of the FIS every six months.
3. **Equality of access.** The Government will ensure that equality of access to project benefits is guaranteed to the weakest and most marginal groups, such as landless peasants, indigenous peoples, women and youth. Activities will also be carried out which favour the equality of access of the various communities, of the various families within these communities and the various members of the family group to said benefits.
4. **Cooperation with other development projects**
 - (a) The Government will ensure that project activities are undertaken within a framework of cooperation and coordination with other projects and programmes with common objectives in Central America. This cooperation effort should be especially intense with IFAD-financed projects in Central America.
 - (b) Without restriction to the scope of (a) above, the Government will ensure that the project maintains close coordination with other activities of projects undertaken in the country by the German Agency for Technical Cooperation (GTZ), the Japanese International Cooperation Agency (JICA), the United Nations Development Programme (UNDP) and the Global Environment Facility (GEF).
5. **Gender Focus.** The FIS will ensure that the project contributes to the gradual reduction of gender inequities in the project's field of influence. To this end, the FIS will ensure that the following strategies and activities are implemented:
 - (a) the gender focus is adopted in all project activities;
 - (b) a programme of gender awareness will be included within the capacity building activities aimed at the PMU, all project staff and basic organizations; and
 - (c) at least 30% of beneficiaries of financing by the Rural Investment Fund (FONRURAL) will be women.



6. **Environmental impact.** The Government will ensure that:
 - (a) project parties will adopt the appropriate pest control methods and to this end, the Government will ensure that none of the pesticides acquired within the framework of the project are prohibited under the International Code of Conduct on the Distribution and Utilization of Pesticides of the Food and Agriculture Organization of the United Nations, as amended from time to time, or listed in Tables 1 (extremely hazardous) and 2 (highly hazardous) of the World Health Organization (WHO) Recommended Classification of Pesticides by Hazard and Guidelines to Classification, 1996-1997, as amended from time to time;
 - (b) the project does not financially support community microprojects involving a negative impact on the environment, through the promotion and financing of microprojects should be managed according to spatial planning of the areas in which the project is executed which links the actual use of the resources with suitable potential, so as to improve sustainability of production processes and the preservation of the environment; and
 - (c) as regards forestry, programmes of sustainable forest management are supported by discouraging activities which may cause its degradation, such as burning, and encouraging initiatives linked to reforestation through the financing of micro-enterprises producing forest plants and support to communities for projects to reforest small watersheds.
7. **Fiscal exemption.** The importation, acquisition and supply of all the goods, works, constructions and services financed by the loan will be exempt from taxes. The value of these exemptions will be credited as part of the obligation of the Government to extend counterpart funds for the project.
8. **Insurance of project staff.** The FIS will insure project staff against risks of disease and accident to the extent compatible with sound commercial practice.
9. **The FIDAMERICA network.** The Government will facilitate access of the project to the FIDAMERICA network, which offers the on-line connection via Internet of all the projects financed by IFAD in Latin America and the Caribbean. To this end, the FIS will use project resources assigned to operating expenditures.
10. **Administrative agent.** The Government will contract the UNDP, or another international organization acceptable to IFAD, as administrator of project funds. This agent will be responsible, amongst other things, for procurement financed under the project, the administration of funds therefor, the channelling of loan resources and such other functions as may be agreed by the Government and IFAD. To this end, the Government will conclude an agreement with this agent, subject to no objection by IFAD.
11. **Inter-Institutional Methodological Coordinating Committee.** This committee will be established by a ministerial resolution no later than 90 days after the effective date of the loan agreement, to systematize and coordinate the application of strategies and methodologies for rural development and poverty alleviation in indigenous and non-indigenous areas. The committee will be chaired by the Director of Social Policies of MEF, and will include directors of other IFAD-financed projects, representatives of MIDA and FIS, as well as representatives of JICA, GTZ and the Mesoamerican Biological Corridor of the Atlantic region of Panama of the World Bank. The project director will act as technical secretary. The committee will meet every four months.
12. **Project assets.** On termination of the project, all project assets will be transferred to the Ngöbe-



Buglé comarca, which in turn will be obliged to place them at the disposal of the institutions dedicated to the social development of the comarca.

13. **Conditions Precedent to Effectiveness.** The entry into force of the loan agreement is subject to the fulfilment of the following prior conditions:

- (a) the Project Steering Committee and the PMU shall have been duly established;
- (b) the Steering Committee shall have selected, and the FIS shall have duly appointed, the director of the PMU with the prior no objection by IFAD;
- (c) the project account and special account shall have been opened;
- (d) the loan agreement shall have been duly signed, and the signature and performance thereof by the Government shall have been duly authorized and ratified by all the necessary institutional, administrative and governmental action; and
- (e) the Government shall have delivered to IFAD a favourable opinion of the Attorney of the Administration, in form and substance acceptable to IFAD.

APPENDIX I

COUNTRY DATA

PANAMA

Land area (km² thousand) 1997 1/	74	GNI per capita (USD) 1999 4/	3 080
Total population (million) 1999 4/	2.8	Average annual real rate of growth of GNP per capita, 1990-98 2/	2.7
Population density (people per km²) 1998 1/	37	Average annual rate of inflation, 1990-98 2/	2.2
Local currency	Balboa (PAB)	Exchange rate: USD 1 =	PAB 1.00
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1980-98 1/	1.9	GDP (USD million) 1999 4/	9 557
Crude birth rate (per thousand people) 1998 1/	22	Average annual rate of growth of GDP 1/	
Crude death rate (per thousand people) 1998 1/	5	1980-90	0.5
Infant mortality rate (per thousand live births) 1998 1/	21	1990-98	4.4
Life expectancy at birth (years) 1998 1/	74	Sectoral distribution of GDP, 1998 1/	
Number of rural poor (million) (approximate) 1/	0.8	% agriculture	8
Poor as % of total rural population 1/	65	% industry	18
Total labour force (million) 1998 1/	1.2	% manufacturing	9
Female labour force as % of total, 1998 1/	35	% services	74
Education		Consumption, 1998 1/	
Primary school gross enrolment (% of relevant age group) 1997 1/	106 a/	General government consumption (as % of GDP)	16
Adult literacy rate (% age 15 and above) 1998 3/	91	Private consumption (as % of GDP)	60
Nutrition		Gross domestic savings (as % of GDP)	
Daily calorie supply per capita, 1997 3/	2 430	Balance of Payments (USD million)	
Prevalence of child malnutrition (height for age % of children under 5) 1992-98 1/	10	Merchandise exports, 1998 1/	6 325
Prevalence of child malnutrition (weight for age % of children under 5) 1992-98 1/	6	Merchandise imports, 1998 1/	7 696
Health		Balance of merchandise trade	
Health expenditure, total (as % of GDP) 1990-98 1/	7.6	-1 371	
Physicians (per thousand people) 1990-98 1/	1.7	Current account balances (USD million)	
Percentage population without access to safe water 1990-98 3/	7	before official transfers, 1998 1/	
Percentage population without access to health services 1981-93 3/	18	after official transfers, 1998 1/	
Percentage population without access to sanitation 1990-98 3/	17	-1 212	
Agriculture and Food		Foreign direct investment, 1998 1/	
Food imports as percentage of total merchandise imports 1998 1/	12	1 206	
Fertilizer consumption (hundreds of grams per ha of arable land) 1995-97 1/	704	Government Finance	
Food production index (1989-91=100) 1996-98 1/	99.6	Overall budget surplus/deficit (including grants) (as % of GDP) 1997 1/	
Land Use		Total expenditure (% of GDP) 1997 1/	
Arable land as % of land area, 1997 1/	6.7	27.0	
Forest area (km ² thousand) 1995 1/	28	Total external debt (USD million) 1998 1/	
Forest area as % of total land area, 1995 1/	37.6	6 689	
Irrigated land as % of cropland, 1995-97 1/	4.9	Present value of debt (as % of GNP) 1998 1/	
		78	
		Total debt service (% of exports of goods and services) 1998 1/	
		7.6	
		Nominal lending rate of banks, 1998 1/	
		10.8	
		Nominal deposit rate of banks, 1998 1/	
		6.8	

n.a. not available.

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 2000

2/ World Bank, *Atlas*, 2000

3/ UNDP, *Human Development Report*, 2000

4/ World Bank, *World Development Indicators database*, 2001

PREVIOUS IFAD LOANS TO PANAMA

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Currency	Approved Loan/Grant Amount	Disbursement (as % of approved amount)
Agricultural Credit Project	IDB	IDB	O	17 Dec 81	20 Dec 82	31 Jul 87	L - I - 90 - PM	SDR	7 400 00	100%
Rural Development Project for the Guaymi Communities	IFAD	World Bank: IBRD	O	13 Dec 83	03 Oct 84	31 Dec 89	L - I - 136 - PM	SDR	8 500 00	40.5%
Agricultural Credit Project II	IDB	CAF	O	05 Dec 85	30 Jul 86	31 Dec 97	L - I - 180 - PM	SDR	5 600 00	99.9%
Rural Development Project for Ngobe Communities	IFAD	CAF	O	07 Apr 93	10 Feb 94	30 Jun 02	L - I - 331 - PM	SDR	5 750 00	80.0%
Sustainable Agricultural Development and Environmental Protection Project for the Darien	IFAD	CAF	O	14 Sep 95	28 Oct 96	31 Mar 03	G - I - 22 - PA	USD	100 00	49.5%
Sustainable Agricultural Development and Environmental Protection Project for the Darien	IFAD	CAF	O	14 Sep 95	28 Oct 96	31 Mar 03	L - I - 385 - PM	SDR	5 350 00	48.9%
Sustainable Rural Development Project in the Provinces of Cocle, Colon and Panama West	IFAD	CAF	O	04 Dec 97	30 Oct 98	31 Dec 04	L - I - 466 - PA	SDR	8 900 00	12.7%





MATRIX OF POVERTY DETERMINANTS AND REQUIRED PROJECT ACTIONS

Target Group	Poverty Determinant	Effects	Required Project Actions
Ngöbe Buglé	Level of human capital	Low self-esteem	<ul style="list-style-type: none"> • Education and training* • Empowerment*
		Illiteracy	<ul style="list-style-type: none"> • Bilingual education* • Basic education*
		Low labour skills	<ul style="list-style-type: none"> • Secondary education • Technical education • University education
		Low productive and marketing skills	<ul style="list-style-type: none"> • Training* • Production support services* • Training and marketing support
	Level of social capital	Low organizational capacity	<ul style="list-style-type: none"> • Training in organization and management
		High transaction costs	<ul style="list-style-type: none"> • Promotion of productive and marketing economic organizations*
		Social and political exclusion	<ul style="list-style-type: none"> • Training in leadership* • Training in participatory rural development* • Strengthening grass-roots organizations* • Support for the implementation of MIDA sectoral office • Preparation of the strategic development plan for the <i>comarca</i> • Coordination with ongoing national and international organizations operating in the <i>comarca</i>
Ngöbe Buglé and small poor farmers	Level of productive assets	Low income and family consumption levels	<ul style="list-style-type: none"> • Market-oriented agricultural and non-agricultural demand-led support services* • Marketing support services* • Adapted technology • Productive investment fund*
	Degraded natural resources	Low productivity and limited sustainability	<ul style="list-style-type: none"> • Training in natural resource management • Improved management of microwatersheds • Implementation of a Geographical Information System (GIS) • Environmental conservation investment fund
	Lack of roads and communication facilities	Geographical isolation High transport costs	<ul style="list-style-type: none"> • Investment fund for community-demand-based roads, rural paths and small bridges *

* Focused with particular emphasis on Ngöbe Buglé women.

LOGICAL FRAMEWORK

OBJECTIVES	GOALS	INDICATORS	VERIFYING MEANS	ASSUMPTIONS and/or RISKS
PURPOSE				
The sustainable improvement of the economic and social conditions of indigenous communities and poor small farmers in the western provinces of Panama.				
<p>Policies towards Indigenous People of Panama</p> <p>Objective: Contribute to the development and consolidation of renewed policies towards the indigenous people of Panama as a means to achieve their social, economic, political and cultural development.</p>	<ul style="list-style-type: none"> Prepare a comarcal development plan Reduce poverty by 5% per year in indigenous communities. Reduce child malnutrition from 50% to 10% at the end of the project. Promote sustainable rural development 	<ul style="list-style-type: none"> Improvement of social, economic and political indicators of indigenous communities. Increment in government investments in indigenous <i>comarcas</i> Better provision of services and financial resources Improvement of the management capacity of indigenous leadership. Improved and consolidated policies towards indigenous groups. Improvement in indigenous children's nutrition status. 	<ul style="list-style-type: none"> Reports from the National Directorate of Indigenous Policies. Reports and studies from the Technical Secretariat of the National Council for Indigenous Development. 	<ul style="list-style-type: none"> Design and implementation of the comarcal rural development plan.
<p>PROJECT'S OBJECTIVE</p> <p>The general objective is to improve the economic and social integration of project beneficiaries into local, regional and national productive and marketing opportunities in agriculture and microenterprises, as well as in local/national labour markets.</p>	<ul style="list-style-type: none"> To strengthen the human and social resource base, and the sustainable social and economic development of 30 000 indigenous and non-indigenous poor men and women, small farmers and wagedworkers, of the Comarca Ngobe-Buglé. Indirect beneficiaries: 36 000. At least 49% of beneficiaries will be indigenous and non-indigenous women. 27% of beneficiaries will be indigenous and non-indigenous poor farmers, within and outside the <i>comarca</i>. 	<ul style="list-style-type: none"> Improvement of social and economic levels of beneficiaries within the region. Greater opportunities for access to productive and commercial activities in agriculture, crafts, small rural business, etc. Increase in the quality of human resources and the local management capacity of beneficiary organizations. Increase of employment possibilities in the region, income growth, and betterment in the composition of the family-consumption basic food basket. Improvements in infant nutrition: anthropometric indicators (weight, height and head size) Environmental improvement of river basins and the quality of natural resources. 	<ul style="list-style-type: none"> Baseline study of the initial starting situation. Evaluation reports: medium term and terminal. Systematization reports and case studies. IFAD and CI supervision mission reports. 	<ul style="list-style-type: none"> Country's political and economic stability. Free of political interference in the selection and consolidation of PMU. Adequate timing in budgeting and on disbursement of national counterpart funds. PMU'S political willingness in project execution following the strategic design principles.
COMPONENT 1: HUMAN AND SOCIAL RESOURCES DEVELOPMENT				
<p>Outcome 1: Organization, Training and Gender</p> <p>Direct beneficiaries and their organizations will improve their capacity to identify rural development opportunities, and to execute sustainable income-generating and social activities with gender equity.</p>	<ul style="list-style-type: none"> 1 700 people will be trained through education scholarships, and 1 600 beneficiaries will learn to read and write through bilingual schooling. At least 70% of beneficiary scholarship recipients will be women. 600 young indigenous, male farmers and women would have received training for the preparation of plans related to project nursery. All project participants would establish equitable gender relations in all project activities. 45 technical teams and 20 local and national NGOs would strengthen their technical and managerial capacities. 300 women and men would become or fortify their position as leaders of their local organizations At least 300 women would be trained for leadership opportunities in comarcal and local organizations. 	<ul style="list-style-type: none"> Increase in educational level and schooling of project beneficiaries through primary and secondary school, technical and university levels. Number of generated and executed projects, according to specific interventions, through the project nursery. Number of technicians and NGOs who favoured the strengthening of technical and managerial capacities. Number of trained women and men according to field of training (commerce, working skills, etc.). Improvement of managing capacities of production and leadership organizations. Increased participation of women in decision-making at family and organizational levels. Number of strengthened organizations by area of activity and organization. Incremental coverage of the reproductive health programme. 	<ul style="list-style-type: none"> Periodic reports of the component and of the ESU. Documents of formulated projects. Case studies. ESU's archives and registers. 	<ul style="list-style-type: none"> Availability of technical and coordinating conditions between institutions and the PMU so as to allow the smooth operation of component's actions. Concordance among teaching coverage, teaching materials, educational infrastructure of institutions involved and the goals of the educational programme. The educational programme implementation is based on PMU's technical criteria, free from external pressures. The training process depends on the needs and requirements of the project component activities.





COMPONENT 2: SUSTAINABLE ECONOMIC DEVELOPMENT				
<p>Outcome 2: Strategic Development Plan, and the Geographical Information System (GIS)</p> <p>Rural development investments and support activities are undertaken within the Comarcal Strategic Rural Development Plan, All decisions regarding natural resources are guided by GIS.</p>	<ul style="list-style-type: none"> The Comarca Ngöbe Buglé and its neighbouring villages will have a long-term Development Plan until the first year of project life. The existence of GIS will be ensured during the first year of execution of the project. 	<ul style="list-style-type: none"> Participation level and degree of compromise of beneficiaries in plan execution. Progress regarding plan's foresight (in quantity and quality). Utility and information quality derived from GIS. 	<ul style="list-style-type: none"> The strategic plan document. Document and GIS. Progress reports and results regarding the plan. Reports and statements regarding the component and ESU. 	<ul style="list-style-type: none"> The information provided by GIS should be rational and appropriate in quantity and quality. Existence of adequate social and political conditions for plan implementation.
<p>Outcome 3: Private System of Technical Assistance (PSTA)</p> <p>The direct project beneficiaries have a PSTA. System, highly qualified which allows them to undertake profitable economic, agricultural, environmental and social services activities, environmentally sustainable.</p>	<ul style="list-style-type: none"> Establishment of PSTA and ready to provide support services to rural development. 45 highly trained technicians will be providing private technical assistance in the region. Almost 7 500 production units will benefit directly from PSTA. 200 liaison farmers will receive specific and specialized training. At least 50 farmers will benefit from workshops and field visits. 	<ul style="list-style-type: none"> N° of technicians participating at PSTA, by organization. N° and type of organizations and NGOs participating at PSTA and type of specialization. Quality of services offered by technicians by type of organization and speciality. N° of beneficiaries assisted by PSTA by technical area. N° of liaison farmers and quality of their services. 	<ul style="list-style-type: none"> Component reports and of the ESU. Baseline study. Reports and opinions of beneficiaries. Other reports from the ES system. 	<ul style="list-style-type: none"> Agreement among beneficiaries and contractors regarding innovative capacity of technical assistance. Conditions are given so as allow the PMU to initiate PSTA operations. Contractors assume the need to use interdisciplinary technical teams.
<p>Outcome 4: Marketing and Rural Business.(RB)</p> <p>Technicians groups, and farmer's organizations, have new acquired knowledge on post harvest processes, market functioning, and entrepreneur management, which allow them to plan and implement pilot projects on profitable and commercial microenterprises.</p>	<ul style="list-style-type: none"> Almost 60 RB projects will receive technical assistance for their execution, benefiting 1 200 people. 24 dissemination and negotiation events will be executed by PMU. Installation of database to provide information on markets.. 	<ul style="list-style-type: none"> Increase of commercial linkages of producers and diversification of marketing channels. Higher capacity of managerial action and in dealing with a diversity of instruments. (profit analysis, registers, costs, etc.). Higher capacity of technicians to identify and formulate project methodologies. Higher technical capacity to plan and implement productive and commercial processes. N° of executed projects by type of intervention (production, crafts, tourism, etc.) N° of training events, by themes and levels. 	<ul style="list-style-type: none"> Rural business documents. Reports and statements of the component's ESU. Record of dissemination and negotiation events. Case studies and systematization reports. Installation of database. 	<ul style="list-style-type: none"> Improvement of communication means and telephone facilities. Active participation and compromise from framers regarding RB. Conditions given to revert from traditional forms of technical assistance..
<p>Outcome 5: Generation and Validation of Technologies</p> <p>PSTA technicians and target group farmers have agronomical and environmental scientifically proved information, that allows them to improve their production methods.</p>	<ul style="list-style-type: none"> 7.500 production units will directly benefit from technological knowledge and derived recommendations. At least three technological components of the productive systems will be modified as a result of technological guidance. 40% of production units will incorporate at least one technological recommendation within their production systems. 	<ul style="list-style-type: none"> Increase in the middle level of agro-technological and environmental knowledge. N° and type of technological components used before and after the project's life. N° of production units by sector that benefit from technological recommendations. N° and type of technological components changed within the production systems. N° of production units that incorporate technological recommendations. 	<ul style="list-style-type: none"> Technical reports of the component. Reports and statements of ESU. Research reports. Evaluation reports 	<ul style="list-style-type: none"> Accomplishment of efforts to improve production within six years, in spite of degradation of natural resources. Technicians of the research teams understand the rational of indigenous technologies. Indigenous populations understand the meaning of technological development and its benefits.

<p>Outcome 6: Environmental Management</p> <p>Beneficiaries develop community ways of environmental management, focused on microbasins, which allow them to improve water access in quantity and quality, in rural and urban communities, as well as soil quality and vegetal coverage.</p>	<ul style="list-style-type: none"> At least 20 communities will be organized and trained to deal with microbasins. At least 80 organized communities will be taught to deal with reforestation activities and litter management. There exist at least 15 organized, and very active, communal environmental committees. 	<ul style="list-style-type: none"> Water quality level of some river basins. N° of communities having problems with water availability. Improvement of vegetative coverage in river basins. Increase of river flows, resulting in better water availability. N° and name of rivers that had better flows during the dry season. Type of effects on human health and pollution level from litter on land and water. N° of communities that adopt environmental management practices by type of action. 	<ul style="list-style-type: none"> Technical reports of the component. Reports and statements of ESU. Direct field observation. 	<ul style="list-style-type: none"> Riverside communities organize themselves and participate in community activities. Over six years there will be sufficient evidence and knowledge to implement environmental management and river basin action, in spite of natural resources degradation.
COMPONENT : RURAL INVESTMENT FUND				
<p>Outcome 7: Rural Investment Fund</p> <p>Organizations and beneficiary groups begin to participate in the cofinancing and execution of projects and mini-projects regarding infrastructure, production, small rural business, crafts, etc. in line with the strategic development plan for the <i>comarca</i>.</p>	<ul style="list-style-type: none"> Through the eighth year of execution, USD 7.3 million will be invested in public-works projects: rural roads, small bridges, pedestrian paths, etc. 200 organized groups (4 000 beneficiaries) will raise and cofinance the execution of 150 business projects and other community activities. The investment required reaches a total of USD 1.45 million. USD 1.25 million will be disbursed for the cofinancing of community projects, environmental activities and watershed management. 	<ul style="list-style-type: none"> Volume of project resources managed by organization and community. Volume of resources provided by community organizations. N° of executed projects by type of intervention (public, productive, crafts, tourism, etc.) N° of beneficiaries by type of project. 	<ul style="list-style-type: none"> Project documents. Progress reports and project execution. Technical reports of the component Reports and statements of the ESU. 	<ul style="list-style-type: none"> The different types of projects are in accordance with the strategic plan. Formulated projects are technically, economically environmentally and socially feasible. In addition they are innovative. Cofinancing for community projects is conceived as a starting point, or seed capital.

MAIN ACTIVITIES

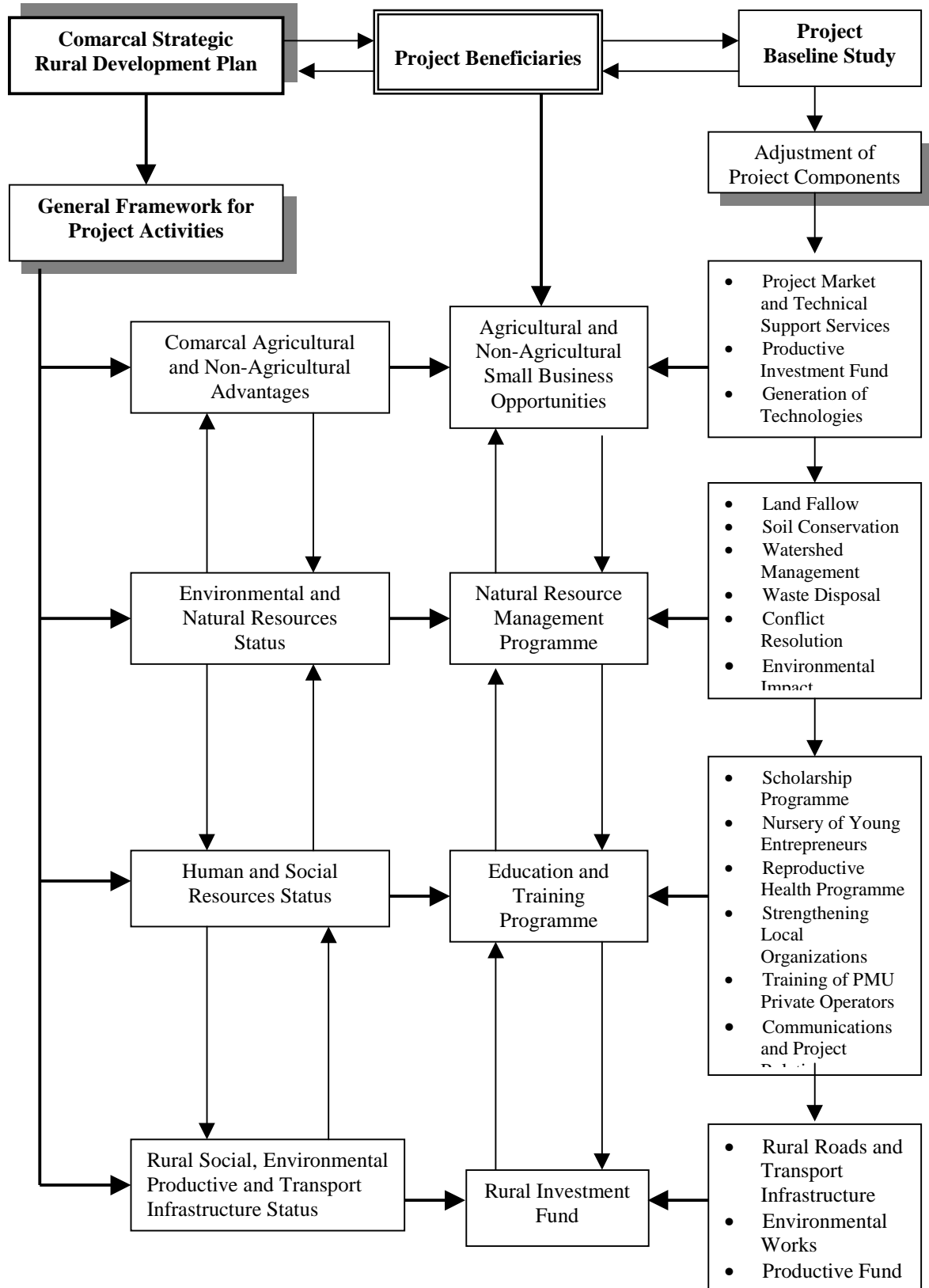
Outcome 1: Strengthening of Human and Social Capital	Outcome 4: Marketing and Rural Business	Outcome 6: Environmental Microwatershed Management
1.1. Organization of the execution system of the training programme. 1.2. Establishment of institutional agreements for educational promotion, health and training. (Ministry of Education, Universities, INAFORP, UNFPA and NGOS). 4.1. Establishment of basic conditions and activities for the implementation of the gender focus of the project. 1.3. Establishment of the education and schooling systems for indigenous people. • <i>Scholarship Fund for primary, secondary, technical and university education</i> • <i>Bilingual Schooling Programme for indigenous people</i> 1.4. <i>Implementation of the Project Nursery Programme, for indigenous women and men.</i> (Tobigá Bügün). 1.5. Establishment of a reproductive health programme for 64 rural communities. 1.6. Establishment and Development of the training Programme. • <i>For beneficiaries and organizations for community and institutional strengthening in: development management (projects, plans, etc.), organization, working skills (for migrants, etc.) management and environmental conservation, awareness on gender equity, and awareness on reproductive health</i> • <i>For MPU technicians, service providers, NGOs and others on: recycling and strengthening on rural development knowledge, environment and resources, systematization, gender, and marketing.</i> 1.7. Establishment of a Communication and Dissemination Programme (radio programmes, dissemination material, pamphlets, etc.). 1.8.	4.2. Establishment of inter-institutional agreements for training and technical assistance activities (IMA, SONDEAR, INAFORP, IPAT, IPACOOOP, FUNDARTE and NGOs). 4.3. Develop the training plan on marketing and rural business. • General training for PMU technicians and service providers on marketing and entrepreneurial management. • Specific training for technicians of service-provider and economic-organization leaders on technology and management. 4.4. Establishment of the transversal focus of the project regarding entrepreneurial vision. 4.5. Establishment of the central support service on marketing and small business. • Identification and formulation of projects on rural business. • Technical assistance implementation with NGOs. • Provision of information on markets and commercial contacts. • Organization of round tables on business products and services dissemination. • Systematization on the pilot experiences regarding RB. 4.6. Technical assistance for project execution and RB.	6.1. Environmental management of microwatersheds • Identification of high watersheds, fundamental for water gathering. • Promote community work for the improvement of watersheds. • Replicate successful experiences in other microwatersheds in the region. • Promote the reforestation of river basins. 6.2. Forestation • Promote the restoration of hidden forests with native species.(Pacific Ocean zones.). • Promote the protection, and renewal of existing forests. (Atlantic Ocean Zone.). • Establish a methodology to resolve conflicts. (water, forests, etc.) 6.3. Pollution and waste management • Diagnosis of the environmental pollution by litter, and its effects on human health. • Promote actions for waste management.
Outcome 2: Strategic Plan and Geographical Information System	Outcome 5: Generation and Validation of Technologies	Outcome 7: Rural Investment Fund
2.1 For the strategic development plan: • Identification of existing available secondary information • Analyse and discuss the obtained information with people involved • Detect and organize primary information • Formulate Plan's Objectives and hypothesis • Analyse and agree upon plan's outcome on workshops • Organize local, regional, national workshops, for discussions and plan validation • Publish and disseminate the document of the strategic plan 2.2. For the Geographical Information System: • Identify information sources and its formats • Organization and installation of GIS (software network, etc.) • Operation and permanent feed back information to the system • Personnel training in GIS operational procedures • Report, periodically, systematized and required information	5.1. Inter-institutional agreements with DIAP and others. 5.2. Analysis of the existing agronomic scientific information. 5.3. Analysis of the agro-ecological characteristics of the area. 5.4. Develop adequate technological components to the framers needs. 5.5. Prove and validate agro-technological components with beneficiaries. 5.6. Evaluate the adequacy of generated technologies. 5.7. Disseminate the existing technological components.	7.1. Establishment and equipping of the component. 7.2. Implementation of the investment fund regulations. 7.3. Establishment of verifying committees and project approvals. 7.4. Pre-investment and formulation studies of different projects. 7.5. Management and cofinancing of RB productive and viable projects. 7.6. Follow-up to the execution of cofinanced projects.



Outcome 3: Private System of Technical Assistance (PSTA)	Activities Related to Gender
3.1. Promotion and organization of PSTA 3.2. Establishment of inter-institutional agreements to operate PSTA. 3.3. Focalization and elaboration of rural participatory diagnosis, within the Intervention Domain communities.(ID). 3.4. Disseminate technological components to the farmers of the area. 3.5. Promote agricultural and commercial technological components. 3.6. Develop training and self-training workshops with farmers. 3.7. Establishment of demonstration plots.	These activities aim to break down inequity barriers between women and men so as to provide women with the possibilities to develop themselves. 8.1. Establishment of the gender technical unit (GTU). 8.2. Support in the staff selection of GTU. 8.3. Gender awareness and training to GTU and other levels. 8.4. External consultancies and impact-effect studies on gender. 8.5. Permanent coordination between the project and IFAD's ProGender. 8.6. Installation of mobile infant nurseries. 8.7. Gender-methodology training for technical teams. 8.8. Educational programme mainly for illiterate girls and young women. 8.9. Establishment of the reproductive health programme. 8.10. Time saving and reorganization of domestic work.



PROJECT OPERATIONAL FLOW CHART



CUADROS DE COSTOS Y FINANCIACION
Costos por componente y por año – Costo base. En miles USD

Categorías de Gasto	Años									Divisas	
	2002	2003	2004	2005	2006	2007	2008	2009	Total	%	Monto
I. Costos de Inversión											
A. OBRAS CIVILES, VEHICULOS Y EQUIPOS											
1. Obras civiles	866	360	-	-	-	-	-	-	1 226	15	184
2. Vehículos y Equipos											
Vehículos	218	-	-	-	198	-	-	-	416	85	354
Equipos	171	-	-	-	75	-	-	-	246	77	190
Subtotal Vehículos y Equipos	388	-	-	-	274	-	-	-	662	82	543
Subtotal OBRAS CIVILES, VEHICULOS Y EQUIPOS	1 254	360	-	-	274	-	-	-	1 888	39	727
B. CONVENIOS Y CONTRATOS DE SERVICIOS											
1. Convenios y Contratos de Servicios Técnicos											
Contratos de Extensión y Asistencia Técnica	57	417	827	960	942	777	640	46	4 667	8	357
Convenios y Contratos de Servicios Técnicos, Estudios, Consultorías y Auditorías	1 220	754	673	721	640	622	141	170	4 941	13	659
Subtotal Convenios y Contratos de Servicios Técnicos	1 277	1 170	1 500	1 681	1 582	1 399	782	216	9 608	11	1 016
2. Convenios y Contratos de Capacitación	293	514	748	833	745	1 146	12	7	4 297	5	229
Subtotal CONVENIOS Y CONTRATOS DE SERVICIOS	1 570	1 684	2 248	2 514	2 327	2 545	794	223	13 905	9	1 245
C. FONDO DE INVERSIONES											
1. Fondo de Inversiones	200	1 216	1 815	2 554	2 738	840	453	203	10 018	-	-
Total Costos de Inversión	3 024	3 260	4 063	5 068	5 338	3 385	1 246	426	25 810	8	1 972
II. Costos Recurrentes											
A. GASTOS DE OPERACION											
1. Salarios y Honorarios	488	488	488	488	488	488	442	375	3 744	-	-
2. Gastos Operativos	171	155	162	154	162	153	156	148	1 261	5	62
Total Costos Recurrentes	659	642	650	642	649	640	598	523	5 004	1	62
Total COSTO BASE	3 683	3 903	4 713	5 710	5 987	4 026	1 845	949	30 815	7	2 034
Contingencias Físicas	127	110	119	131	131	169	65	15	865	8	70
Contingencias de Precios	31	73	132	204	272	332	172	105	1 321	8	102
Total COSTOS DEL PROYECTO	3 841	4 086	4 964	6 044	6 390	4 527	2 081	1 068	33 000	7	2 206
Impuestos	221	189	204	223	231	234	126	81	1 509	-	-
Divisas	730	259	183	220	470	223	82	39	2 206	-	-



Resumen de costos del proyecto por categoría de gasto
En miles de USD

Categorías de Gasto	Local	Importado	Total	% Divisas	% Costo Base Total
I. Costos de Inversión					
A. OBRAS CIVILES, VEHICULOS Y EQUIPOS					
1. Obras civiles	1 042	184	1 226	15	4
2. Vehículos y Equipos					
Vehículos	62	354	416	85	1
Equipos	56	190	246	77	1
Subtotal Vehículos y Equipos	119	543	662	82	2
Subtotal OBRAS CIVILES, VEHICULOS Y EQUIPOS	1 161	727	1 888	39	6
B. CONVENIOS Y CONTRATOS DE SERVICIOS					
1. Convenios y Contratos de Servicios Técnicos					
Contratos de Extensión y Asistencia Técnica	4 310	357	4 667	8	15
Convenios y Contratos de Servicios Técnicos, Estudios, Consultorías y Auditorías	4 282	659	4 941	13	16
Subtotal Convenios y Contratos de Servicios Técnicos	8 592	1 016	9 608	11	31
2. Convenios y Contratos de Capacitación	4 068	229	4 297	5	14
Subtotal CONVENIOS Y CONTRATOS DE SERVICIOS	12 660	1 245	13 905	9	45
C. FONDO DE INVERSIONES					
1. Fondo de Inversiones	10 018	-	10 018	-	33
Total Costos de Inversión	23 839	1 972	25 810	8	84
II. Costos Recurrentes					
A. GASTOS DE OPERACION					
1. Salarios y Honorarios	3 744	-	3 744	-	12
2. Gastos Operativos	1 198	62	1 261	5	4
Total Costos Recurrentes	4 942	62	5 004	1	16
Total COSTO BASE	28 781	2 034	30 815	7	100
Contingencias Físicas	795	70	865	8	3
Contingencias de Precios	1 219	102	1 321	8	4
Total COSTOS DEL PROYECTO	30 794	2 206	33 000	7	107



**Financiamiento por categorías de gasto
En miles de USD**

Categorías de Gasto	GOVERNMENT		BENEFICIARIOS		FIDA		Total		Divisas	Local (Excl. Imptos.)	Aranceles e Impuestos
	Monto	%	Monto	%	Monto	%	Monto	%			
I. Costos de Inversión											
A. OBRAS CIVILES, VEHICULOS Y EQUIPOS											
1. Obras civiles	68	5	-	-	1 299	95	1 367	4	205	1 094	68
2. Vehículos y Equipos											
Vehículos	22	5	-	-	412	95	434	1	369	43	22
Equipos	14	5	-	-	261	95	275	1	212	49	14
Subtotal Vehículos y Equipos	35	5	-	-	673	95	709	2	581	92	35
Subtotal OBRAS CIVILES, VEHICULOS Y EQUIPOS	104	5	-	-	1 972	95	2 076	6	786	1 186	104
B. CONVENIOS Y CONTRATOS DE SERVICIOS											
1. Convenios y Contratos de Servicios Técnicos											
Contratos de Extensión y Asistencia Técnica	269	5	-	-	5 107	95	5 376	16	402	4 704	269
Convenios y Contratos de Servicios Técnicos, Estudios, Consultorías y Auditorías	252	5	-	-	4 946	95	5 199	16	687	4 259	252
Subtotal Convenios y Contratos de Servicios Técnicos	521	5	-	-	10 053	95	10 574	32	1 090	8 964	521
2. Convenios y Contratos de Capacitación	242	5	-	-	4 602	95	4 845	15	257	4 345	242
Subtotal CONVENIOS Y CONTRATOS DE SERVICIOS	763	5	-	-	14 656	95	15 419	47	1 347	13 309	763
C. FONDO DE INVERSIONES											
1. Fondo de Inversiones	1 544	15	2 000	20	6 473	65	10 018	30	-	10 018	-
Total Costos de Inversión	2 411	9	2 000	7	23 101	84	27 512	83	2 133	24 512	867
II. Costos Recurrentes											
A. GASTOS DE OPERACION											
1. Salarios y Honorarios	2 618	65	-	-	1 385	35	4 004	12	-	3 433	570
2. Gastos Operativos	971	65	-	-	514	35	1 485	5	73	1 340	72
Total Costos Recurrentes	3 589	65	-	-	1 899	35	5 488	17	73	4 773	642
Total de Desembolsos	6 000	18	2 000	6	25 000	76	33 000	100	2 206	29 286	1 509

**Desembolsos anuales por fuente de financiamiento
En miles de USD**

Fuente de Financiamiento	Años								
	2002	2003	2004	2005	2006	2007	2008	2009	Total
Beneficiarios	40	243	362	510	547	168	90	40	2 000
FIDA	3 182	3 105	3 745	4 545	4 804	3 610	1 425	584	25 000
Gobierno de Panamá	619	738	856	990	1 039	749	566	444	6 000
Total	3 841	4 086	4 964	6 044	6 390	4 527	2 081	1 068	33 000





ORGANIZATION AND MANAGEMENT

