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IFAD
INTERNATIONAL FUND
FOR AGRICULTURAL
DEVELOPMENT

Enabling the rural poor
to overcome poverty

Republic of Panama

Country strategic opportunities programme

Executive Board — Ninety-first Session
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For: **Review**

Note to Executive Board Directors

This document is submitted for review by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session:

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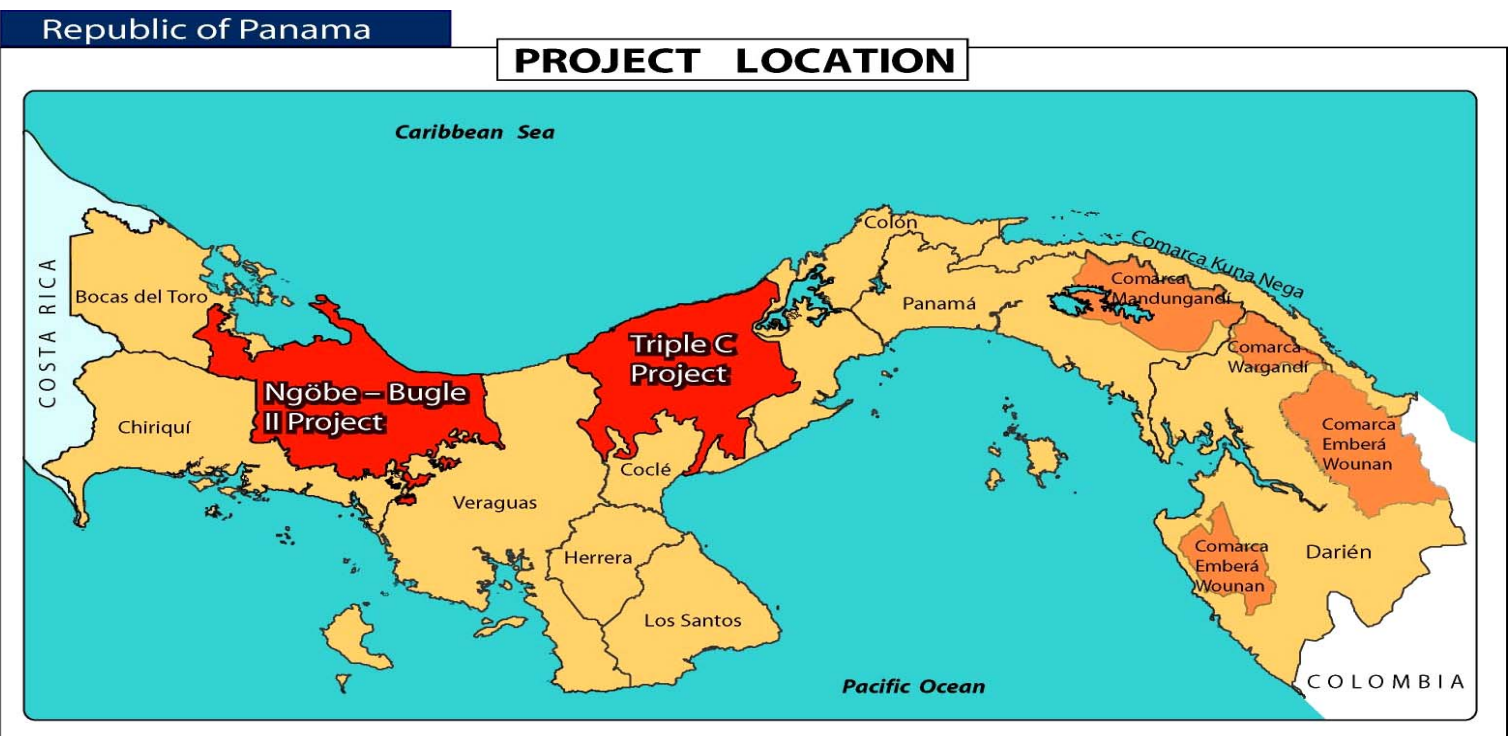
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Abbreviations and acronyms

COSOP	country strategic opportunities programme
M&E	Monitoring and evaluation
PBAS	performance-based allocation system
RIMS	Results and Impact Management System
PREVAL	Programme for Strengthening the Regional Capacity for Monitoring and Evaluation of Rural Poverty-Alleviation Projects in Latin America and the Caribbean
RUTA	Regional Unit for Technical Assistance

Map of IFAD operations in the country

EB 2007/91/R.15



Source: Ministry of Agriculture
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

Summary of country strategy

1. This country strategic opportunities programme (COSOP), the second for Panama, provides a review of the opportunities available to IFAD for contributing to rural poverty reduction and rural social and economic development over a six-year time frame (2007-2012). It reflects on the challenges of dealing with acute rural poverty in a country with high poverty levels. Despite the country's strong economic growth (6.4 per cent in 2005), overall poverty levels have remained high. Nationwide, 37 per cent of the population live below the poverty line, according to the latest data (2003), and 17 per cent live below the extreme poverty line (down from 19 per cent in 1997). Panama's economic structure is service-oriented and basically urban, resulting in high levels of rural poverty: some 64.9 per cent of the rural population are poor and 38.5 per cent extremely poor, compared with 15.3 per cent and 3.1 per cent respectively of the urban population. Poverty rates rise steeply when only indigenous populations are considered: 95.4 per cent live below the poverty line and 86.6 per cent below the extreme poverty line. Although indigenous groups make up only 10 per cent of Panama's total population, they represent 19.3 per cent of the nation's poor and 34.6 per cent of its extremely poor.
2. The COSOP defines a strategy that will enable IFAD to add value to the Government of Panama's rural poverty reduction and development policies, and to the activities of other development partners. It seeks to contribute to processes of inclusive development by addressing the causes of poverty, inequality and social exclusion that lie at the heart of the wide disparities between rural and urban populations – and between non-indigenous and indigenous populations – and by supporting interventions that promote community cohesion and integration. The two strategic objectives defined by the COSOP are in line with the IFAD Strategic Framework 2007–2010, and are also fully consistent with the views expressed by farmers' organizations, government authorities and the donor community:
 - (i) **Strategic objective 1: Increasing income opportunities for the rural poor and reducing ethnic and gender-based inequalities through improved access to productive support services, infrastructure and markets.** IFAD will promote sustainable mechanisms to enable the rural poor to have access to productive support services and investments while increasing their productivity so that they can respond to the demands of national and external markets. Geographic targeting, as per IFAD's operational guidelines on targeting, will help focus activities on the poorest and most vulnerable rural people, with initiatives in *comarcas* (indigenous territories) and surrounding *corregimientos* (administrative districts).
 - (ii) **Strategic objective 2. Improving local government and social empowerment – with special attention to indigenous and ethnic groups.** By using participatory planning methodologies and instruments, IFAD will enhance the rural poor's participation in local social and economic development processes. The Government has specifically requested the Fund to support state programmes by scaling up activities that promote income-generating opportunities, improve local capacities, and support the definition of development models that are sustainable and consistent with local potentials and cultural values.
3. IFAD recognizes that the scarce resources available for rural poverty reduction need to be used efficiently. In this connection, coordination with local governments, NGOs and other international organizations will be fundamental. As part of its country strategy, IFAD will seek maximum coordination, making good use of the comparative advantages of each institution, and avoiding the duplication and overlapping of efforts.

Republic of Panama

Country strategic opportunities programme

I. Introduction

1. This country strategic opportunities programme (COSOP), the second for Panama, provides a review of opportunities available to IFAD for contributing to rural poverty reduction and rural social and economic development over a six-year time frame (2007-2012). It analyses how IFAD can best complement the efforts of the Government of Panama and other development partners in reducing poverty and stimulating social and economic growth in rural areas, particularly among indigenous communities and territories. It also seeks to define IFAD's role and the potential that exists for strategic alliances; to position IFAD in relation to Government policies on rural poverty and rural development; and to provide a platform for dialogue with the Government and other stakeholders. COSOP preparation¹ was a participatory process involving studies on gender relations, social exclusion and the incidence of poverty among indigenous groups, as well as consultations with national and local-level institutions, civil society and development partners.
2. The COSOP considers the challenges of dealing with acute rural poverty in a country where rural communities – both native indigenous and non-indigenous – are characterized by social and economic disadvantages. The strategy that emerges builds on the experience of IFAD in Panama, and on lessons learned in other Latin American countries. It embodies the country programme approach contained in IFAD's emerging new operating model, the IFAD Policy on Targeting, the IFAD Strategic Framework 2007-2010, and the performance-based allocation system (PBAS).
3. The COSOP defines a strategy that will enable IFAD to add value to the Government's rural poverty reduction and development policies and programmes (as contained in the country's National Development Plan 2004–2009, poverty reduction strategies and other key policy documents) and to the activities of other development partners. It recognizes the difficulty of dealing with acute rural poverty among indigenous populations in a small country with a growing economy and an unequal distribution of wealth. It seeks to contribute to processes of inclusive development by addressing the causes of poverty, inequality and social exclusion that lie at the heart of the wide disparities between rural and urban populations – and between non-indigenous and indigenous populations – and by supporting interventions that promote community cohesion and integration.

II. Country context

A. Economic, agricultural and rural poverty context

Country economic background

4. Panama has a land area of about 74,000 km², and is divided into 9 provinces, 67 municipal districts, 510 *corregimientos* (administrative districts) and 5 *comarcas* (indigenous territories). It has a population of about 3.2 million people (2005), with 62.6 per cent living in urban areas. Its estimated annual population growth rate is 1.8 per cent. At least 10 per cent of the country's population is of native indigenous origins.²

¹ See Appendix I. COSOP consultation process.

² Divided into seven linguistic/ethnic groups: Ngöbes, Kunas, Emberá, Buglé ó Bokata, Wounan, Nasos (Teribes ó Tlorios) y Bri-Bri. Other ethnic groups include descendants from African slaves brought to Panama from the Caribbean islands, during the early republican times.

5. Panama's specialization in services and its monetary system have influenced the evolution of its economy and form its basis. Financial services and intermediation, Panama Canal fees, the Colón Free Zone, real estate and commerce have recently generated up to 77 per cent of Panama's GDP, with the public sector, manufacturing, agriculture and fisheries contributing the remaining share.
6. Apart from expansion of the Panama Canal, the Government's priorities are to place public finances on a sustainable footing and to tackle high unemployment and poverty. Its economic and social development strategy aims to increase opportunities for marginalized sectors of society. The Government will seek to foster economic dynamism and social equity largely through liberalization, public-sector restructuring and increased social investment, rather than by directly stimulating production. Its objective is to promote exports, increase foreign investment inflows and bolster energy security. Despite the effects of fiscal adjustment and a slower pace of world trade growth, Panama's real GDP growth has been projected to reach 7.4 per cent in 2006, 6.7 per cent in 2007 and 5.9 per cent in 2008.

Agriculture and rural poverty

7. In 2005 the agricultural sector accounted for 4.4 per cent of Panama's GDP and 18 per cent of total employment. Main export-oriented commercial crops include sugar cane, bananas, coffee, cattle, tobacco and fruit. Products produced chiefly for the internal market are rice, maize and beans. Smallholders and indigenous communities mainly produce basic grains, cassava, legumes and fruit for household consumption and local markets.
8. The land tenure pattern in Panama is highly concentrated, with 69.1 per cent of the agricultural land operated by 6.2 per cent of the productive units. By contrast, a total of 79.1 per cent productive units own 7.7 per cent of the agricultural land. Close to 40 per cent of agricultural producers own properties of less than 0.5 hectares. Medium- and large-size cattle production operations use close to 50 per cent of the agricultural land. The agricultural census of 2001 found that only 4 per cent of the production units received some form of technical assistance, 3 per cent had access to credit, 41 per cent worked on untitled land and 18 per cent were women producers.
9. Panama's agricultural sector is highly segmented, with a small but active modern market and export-oriented sector; an intermediate group of medium-sized and small producers, imperfectly linked to markets; and a large number of subsistence farmers, with little or no access to markets, technical assistance or financial services, and with high levels of poverty, extreme poverty and malnutrition. The entry into force of a free trade agreement with the United States of America could produce wider gaps among producers if provisions are not taken to modernize and improve the competitiveness of medium-sized and small producers and poor subsistence farmers.
10. An important problem affecting Panama's agricultural productive base is the systematic deterioration of its natural resources. Deforestation (due to timber harvesting, forest clearance for livestock production and slash-and-burn agriculture) annually affects an estimated 51,000 ha of natural tropical and tropical humid forests. A traditional agricultural productive structure, weak supporting services, endangered natural resources and an inequitable land tenure system are some of the root causes of rural poverty.
11. Despite the country's strong economic growth (6.4 per cent in 2005), overall poverty levels have remained high. Nationwide, 37 per cent of the population live below the poverty line, according to the latest data (2003), and 17 per cent live below the extreme poverty line (down from 19 per cent in 1997). Panama's economic structure is service-oriented and basically urban, resulting in high rural poverty levels: some 64.9 per cent of the rural population are poor and 38.5 per

cent extremely poor, compared with 15.3 and 3.1 per cent respectively of the urban population. Due to high fertility rates among the poor, over 160,000 children under 5 years of age (53 per cent) and 500,000 under 18 years (48 per cent) live below the poverty line. Close to one third of all children live below the extreme poverty line.

12. Poverty rates rise steeply when only indigenous populations are considered. Nationwide, 95.4 per cent live below the poverty line and 86.6 per cent live below the extreme poverty line. Although indigenous groups make up only 10 per cent of Panama's total population, they represent 19.3 per cent and 34.6 per cent of the nation's poor and extremely poor. Indigenous groups are also the most rapidly growing segment of the population, with an average annual growth rate of 5.4 per cent, compared with the country average of 1.9 per cent. Poverty levels are much higher among groups living in indigenous areas, making geographic targeting of interventions easier. Panama, Colon and Los Santos Provinces had human development index scores of 0,764, 0,715 and 0,710 respectively in 2003; while for the five indigenous *comarcas*, the score fell to 0,399. Almost all indigenous people living in indigenous areas are poor and about half of indigenous people living outside these areas are poor, a situation that needs to be addressed in poverty reduction programmes.
13. Like most Latin American countries, Panama has experienced a rural exodus. Some 64 per cent of its population lived in rural areas in 1950 while only 42 per cent did in 2005. Rural-urban migration, coupled with the low demand for unskilled labourers in an economy specialized in trade and banking services, has been a crucial factor in the notable increases in urban poverty and extreme urban poverty over the last four years.
14. In general, poverty and particularly rural poverty in Panama is the result of inequalities created by an urban, service-oriented economic system that offers very few economic opportunities and almost no basic services to rural dwellers and indigenous populations. Because of the remote locations of rural communities and the lack of rural roads, preschool and primary school coverage is low and access to health services is poor.
15. **Gender.** Rural women represent 47 per cent of Panama's rural population. They are generally poorer than men, particularly in the *comarcas*. The gender-related development index (GDI) highlights differences between provinces and *comarcas*. In 2002, Darien Province had the lowest provincial GDI score (0.534); but, within that province, the Ngöbe-Buglé *comarca* had the lowest score in the country (0.392). While the average national per capita income for men is nearly twice as high as that for women (US\$3,004 compared with US\$1,675), in the *comarca* Kuna Yala it is almost five times higher (US\$940 compared with US\$191). Although women are legally entitled to the same pay and social benefits as men, Panama's Labour Code, limits their participation in some labour sectors that are considered to be "unwomanly". Consequently, almost all poor and extremely poor women are engaged in labour activities in the informal sector, where salaries are lower than in the formal sector. Some 19.6 per cent of women are unemployed, compared with 13.2 per cent of men.
16. The gender parity index, which measures gender differences in economic, political and decision-making processes, shows only slight differences between urban and rural women (0.477 and 0.448 respectively). In the *comarcas*, the values are much lower (0.365 in Ngöbe-Buglé, 0.115 in Ébera and 0.056 in Kuna Yala). Due to the proactive gender activities of the IFAD-financed projects in Ngöbe-Buglé³, women in the *comarca* are better organized, have enhanced participation capacities and are prepared to assume leadership responsibilities. Nevertheless, given the current

³ The Rural Development Project for Ngöbe Communities and the Sustainable Rural Development Project for the Ngöbe-Buglé Territory and Adjoining Districts.

power structure, there are limited opportunities for them. Ngöbe women hold 37.6 per cent of all professional and technical positions, but very few political ones. In rural areas, women's participation in community-based and economic organizations has been strengthened by the Government's (and IFAD's) proactive gender programmes.

B. Policy, strategy and institutional context

National institutional context

17. During 25 years of partnership with the Government, IFAD has forged strong working relations with key central government agencies. At the policy and planning level, its main partner is the Ministry of Economy and Finance;⁴ and at the implementation level, it collaborates with the Ministry of Agricultural Development and the Social Investment Fund. Other important actors are the Ministry of Social Development, the Ministry of Interior and Justice,⁵ and the Ministry of the Presidency.⁶ All institutions contributed to this COSOP. The current portfolio involves partnerships with the Ministry of Agricultural Development and the Social Investment Fund. IFAD grant programmes have involved active partnerships with local organizations. Across the full spectrum of institutions, there are serious financing and capacity constraints, exacerbated by weak rural infrastructure and mobility restrictions. Effective decentralization through devolution of functions, responsibilities and resources to local governments is at an initial stage. Public-sector institutions and service delivery have traditionally been weak in rural areas. The Government's ambitious social and economic development programme has created an additional challenge because of the numerous institutions and projects involved: coordination will be a formidable task for the administration, and will have implications for IFAD's country activities.

National rural poverty reduction strategy

18. Panama's poverty reduction strategy⁷ is built on five pillars (i) reducing poverty and improving income distribution; (ii) shifting economic development policy towards employment generation; (iii) improving public finances; (iv) investing in human capital development; and (v) reforming and modernizing the government structure. The strategy covers all areas of social and economic development that will need to be addressed in order to reduce poverty and inequality in the country.
19. Strategies to reduce poverty and improve income distribution include: (i) an expansive economic growth oriented to generating "quality" employment;⁸ (ii) an aggressive human capital development programme; (iii) provision of direct subsidies⁹ to poor and extremely poor households; and (iv) implementation of programmes to generate income and increment productivity in depressed and poor rural areas. In addition, the Government has launched an aggressive rural infrastructure investment programme, distributing historically high levels of financial resources to municipalities. A comprehensive decentralization law is under preparation and is due to be presented to Congress by 2008.
20. In concurrence with the national development programme, the Ministry of Agricultural Development has prepared a sectoral plan for 2004-2009, strengthening the competitiveness, sustainability and profitability of small, medium and large

⁴ In addition to its Directorate of Public Credit, IFAD also works closely with the Ministry's Programme of Municipal Development and Decentralization Support.

⁵ IFAD has strong links with its General Directorates of Indigenous Policies and Local Governments.

⁶ The activities of the Social Investment Fund and the National Council for Sustainable Development, both within the Ministry of the Presidency, are directly related to IFAD's activities in the country.

⁷ As embedded in the present Administration's social and economic development programme, *Visión estratégica del desarrollo económico y del empleo hacia el 2009*.

⁸ This activity will be extended to provide work opportunities to people less than 30 years of age and first-time job seekers.

⁹ The Government is currently providing 32,000 families with a monthly subsidy of US\$30 per month, linked to participation in school and health programmes. The target for 2008 will be 80,000 families. The Government is also distributing food subsidies to 30,000 poor households.

producers. The sectoral plan includes: (i) market and agribusiness development; (ii) competitiveness; (iii) rural financing; (iv) stimulus to rural development; and (v) modernization of the agricultural public sector. A free trade agreement between Panama and the United States would create an even more compelling need for increasing the competitiveness of the agricultural sector – especially medium-sized and small farmers.

Harmonization and alignment

21. This COSOP is aligned with Panama's poverty reduction strategy, with the National Development Plan 2004-2009, and with the Ministry of Agriculture's strategic plan for agriculture (2004-2009). IFAD will engage in dialogue with the Ministry of Economy and Finance and with other government institutions and development partners on issues related to poverty reduction, social development and the achievement of the Millennium Development Goals. Alignment with Government policies, including harmonization of future COSOPs with the Government's planning cycle, will be assessed in the context of the annual review of the COSOP. IFAD also participates in an initiative recently launched by the Ministry of Economy and Finance, the Ministry of Social Development and the National Council for Sustainable Development to coordinate development activities at the local level as part of the decentralization process.

III. Lessons from IFAD's experience in the country

A. Past results, impact and performance

22. Since 1982, IFAD has approved seven loans to Panama for a total of US\$76.4 million. Five of the projects have already closed: (i) the Agricultural Credit Project; (ii) the Rural Development Project for the Guaymi Communities; (iii) the Agricultural Credit Project II; (iv) the Rural Development Project for Ngöbe Communities; and (v) the Sustainable Agricultural Development and Environmental Protection Project for the Darien. Two projects are ongoing: (i) the Sustainable Rural Development Project in the Provinces of Coclé, Colón and Panama, to be closed by December 2007; and (ii) the Sustainable Rural Development Project for the Ngöbe-Buglé Territory and Adjoining Districts. Panama's last COSOP was reviewed by IFAD's Operational Strategy and Policy Guidance Committee in 2000. In addition, IFAD has approved three grants to Panama for a total to US\$325,000. The last grant, approved in 2006, supported rural tourism in the Darien province.
23. The Fund has targeted indigenous populations in four of the seven projects. The Guaymi, Ngöbe Communities, Darien and Ngöbe-Buglé projects were designed to counter the high rates of poverty and extreme poverty among indigenous groups. Their activities have supported the economic development of indigenous communities, income generation, environmental conservation and natural resource management.
24. The interim evaluations and supervision reports of the Darien and the Ngöbe-Buglé projects found that the projects had (i) made a decisive contribution to obtaining the legal status of the territories of the Ngöbe-Buglé *comarca*; (ii) contributed importantly to empowering the traditional indigenous authorities; (iii) included the ample participation of ethnic groups as professional, technical and support staff; (iv) improved the organizational base and training level of the target group; and (v) raised environmental awareness and introduced natural resource conservation practices in indigenous *comarcas*.
25. Slow project start-up and the high turnover of project directors and staff due to political changes are among the problems that IFAD operations have faced in the country, as is reflected in the annual portfolio review.

B. Lessons learned

26. As a result of the December 2006 pre-COSOP mission, discussions with development partners and consultative workshops with beneficiaries and potential target organizations, IFAD has identified a number of valuable lessons learned from its projects in Panama, particularly from the Ngöbe Communities and Darien projects. These lessons have been taken into account in the current COSOP process and include:

- **An indigenous/regional focus.** IFAD projects should continue to maintain focus on indigenous groups and regions, as this approach has yielded good results and is in line with the new *comarca* indigenous government structure. To strengthen project sustainability and impact, however, the Fund should continue to build on local initiatives, collaborating closely with local institutions and organizations, while increasing their effectiveness through capacity-building. The need for sustainability should be factored into project strategies, design and implementation from the start of a project not just during its last year.
- **Social inclusion.** Project approaches must be based on a careful identification of vulnerable groups and their constraints, and measures to ensure inclusion should be monitored during implementation. Monitoring should be participatory, a basic principle of IFAD's Results and Impact Management System (RIMS).
- **Political and economic integration.** The impact of the Ngöbe-Buglé project on the political and economic integration of the *comarca* can be measured by the increased allocations in provincial and *comarca* budgets for local investments and the operation of basic services. In 1999 the Government assigned the lowest per capita provincial budget allocation to Ngöbe-Buglé, with US\$3.17 per inhabitant, compared with US\$35.46 and US\$33.20 for Colón and Panama respectively. The project's annual investments in human and social development, physical infrastructure and environmental protection works have raised the per capita resource allocation to US\$33.31 during the life of the project, more than 10.5 times the starting value.
- **Culture and folklore.** The Darien project supported a re-evaluation of the ancient traditions, music, dances, handicrafts, written and oral stories and other cultural expressions of the local indigenous population. Its activities have consolidated the cultural heritage and stimulated the self-esteem of the beneficiary population, including its young people. The project has also raised awareness among non-indigenous people of the rich cultural diversity in Darien and in the country more generally by financing two regional cultural fairs and the production of a compact disk with traditional Darien music. IFAD has recently approved a grant to support ecotourism and cultural tourism in Darien.
- **Gender strategies.** These strategies have sought to create the necessary conditions for reducing gender inequities in rural indigenous and small farmers communities by (i) ensuring women's equitable access to a project's economic activities, (ii) implementing activities to narrow the educational and training gaps between rural men and women, and (iii) supporting the full participation of rural women in economic organizations. Through these three main thrusts, rural women's self-esteem has been significantly raised and their productive, entrepreneurial and income-generating capacities increased.
- **Monitoring and evaluation (M&E).** M&E is an essential management tool that needs to be given greater importance in all projects, including through the allocation of adequate human and financial resources. M&E

systems should be set up at project inception and connected to relevant national and regional M&E systems. Information needs to be provided to national and regional decision makers so that they are knowledgeable about project achievements and can contribute meaningfully to decisions on how to improve project performance.

IV. IFAD country strategic framework

A. IFAD's comparative advantage at the country level

27. After 25 years of initiatives in Panama, IFAD has acquired strengths in a number of thematic and geographic areas. All IFAD interventions have supported the development of productive activities in vulnerable areas and with vulnerable groups, a concern shared by no other multilateral donor in Panama.¹⁰ In particular, IFAD has gained experience in supporting marginalized rural areas through integrated rural development projects. Also, IFAD-financed projects have a geographic focus, viewed by the Government as one of their most positive features. Because of this focus, IFAD has been able to strengthen the ties between the grass-roots and the regional/provincial level, thereby facilitating the inclusion of isolated and marginalized areas.
28. Specific areas of comparative advantage include: (i) rural poverty reduction through enhanced income-generating opportunities, with an emphasis on the areas of highest poverty incidence; (ii) a clear policy mandate and extensive experience in targeting the poor, in particular disadvantaged indigenous and ethnic groups and women; (iii) community-driven development, including natural resource management, community infrastructure, and better access of the poor to productive assets; and (iv) well-established partnerships with key central and local government institutions, as well as with multilateral and bilateral donors.

B. Strategic objectives

29. A Government priority is to reduce poverty and inequality in rural areas by developing local economies. This will be achieved by linking these economies to strategic economic value chains, enhancing labour opportunities and public/private partnerships, and ensuring the democratic participation of community-based organizations in decentralized government institutions and local rural development planning. In line with country policies, IFAD's strategic goal will therefore be to **promote pro-poor local development, using inclusive approaches to ensure that the more vulnerable among the indigenous and non-indigenous rural poor can benefit from rural economic growth and achieve better livelihoods**. IFAD will support the Government's plans for local development by facilitating the transformation of the traditional and isolated rural sector into a modern, competitive and market-integrated productive sector. In accordance with its mandate, IFAD will put the empowerment of the rural poor and the improvement of their livelihoods at the centre of its strategy.
30. All actors involved in COSOP preparation were invited to contribute to the definition of strategic objectives in order to ensure harmonization and alignment with national development and poverty reduction goals. Two main objectives were established:
 - (i) **Increasing income opportunities for the rural poor and reducing ethnic and gender-based inequalities through improved access to productive support services, infrastructure and markets**. Because of their limited productive assets and the lack of support services, the rural poor invest little, concentrating instead on food crop production for household consumption and on low-cost, low-tech off-farm production. IFAD will promote sustainable mechanisms to enable the rural poor to have access to productive

¹⁰ Although bilateral donors have projects in poor and marginalized areas, the scope and size of their investments is small, and project lifespans are short (2 to 3 years).

support services and investments, while increasing their productivity so that they can respond to the demands of national and external markets. It will promote partnerships among farmers' organizations, private operators and public services by supporting the creation of sustainable agricultural services. Geographic targeting, as per IFAD's operational guidelines on targeting, will help focus activities on the poorest and most vulnerable rural people, with initiatives in *comarcas* and surrounding *corregimientos*. Proactive initiatives, leadership training and the promotion of traditional cultural values will contribute to improving the self-esteem and capabilities of rural women and indigenous populations, facilitating social inclusion.

- (ii) **Improving local government and social empowerment – with special attention to indigenous and ethnic groups.** IFAD will enhance the rural poor's participation in local social and economic development processes through the use of participatory planning methodologies and tools. The Government has recognized the value of approaches tested by IFAD to promote income-generating opportunities, build local capacities, and support the definition of development models that are sustainable and consistent with local potentials and cultural values, and has specifically requested the Fund's assistance in scaling up these approaches.

31. Sustainable natural resource management and gender equity are included as cross-cutting themes in all strategic objectives. The likely environmental impact of all productive and infrastructure development activities will be taken into account from the planning stage. All economic development opportunities created by IFAD-funded operations will include activities aimed at reducing gender disparities and encouraging women's participation in economic activities. A special emphasis will be placed on leadership and skills training for women. These activities should be complemented by investments in time-saving technologies to enhance women's participation opportunities.

C. Opportunities for innovation

32. Within the framework of its country strategic objectives, IFAD will support innovation aimed at: (i) transforming subsistence agricultural and non-agricultural production into market-oriented rural microenterprises that can generate sustainable and significantly increased incomes (including through the provision of rural finance), and (ii) developing and consolidating long-term participatory rural development planning mechanisms at the local/community and *comarca*/provincial levels.
33. **Development of rural businesses.** The lack or low quality of productive assets is a factor affecting income levels in Panama's rural areas. The rural poor are concentrated in areas where conditions for intensive agriculture are often unfavourable, a situation aggravated by natural resource deterioration and climatic restrictions (particularly in the Azuero Peninsula). Their limited productive and marketing skills compound these problems especially among indigenous communities. Finally, the lack of all-weather access roads, community paths and footbridges not only increases market transaction costs, but also makes it difficult to reach schools and health posts.
34. IFAD projects will focus on value-added productive chains and/or production clusters that support more profitable agricultural and non-agricultural productive activities (small "traditional" food manufacturing industries, handcraft manufacturing, rural tourism and ecotourism, rural services, etc.). Support from the Agricultural Research Institute of Panama and the Tropical Agricultural Research and Higher Education Center will help projects identify sustainable and innovative technologies. To reduce transaction costs and facilitate the more efficient management of productive and marketing processes, IFAD will (i) promote and strengthen small farmers' microenterprises and economic organizations, and (ii) promote investments

in road infrastructure and communications. It will also test mechanisms to ensure that the poorer farmers in the target group have equitable access to services.

35. **Development of long-term participatory rural development planning methodologies.** Support to government decentralization programmes is a highly effective tool for empowering the rural poor and their organizations, as IFAD's experiences in Latin America have shown. Rural development planning committees – at the local/community, *corregimientos*, municipal and *comarca*/provincial levels – decide on rural investments in social and productive projects. The participation of the rural poor and community-based organizations in these committees increases their sense of ownership, enables them to exercise their rights as citizens and improve community and individual self-esteem, while at the same time making planning processes more democratic. This is particularly important in the case of isolated and socially marginalized communities.
36. The transfer of planning and fiscal resources to the municipal level as part of the decentralization process has given rise to a re-examination of rural development concepts in a broader framework – one that takes into account the relationship between rural areas and nearby urban centers, and incorporates a wider perspective of the factors that help fuel local economies. The trend towards decentralization is conceptually important for economic reasons (stimuli targeting local-level productive processes), equity (favouring marginalized populations and regions) and healthy democratization and governance in local spheres (social control over local and municipal elected authorities, participation by grass-roots groups in decision-making, etc.). In addition, the search for convergence in the national planning process between local interests and the overall national design formulated by a centralized government allows for a more democratic and participatory approach to national and local development. It is expected that the participatory process will gradually lead to a more democratic rural environment, which is an essential condition for socially and economically sustainable rural development. Grass-roots organizations will have responsibilities for M&E processes.

D. Targeting strategy

37. Panama's rural poor can be divided into four groups: (i) small subsistence farmers (105,700 households), linked partially and imperfectly to local food markets; (ii) landless and rural labourers (55,600 households), who derive their incomes from very small plots of rented or owned land used to produce food for household consumption, and from seasonal and/or permanent wage labour in agriculture or rural industries; (iii) indigenous communities (38,800 households), who cultivate subsistence crops on individual plots and communal land, produce traditional handicrafts and work as seasonal agricultural labourers; and (iv) woman-headed households (28,399 households), who eke out a living by cultivating small plots of land, engaging in informal commercial activities, processing food and undertaking wage labour. Woman-headed households and indigenous communities are the most vulnerable rural poor groups and lack access to extension services, rural credit and rural infrastructure.
38. In line with the IFAD Policy on Targeting (2006), IFAD will design project strategies that facilitate the inclusion of poor and vulnerable households in the development process. Using a geographic targeting approach, it will focus on areas with high levels of poverty, adequate population density, and high-to-medium agricultural and rural business potential. It will assist local/regional authorities and rural stakeholders in identifying the most pressing rural infrastructure needs (roads, communications, electrification and water supply); and, based on local/regional potential, it will help devise measures to correct geographical imbalances (by expanding infrastructure and the network of support services) and to facilitate the integration of poor groups into the economy.

39. **Inclusion.** In supporting local/regional economic growth, projects will target the various segments of the beneficiary population, including the poorer and more vulnerable ones, expanding their economic opportunities in accordance with local/regional growth needs. Specific mechanisms to reach poor groups could include: (i) supporting activities of interest to the target group that are viable and have growth potential; (ii) developing market/business and financial services that are accessible to the poor; (iii) enabling poor groups to participate in social and economic decision-making processes; and (iv) strengthening farmers' organizations so that they can represent poor farmers more effectively and facilitate their access to services and markets. Where necessary, IFAD may also cofinance the provision of basic social services in order to create the minimal conditions needed to sustain the participation of poor groups and areas in regional development.
40. **Geographic focus.** IFAD will continue to direct its support to the poorest regions, with an emphasis on indigenous *comarcas*, and will seek out partnerships with other donors. This focus will facilitate implementation support for ongoing programmes and is consistent with the creation of economic and market corridors, a Government priority. IFAD has a long record of experience in indigenous and isolated poor areas, and it has worked to realize their considerable potential for agricultural/rural business diversification, marketing and poverty reduction.
41. **Gender.** IFAD will promote gender balance by focusing project activities on closing gender gaps; identifying value chains in which women would be more likely to participate or have comparative advantages; and facilitating women's access to services, information, networking and decision-making. Regional and local authorities, and beneficiaries' and women's organizations will participate in developing these gender strategies and in monitoring their implementation and impact. All strategies will be built into the design of new projects.

E. Policy linkages

42. Dialogue with the Government on the key policies related to the country strategic objectives will take place in the context of the annual PBAS consultations carried out in conjunction with the annual review of COSOP indicators and country operations. The following priorities will be addressed:
- **Pro-poor rural market-oriented support services.** In line with strategic objective (i), IFAD will promote the formulation of a policy framework for the development of rural agricultural and non-agricultural businesses, and will assist the Government and the private sector in setting up a specific consultative platform through which community-based organizations and other stakeholders can contribute to sector policies and strategies, help define required support services and monitor their implementation. Modern agricultural rural business services are needed to support small farmers so that they can compete in the country's new market environment. IFAD will therefore promote rural services for market-oriented small rural businesses, including the required policy changes; provide technical assistance and financing mechanisms to facilitate business creation, together with a conducive policy and legal environment; build beneficiaries' technical, marketing and business management capacities; and provide access to investment and working capital. Equitable access to rural financial services will be a main topic in future policy dialogue with the Government. IFAD will also support the creation of a stakeholder platform to be linked with the IFAD grant-funded Programme for Strengthening Rural Organizations for Policy Dialogue in the Context of the Dominican Republic – Central America – United States Free Trade Agreement.
 - **Decentralization and participatory rural development decision-making.** In line with strategic objective (ii), IFAD will support

beneficiaries' organizations so that they can participate in policymaking at the local, regional and national levels. More specifically, the country programme will strengthen their capacities to influence policy change and to negotiate with the Government. IFAD will also promote the participation of farmers' organizations in consultative forums and will advocate the creation of a specific platform through which farmers' organizations and the Government can engage in policy dialogue on national rural development issues. As agreed with the Government, a project to support the decentralization process will be included in IFAD's new pipeline of proposed operations.

V. Programme management

A. COSOP management

43. The COSOP will benefit from IFAD's country presence, and implementation progress will be reviewed annually at a country programme review meeting in Panama City. Hosted by IFAD, the meeting will include the key central government ministries, project staff, cooperating institutions, bilateral and multilateral donors, and beneficiary representatives. It will contribute to an annual COSOP implementation progress report based on the Results Management Framework and its associated indicators. The report will include the annual RIMS project reports, country programme issues sheets, project status reports, the performance-based allocation system narrative summary and scores, and other project reports. The mid-term review of the COSOP will be in 2010.
44. To ensure stronger programme coherence and to measure programme performance, IFAD's Panama office will develop a country programme M&E system that will (i) integrate with the Ministry of Economy and Finance's project M&E systems; (ii) measure IFAD country programme and project achievements and assess their impact; (iii) exchange information with public and private rural development stakeholders to ensure coordination and a better match between project activities and the evolving circumstances; (iv) test with rural development stakeholders mechanisms and tools for dialogue, with a view to enhancing programme/project performance and increasing the response of public interventions to the expressed needs of the rural poor; and (v) introduce a participatory M&E methodology in line with the RIMS. The M&E system will be linked with the social monitoring system of the Ministry of Economy and Finance's Directorate of Social Development in order to monitor progress in the COSOP results framework.
45. Methodological support will be made available to project teams through the Programme for Strengthening the Regional Capacity for Monitoring and Evaluation of Rural Poverty-Alleviation Projects in Latin America and the Caribbean (PREVAL), IFAD's regional support system. The objectives will be to strengthen project team capacities; harmonize project M&E approaches and tools; set up a country programme M&E system, to be linked to project M&E systems. FIDAMERICA, a network linking 40 IFAD-funded projects in Latin America and the Caribbean, will provide support for horizontal project communications and for capturing lessons learned from local and regional IFAD projects. IFAD's Regional Unit for Technical Assistance (RUTA) will also provide backstopping in project implementation.

B. Country programme management

46. **Field presence and the country programme management team.** Since 2002, a country programme manager has been stationed in Panama to support IFAD's country and regional programme implementation, and to facilitate relationships at national and regional level with the Government, donors and other United Nations organizations. This arrangement has made IFAD more visible and better able to react and adapt to policy changes, while broadening and sharpening its knowledge about the country's development. Supervision modalities will evolve in line with

IFAD's new operating model, and the country programme will seek to achieve a better balance between supervision by cooperating institutions and direct supervision. The country programme management team will proactively apply the new COSOP strategic objectives to ongoing projects.

47. Ongoing IFAD projects include the Sustainable Rural Development Project in the Provinces of Coclé, Colón and Panama, due to close at the end of 2007; and the Ngöbe-Buglé project, which is midway through its implementation period and has over 80 per cent of unexpended resources (US\$24 million). The Ngöbe-Buglé project's objectives and components (human capital development, income improvement and rural infrastructure) are closely related to the present COSOP strategic objectives. Consequently, only minor programming and budgetary adjustments will be needed for it to be consistent with the new country framework directives. Given the size of its target population (30,000 people) and its budgetary resources, it is expected that the Ngöbe-Buglé project will contribute substantially to the achievement of the proposed country goals.
48. **Flexibility and institution-building.** In line with the COSOP's objectives, new projects will be flexible and based on demand-driven processes, which will enhance their ability to adapt activities to an evolving environment. Projects will also be better integrated into the existing institutional framework, which will require (i) working more closely with provincial and *comarca* governments to ensure that projects support regional development priorities; (ii) involving local, community and indigenous authorities in local planning; and (iii) participating in multi-donor initiatives to improve harmonization and alignment on national policies. IFAD and the Government have made a preliminary selection of potential implementing institutions for the new set of initiatives. They include the Ministry of Agricultural Development, the Panama Tourism Bureau and the National Council for Sustainable Development.
49. **Methodological support.** IFAD projects will seek to bring new approaches and instruments to rural poverty reduction, helping the rural poor to participate more fully in development processes in Panama. Faced with complex problems, particularly those related to indigenous communities, project designers often include approaches that are new to implementation teams. To expedite project implementation, IFAD will ensure that project teams have support from supervision missions and national and international technical assistance, as well as the methodological support of PREVAL, FIDAMERICA and RUTA – particularly at early project stages. The country programme will also link IFAD-financed projects to development networks.

C. Partnerships

50. IFAD's in-country partnership agenda will include not only opportunities for cofinancing and synergies in selected thematic areas for investments on the ground, capacity-building and policy dialogue, but also a proactive collaboration with other major donors interested in working with the Government to improve the country's performance in areas related to procurement, financial management and other aspects of implementation.
51. **Government partners.** Key government partners at the central government level are the Ministry of Economy and Finance, the Ministry of Agricultural Development, the Ministry of Social Development, the Ministry of Interior and Justice, and the Ministry of the Presidency. At regional/local level, IFAD will maintain its relations with *comarca* leaders, provincial governors and mayors. As IFAD's focal point in the Government, the Ministry of Economy and Finance will be responsible for overall coordination of the country programme. IFAD will also continue to build on its successful partnerships with key sector ministries and local government agencies. It has kept in close contact with the Ministry of Economy and Finance during the formulation of the COSOP to ensure that IFAD interventions are harmonized with

Government and donor rural development/poverty reduction programmes, and with Panama's plans for achieving the Millennium Development Goals. Annual COSOP review meetings will be held to enhance coordination and the exchange of information between IFAD and the Government.

52. **Donors.** Multilateral and bilateral donors and technical cooperation agencies were invited to participate in COSOP preparation activities. The World Bank's operations in Panama include poverty reduction programmes (with a focus on direct subsidies), and projects relating to land titling and rural productivity. The World Bank has recently approved the US\$39.4 million Rural Productivity Project (PRORURAL), which will help rural small-scale producer associations form productive alliances with commercial partners and implement joint business plans while managing factors that can threaten the environment. Contacts have already been made to establish coordinating mechanisms with IFAD operations. The Inter-American Development Bank has concentrated resources on poverty reduction (direct subsidies), human capital development, land titling, rural and municipal infrastructure, decentralization, and environmental protection of the Panama Canal watershed, sharing some areas of intervention with IFAD. The Andean Development Corporation has indicated its interest in cofinancing an operation in Panama, and IFAD will follow up this possibility during the formulation phase of new projects.
53. Bilateral cooperation includes the United States Agency for International Development (USAID), the Japan International Cooperation Agency (JICA) and the Spanish Agency for International Cooperation (AECI). USAID is supporting the signature of a free trade agreement between Panama and the United States of America. JICA is supporting rural development, natural resources, conservation and management, through training and sustainable agricultural and agroforestry technologies. AECI has an integrated programme in the Kuna Yala *comarca*, including bilingual education, reproductive health and sustainable use of coastal marine resources. IFAD maintains systematic channels of communications and coordination with multilateral and bilateral donors through its country programme manager based in Panama, with the coordination of the Ministry of Economy and Finance.
54. **Private sector.** The COSOP proposes to strengthen the linkages that rural households, cooperatives and the farmers' and indigenous organizations that represent them have with private-sector organizations engaged in input supply and the marketing of agricultural products. The aim is to develop economic opportunities by building "market bridges" among producer groups using tools such as market information, training, joint pilot programmes, technology testing and contract farming.

D. Knowledge management and communication

55. Activities to be implemented during the country programme will contribute to IFAD's knowledge management and innovation objectives. IFAD will promote institutional learning and knowledge-sharing through PREVAL, RUTA and FIDAMERICA information systems, which connect projects, local/national authorities and professional organizations. To this end, the Fund will strengthen project M&E systems so that they not only measure project performance and outcomes but also track lessons learned and promote project staff learning. The country programme M&E system will be supported by a communications strategy aimed at disseminating project results, lessons learned and best practices to IFAD's local, national and regional partners and contributing to national-level policy dialogue. Knowledge management activities will focus on the development of inclusive approaches for indigenous communities, income-generating activities and decentralization and participatory local development.
56. IFAD will improve the rural poor's access to information and knowledge, which will help them in making informed decisions. Key priorities will be to promote

consultative platforms involving small producers' organizations and other stakeholders to facilitate the exchange of information, especially for key input-market value chains; strengthen farmers' organizations' capacities to disseminate information to their members; and diversify types of communication support including adapting messages to illiterate audiences. The new projects will have knowledge management and learning components budgeted and built into their implementation plans, supported with information from project M&E systems.

E. PBAS financing framework

57. The PBAS allocation is reviewed every year in the light of rural sector performance. The 2006 PBAS assessment resulted in a global rating for Panama of 4.04 (on a scale of 5) and a 2007 indicative commitment of around US\$1.7 million per year for the COSOP year 1 (table 1). Total country allocation for the period 2007-2009 has been estimated at US\$5.7 million. The new PBAS allocation will be supplemented by resources available under ongoing operations, as part of a consolidated country programme approach.

Table 1
PBAS calculation for COSOP year 1

<i>Indicator</i>	<i>Rural sector scores</i>
Policy and legal framework for rural organizations	3.80
Dialogue between government and rural organizations	3.88
Access to land	4.00
Access to water for agriculture	4.00
Access to agricultural research and extension services	3.75
Enabling conditions for rural financial services development	3.75
Investment climate for rural businesses	4.50
Access to agricultural input and produce markets	4.50
Access to education in rural areas	4.00
Representation	5.00
Allocation and management of public resources for rural development	3.67
Accountability, transparency and corruption in rural areas	3.56
Sum of combined scores	48.52
Average of combined scores	4.04
PAR ratings	4
Country score	4.02
Annual allocation in United States dollars (2007)	1,724.129

58. Table 2 provides indicative scenarios. If implementation of the existing programme deteriorated and performance scores declined, the overall allocation to Panama would be reduced by 19 per cent. Using the same variables, if indicators improved for more than two years, the overall allocations would be 12 per cent higher.

Table 2
Relationship between performance indicators and country score

<i>Financing scenario</i>	<i>Project-at-risk rating (+/- 1)</i>	<i>Rural sector performance score (+/- 0.3)</i>	<i>Percentage change in PBAS country score from base scenario</i>
Hypothetical low case	3	3.74	-19
Base case	4	4.04	0
Hypothetical high case	5	3.97	12

F. Risks and risk management

59. The risks presented below were identified during the COSOP formulation exercise and in the PBAS assessment.
60. **Inequitable growth.** A risk affecting strategic objectives (i) and (ii) is that policy measures and development plans designed to promote economic growth do not include specific actions to ensure that the poorer groups in the target population can

also benefit from economic development. To mitigate this risk, IFAD has placed a strong focus on the need to enable poorer groups to take advantage of regional potential and growth poles. This emphasis will be built into all projects, including ongoing ones, which will receive methodological support so that they can adapt accordingly. IFAD will also build regional stakeholder capacities to design, implement and monitor pro-poor development strategies.

61. **Existence of adequately trained local indigenous and small poor farmers' development organizations.** Local rural organizations capable of undertaking participatory demand-led extension and rural development methodologies are crucial for the success of rural development initiatives and the achievement of strategic objectives (i) and (ii). IFAD's country programme will emphasize strong and systematic human capital development and training activities for community and organization leaders, to be undertaken by local training and extension organizations.
62. **Project staff instability.** Over the years, high staff turnover, due to changes in political structures, has negatively affected project performance. Recently a mechanism has been put in place to select and evaluate project staff, but it is not yet fully operational. An agreement with the Government's project implementing institutions will give project staff the stability they need.

COSOP consultation process

Introduction

Following the new guidelines for the preparation of COSOP, a three step preparation and consultation process was completed: (i) a Pre-COSOP Mission; (ii) two consultation workshops with representatives of small-scale farmers, indigenous groups and women; and (iii) extended consultations with government institutions and programmes and with multi and bilateral donors and technical assistance international institutions.

Pre COSOP Mission

In December 2006 a Pre-COSOP Mission composed of two local consultants, collected and reviewed secondary census, poverty, social, indigenous, gender and economic data and studies. A detailed poverty and agricultural/rural diagnosis was completed. Rural poor and extremely poor population segments were identified, as well as their geographic distribution. Rural poor livelihood strategies, agricultural, non-agricultural and labour income generating activities were identified. Agricultural and rural development policies and activities were systematized, and possible thematic and geographical areas of intervention were identified.

Multi and bilateral donors were contacted and their country programmes and past and on-going project were analyzed. A detailed description of Panama's poverty reduction, rural and sectoral development policies was completed. Based on IFAD's COSOP preparation guidelines, a preliminary definition of the country strategic framework was proposed.

Lessons from IFAD past and on-going projects were identified and systematized, as well as operational advantages and limitations were identified. The Pre-COSOP Mission completed a 42 page report, including a list of relevant documents and a draft of lessons learned. The Pre-COSOP document was used as a base document for the present COSOP preparation Mission.

Consultations with Beneficiary Leaders and Organizations

A. Background

The preparation of the Country Strategic Opportunities Program (COSOP) for Panama followed IFAD guidelines, which includes consultations with different participants, including representatives of rural organizations that could become potential beneficiaries of a future Fund operation in the country. To this purpose, two workshops where small-farmers, artisans, women, youth and indigenous populations were represented, were carried out in March 2007: one with rural organizations involved in agriculture and non-agricultural activities in Santiago, Province of Veraguas; and a second in San Felix in the Province of Chiriqui, which involved representatives of the Ngöbe-Bugle indigenous organizations.¹

In total 52 rural organizations participated, with 67 representatives attending both workshops. In addition at the Santiago meeting 3 public sector agencies participated with 11 staff members.

¹ The consultation process with rural organizations was carried out under the responsibility of RUTA, in coordination with the IFAD COSOP Mission leader and with the participation of one Mission consultant.

Table 1. Participants in consultation process

Workshop Site	Veraguas			San Félix			Total		
	No.	No. Persons		Org.	Persons		No.	No. Persons	
		M	F		M	F		M	F
Rural Organizations	21	17	9	31	21	20	52	38	29
Public sector institutions	3	7	4				3	7	4
Total	24	37		31	41		55	78	

B. Objectives and Methodology

The objectives of the consultations were: (a) to determine the main income generating activities being carried out by rural organizations in the areas where they operated and the restrictions for increasing production and incomes; (b) analyze positive and negative aspects from the point of view of the organizations, of their experience with programs, projects and other development initiatives, in order to obtain recommendations for improving their participation in the future; and (c) to identify from the point of view of participants, of the main opportunities provided by the country poverty reduction strategy, and the involvement of their organizations in the same.²

The methodology used for the consultation process involved: (i) design of the workshop exercise with its objectives, work program, group discussion guidelines and discussion tools; (ii) the identification and selection of the rural organizations from areas of high rural poverty concentration to be invited, taking into account both non-indigenous and indigenous populations, as well as an equitable participation by both women and men; (iii) the facilitation of the working groups in each of the two workshops; and d) a synthesis of the working group results and recommendations.

The workshop scheme was developed to allow for maximum discussion by the participants from rural organizations. In each workshop, participants were divided into three work groups, one comprising only women and two others having a mix of men and women. In Santiago, where public sector institutions participated, their representatives were put into a separate work group, to avoid influencing the discussions held by members of rural organizations. At the Santiago de Veraguas workshop, 24 rural organizations attended from the central provinces (Veraguas, Coclé, Herrera, Los Santos, Colón and Western Panama). At the San Felix workshop 31 Ngöbe-Bugle indigenous organizations were present, from the three regions of the comarca (Ñokribo, Kodiriri and Nedrini). Women representatives made up 42 per cent of total participants.

C. Findings Based on Consultations with Rural Organizations

The workshops produced ample information on the three main discussion topics selected by the COSOP Mission, being especially valuable in providing numerous insights and findings from the point of view of rural organizations, on the opportunities and limitations the Fund would face in implementing the COSOP. The results obtained have been organized in relation to the three main objectives of the consultation, seeking to underline the differences found in responses from non-indigenous and indigenous organizations, and between those representing women's organizations as compared with those organizations of a mixed nature or predominantly made up of men. The

² In lieu of a formal poverty reduction strategy, the Government's "Visión estratégica de desarrollo económico y de empleo hacia el 2009" was used as the main reference for this purpose.

information provided by the consultations covering the topics is presented in a brief manner in the following sections (*A fuller text version is available in the Spanish version*).

Main income generating activities

In order to identify the main income and employment generating activities in their respective areas, workshop participants were requested to develop a list of these. Numerous options were listed, reflecting the major differences in agro-ecological conditions within each and between the two main regions; production possibilities of the participating organizations and their members; as well as previous experience and knowledge regarding agriculture and non agriculture production and marketing. (*The original lists of identified activities are provided in annexes 5 and 6 of the Spanish version*). To establish priorities among the various activities, participants were requested to apply the following criteria: (a) general importance of each activity in the region; (b) contribution to both employment and income; (c) potential for future development. Additional criteria were: (d) contribution to capital accumulation, and (e) export potential. A synthesis of the main activities identified in both workshops is presented in Table 2.

Table 2. Main income generating activities

Central Region	Comarca Ngöbe-Buglé
Coffee	Traditional handicrafts
Citrus	Tourism
Small-scale livestock production	Coffee
Roots and tubers	Roots and tubers
Grains: corn and rice	Grains and horticulture

For the organizations representing the Central Region their most important income generating activities are related to primary agricultural production. These comprise coffee, citrus, small-scale livestock production, roots and tubers and basic grains (rice and corn). For women chickens provide an additional important source of income. On the other hand in the Ngöbe-Buglé Comarca, the main income source comes from the production and sale of handy-crafts (hats, dresses, chácara, cháquiras, etc.), followed closely by coffee and an increasingly by rural ethno-tourism. Tourism-related activities have a high potential as a source of income and employment for many families in the Comarca, as they require diverse services such as rooming, food, guides, infrastructure and others. In spite of a wide diversity of activities identified, coffee, roots and tubers and basic grains, together with small-scale animal husbandry, form the core of income generating activities in both regions.

Obtaining increased incomes from the main income generating activities faces some important restrictions that are generally common to all, although of course certain factors such as diseases only affect certain crops. Marketing, technical assistance, training, financing, road infrastructure are general recognized problems. The weakness existing in rural organization development is another very important factor.

While all regions are prone to the same types of problems, those identified for non-indigenous and indigenous regions vary. For example, regarding training, in the Central Region the problem identified by the rural organizations points to the fact that training has been focusing on the technicians and not on the farmers themselves, while in the Comarca, the main issue raised was that Ngöbe artisans were not being sufficiently used to train other persons in handicraft production. Central Region organizations pointed out that excessive bureaucracy and a lack of confidence in their

ability to manage projects and programs restricts the effectiveness of rural development efforts. The Ngöbe-Buglé organizations in turn identify the lack of follow-up by projects and programs as being highly detrimental for achieving sustainability in economic activities. *(A detail of the restrictions is provided in table 3 of the Spanish version).*

Participation in programs and projects

Positive aspects. A shared vision exists of which programs and projects have helped strengthen rural organizations, mainly in training, transfer of resources and technologies to improve the human and productive capacities. The creation of new organizations, for some organizations it is a positive element, nevertheless, for others, what should take place is a greater recognition of those already existing organizations. Among the Ngöbe Buglé as an indigenous area, great value is assigned to the strengthening of special organizations such as those that include traditional doctors and empirical midwives.

Both groups also agreed that projects have contributed significantly to creating spaces for stimulating a greater degree of participation, the interchange of experiences and for assigning a more important role to the women - the latter being greatly emphasised in the Ngöbe Buglé area. In addition, some projects have served to promote a greater degree of social cohesion in organizations, which have united to defend the environment.

Negative aspects. Among the negative experiences where a greater degree of coincidence exists, is that regarding the excessively lengthy procedures applied by project execution units for processing requests for resources to fund implementation of local projects. Another serious problem mentioned, was the loss of confidence in the institutions, due to bureaucratic procedures and political influence, considered as having highly negative effects on the execution of the projects. This and the constant changes in technical staff supporting field activities, breaks the normal development of local projects.

Another important issue relates to the planning of and implementation of projects where little real participation exists. Here both the lack of knowledge of programs on the part of the rural organizations and their exclusion for political reasons by the Government, results in an unsatisfactory situation, with each side blaming the other for lack of success. Organizational weaknesses in handling marketing issues, enhanced by poor road access, was another problem that projects left unresolved. A situation mentioned in the case of Veraguas, was the scarce motivation of members of organizations to work in as a team and to participate in training.

Recommendations. Among the shared recommendations a matter of the first order is the reduction of bureaucracy in the process of transferring resources for productive investments to communities. That is to say, to make the process much more efficient.

There is a need to create spaces to where institutional confidence, between rural organizations and public agencies can be re-established, through which agreement can be reached to give an active role to the organizations in the process of decision making for programs and projects. As a result, coordination between rural organizations and public institutions and programs must improve.

To reduce discrimination by the projects to organizations, based on externally generated political pressures, both parties should establish jointly agreed procedures for a more open and democratic selection of beneficiaries and to guarantee a greater stability of the technical personnel of the programs. An important complement is to set up a suitable and participatory monitoring and evaluation system, agreed to by both projects and organizations.

Whereas the Ngöbe Buglé women recommended greater promotion efforts for the setting up of women organizations, those of Veraguas and neighbouring areas, gave greater importance to promoting the participation of women and young people within the existing organizations, through training and in project design and implementation.

Opportunities for making use of poverty reduction policies and strategies

The policies of the Government of Panama regarding poverty reduction are contained in the “*Visión estratégica de desarrollo económico y de empleo hacia el 2009*”, a document produced by the Ministry of Economics and Finance in May 2005, and which received little discussion with civil society and other private sector stakeholders prior to distribution. The Government has presented this document to entrepreneurial organizations and to international cooperation agencies, but according to information provided by workshop participants, it was practically unknown to them before the consultation. This lack of information on the part of the rural organizations involved in the workshops, needs to be taken into account in evaluating their responses and recommendations relating to how they viewed their opportunities and limitations in terms of a poverty reduction strategy for Panama. Once established during the first workshop in Veraguas that participants were relatively uninformed about the “*Visión Estratégica...*”, this made it necessary to adjust the poverty strategy related topics for the second workshop, which were then focused on those matters closer to the experience of the Ngöbe-Buglé people.

The representatives of rural organizations from the Central Region, were asked to respond to the question of what opportunities and limitations of the poverty reduction strategy, by selecting from one among five general strategic elements identified by the COSOP Mission, where they considered their organizations could develop a significant role during implementation. In contrast, for the second workshop, Ngöbe-Buglé organizations were asked to focus their analysis only on selected topics related to the *Visión Estratégica*’s, first strategic area, dealing with poverty reduction and improving income distribution, and which includes specific issues for indigenous communities. Table 3 includes the topics developed in each workshop.

Table 3. Topics selected for analysis concerning the poverty reduction strategy

Central Region workshop	Ngöbe-Buglé Region workshop
1. Implementing specific programs for increasing productivity by sectors, especially un agriculture.	3. Developing human capital in the region
2. Establishing participatory and democratic processes for planning local-level development	4. Promoting intercultural bilingual and basic education
	5. Programs for the extremely poor

D. Conclusions and Recommendations from Rural Organizations

Topic 1. Implementing specific programs for increasing productivity by sectors, especially in agriculture. (A women’s group in Veraguas developed this theme). By developing specific programs for improving productivity, it considered that this would lead to opportunities for creating more employment, for accessing national and international markets and for increasing production. In turn, the expected increase in family incomes would result in improved nutrition and life styles, more opportunities for family employment and thus reduce exposure by rural youth to drugs and crime. The group recognized that significant limitations existed due to a scarcity of roads, of agricultural land and markets. In addition at the micro level, producers faced problems in order to increase productivity due to insufficient access to inputs, seeds, and technical and marketing know-how. Overcoming these obstacles requires improved knowledge on

the part of rural organizations, of the real production potential of each crop or other economic activity. It also requires that these organizations develop a capacity to demand services and support from public and private institutions in their area of operation.

Topic 2. Establishing participatory and democratic processes for planning local-level development. (*This theme was developed separately by two mixed groups in Veraguas*) Planning for local development to be effective in terms of achieving real participation and the application of democratic principles, requires that organizations follow three propositions: (a) that they be truly committed to communal interests, and avoid any involvement with those of individual members; (b) that they strengthen themselves by investing in educating their members on organizational matters; and (c) that they acquire and make use of good local information so as to contribute effectively in local planning activities.

The opportunities to be exploited under this theme comprise: (a) rural organizations consider that their involvement in project formulation would contribute substantially to improve their design, by applying to local planning efforts, their special knowledge of technical and local organizational needs so that project objectives linked to poverty reduction can be achieved. (b) In order for rural organizations to participate in an effective manner, however, it is imperative that the existing lack of trust by the Government and politicians, on their taking part in project decisions be eliminated. The Government must change its policies and give the organizations a substantial say on decisions about which problems to tackle and which solutions to apply, and not as happens at present where their "participation" is limited, and decisions are taken mostly on the basis of political convenience. Otherwise real participation by organizations will continue to be inhibited by the lack of democratic and participatory conditions. (c) That rural organizations on their part, in order to take advantage of opportunities provided in the poverty reduction strategy, need to educate their members so that they share a firm commitment to furthering common goals and accepting organizational responsibilities for achieving the common good. (d) That in order to participate effectively in project planning at the local level, rural organizations must develop their capacity to gather and analyze information on local conditions, both regarding resources available -be these human, financial or technical - to ensure proper project implementation, and to carry out an adequate monitoring once implementation starts. (e) Finally, rural organizations must work to create effective dialogue and negotiation spaces at the local level, in order to reduce the existing political interference regarding important local decisions, which leads to people losing interest in participating more actively in activities of common benefit.

The participants recommended that IFAD should seek to: (a) begin by providing those rural organizations it seeks to work with, with appropriate support to strengthen their internal capacity before involving them in project work; (b) to seek the direct transfer of resources approved for their use to the implementing organizations; and (c) to promote with the Government the concept that the main responsibility for implementation be assigned to rural organizations involved with the projects.

Topic 3. Developing human capital in the region. (*Two groups in the Comarca Ngöbe-Buglé workshop developed this theme*) A substantial improvement in peoples education was deemed a crucial element by the Ngöbe-Buglé organizations, if they are to take real advantage of opportunities offered by the poverty reduction strategy and other such policies and programs. However, in order to be effective the opening up of increased educational opportunities must be accompanied by improved employment options in the Comarca. This is vital since there already exists a substantial human capital in the area, which is being underemployed, due to lack of work options and only partial involvement of local organizations in project implementation. The Government and the Ngöbe-Buglé Project should help implement the "**Plan Estratégico de la Comarca**" which provides guidelines for making greater use of local capacities.

Through better access to education – especially for women- there would be a possibility of substantially improving health and sanitary conditions for the family and the community. This would also improve women’s capacity to obtain employment. Limiting factors at present are a lack of information on existing programs directed at these issues, and poor coordination between political authorities and organized groups that could take advantage of them if they worked effectively together. In addition, the weakness of many local organizations, results in their not being taken into account when decisions are made in regards to implementing existing programs. The scholarship and training components of the Ngöbe-Buglé Project should be strengthened by the Government, but care should be taken to produce a well thought-out human resource development plan for the Comarca, based on a survey of existing students at the primary and high school levels, that would stimulate these to continue studying and at the same time program their employment as teachers and technicians in the Comarca.

Topic 4. Promoting intercultural bilingual and basic education. (*Two groups in the Comarca Ngöbe-Buglé workshop developed this theme*) Establishing a truly intercultural bi-lingual education is considered fundamental for defending and maintaining the Ngöbe-Buglé culture, including the recognition of their language. The law that established the Comarca included a commitment to establish a bi-lingual education, but neither Government nor the traditional authorities of the Comarca, have had the political will to make this happen. Participants indicated a major worry was the progressive loss of their language, as many young people no longer speak Ngöbe. A lack of teachers and professors that can teach in Ngöbe is a major problem, as even Ngöbe teachers have been trained to give their lessons in Spanish. Ngöbe origin teachers would have the advantage of knowledge of the particular culture and should be employed to this end.

Topic 5. Programs for the extremely poor. One of the very few programs identified and highly regarded by organizations was the “Red de Oportunidades” that provides direct cash and food subsidies. It is considered to effectively support very poor families through economic assistance and job training.

IV. CONSULTATION WITH GOVERNMENT AUTHORITIES AND DONORS

A. Background

The consultation with government authorities were held during meetings held from February 19th to 24th. An initial meeting was held with the General Directorate of Public Credit of MEF; IFAD counterpart institution. The Mission presented the objectives and depth of the COSOP exercise, under the new IFAD operational strategy. Government poverty reduction and rural development policies under “*Visión estratégica del desarrollo económico y del empleo hacia el 2009*”, the social and economic development programme of the present administration were discussed and a list of government sector institutions and programmes were selected to be interviewed by the Mission.

Discussion of government social and economic development agenda and programmes were held with the Minister of Agricultural Development and the Vice-minister of Social Development. Detailed technical and operational discussions were held with the Directorate of Municipal Strengthening and Public Investment from MEF, Directorates of Indigenous Policies and Local Governments from MGJ, CONADES and FIS from the Ministry of the Presidency and IPAT. A first approximation to the identification and location of future IFAD operations was discussed with all public institutions. Findings of these meetings and a first draft of the COSOP was discussed with General Directorate of Public Credit of MEF by the end of the Mission. An Aide Memoir was signed.

Meetings and consultations with the donor community included World Bank, IADB, and European Union. Bilateral donors participating in the COSOP exercise included USAID, JICA and AECI. Meetings were held with the United Nations organizations (UNDP, UNFPA, FAO, UNICEF and UNIFEM), as well as with IICA and CATIE.

B. Findings

Government authorities indicated that the GOP is firmly committed to the implementation of the "*Visión estratégica del desarrollo económico y del empleo hacia el 2009*", the social and economic development programme of the present administration. The accomplishment of a set of quantifiable poverty reduction targets included in the plan is monitored by the President by chairing Cabinet meetings in rural provinces and public consultations with civil society and grass root organizations. Feedback mechanisms have been implemented to improve the effectiveness of the plan and monitor the progress of local development programmes.

During the first two years of implementation of the National Development Plan a number of lessons are being learnt including the need to: (a) further decentralization and participation, including financial and responsibility transfers to local governments; (b) better geographical and beneficiary targeting; (c) participative planning for a more integrated developmental approach; (d) strengthen human development as pivotal factor for local development; and (e) a coordinated public institutional approach to local social and economic development. Agricultural sector authorities stated that the sector strategic plan will focus on markets and competitiveness as the driving force for agricultural and rural development, under a broad strategy that includes rural non-agricultural, tourism and services activities. This situation is forcing a coordinated more inter-sector approach to rural development.

World Bank, IADB and EU informed of their current and future portfolio, highlighting complementary thematic and geographical operations (see Key File Table 3). Coordination mechanisms were discussed with MIDA with regard to World Bank's agricultural productivity project (in preparation) that will share common areas but different target groups, with IFAD – GOP first proposed project. The role of CONADES and the Directorate of Municipal Strengthening from MEF in coordinating IADB operations in decentralization and rural infrastructure with IFAD operations was discussed. Coordinating mechanisms will be discussed and agreed during project formulation. Both World Bank and IADB are supporting competitiveness, productivity and market linkages projects for the agricultural export sector. The EU is about to finalize a rural development and reproductive health project in the *comarca* Ngöbe – Buglé, that has links and coordinating mechanisms with IFAD's financed operation. Currently, the EU support has focused on the improvement of the judicial and penitentiary systems and rural electrification. USAID is supporting the signature of the Free Trade Agreement with the US. JICA are supporting poverty reduction and improved productivity initiatives in the rural sector. AECI has a portfolio of projects supporting the improvement of cultural landmarks infrastructure and a bi-lingual educational project in the *comarca* Kuna Yala.

UNDP and the UN institutional system are providing support to strengthen Panama's capacity to develop public policies, promotion of social inclusion and equity and democratic governance. UNFPA, FAO, UNICEF and UNIFEM are engaged in technical support to sectoral policies and actions. IFAD maintains a cooperation agreement with UNFPA for the implementation of the reproductive health component of the Ngöbe – Buglé II project and coordination and information links with UNICEF to collect and update child nutrition RIMS indicators. UNDP and IICA have supported the administration of the Ngöbe – Buglé I, Darién and Triple C Projects.

Since Panama a middle income country, does not has an explicit PRS, actions related to poverty reduction and the achievement of the MDG are imbedded in the national and sector development plans. A general government – donor coordinating mechanism is under the responsibility of MEF, complemented by sectoral coordinating mechanisms. IFAD is involved in both the country and sectoral poverty alleviation and rural development coordinating mechanisms.

C. Conclusions and Recommendations of Government and Donor Institutions

1. The consultation with government institutions and donors concluded and recommended:

- IFAD proposed COSOP country strategic objectives are in alignment with national and sector development policies, and in particular to those related to poverty reduction and sustainable rural development;
- Rural poor, indigenous communities and vulnerable populations are the institutional niche of IFAD;
- New interventions should include participative planning including municipalities, *corregimientos*, grass root organizations and the private sector, in coordination with the government decentralization and participative policies;
- IFAD target group, particularly indigenous communities and women heads of households, need to be seen in the social and cultural context of their communities, as well as in the vertical and horizontal linkages of their social and economic inter-relations;
- IFAD should support the consolidation of private local services providers, particularly those organized by beneficiary groups;
- Government – donors – IFAD alliances and information sharing are the basis for efficient and coordinated rural development initiatives;
- Mechanisms to effectively M&E project activities, including clearly identified goals, indicators and measures of progress should be implemented in all new operations, including feedback mechanisms;
- Flexibility in project implementation is crucial to ensure success and impact;
- Interventions should consider young men and women by strengthening their skills and knowledge to take advantage of market opportunities, in association with schools, technical institutes, colleges and church organizations; and Project staff stability is paramount to project efficiency.

Country economic background

Land area (km² thousand) 2004 1/	74	GNI per capita (US\$) 2004 1/	4 210
Total population (million) 2004 1/	3.18	GDP per capita growth (annual %) 2004 1/	4.4
Population density (people per km²) 2004 1/	43	Inflation, consumer prices (annual %) 2004 1/	0.4
Local currency Balboa (PAB)		Exchange rate: US\$ 1 = PAB ***ADD RATE***	
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1998-2004 1/	1.9	GDP (US\$ million) 2004 1/	13 733
Crude birth rate (per thousand people) 2004 1/	22	GDP growth (annual %) 1/	
Crude death rate (per thousand people) 2004 1/	5	2003	4.3
Infant mortality rate (per thousand live births) 2004 1/	19	2004	6.2
Life expectancy at birth (years) 2004 1/	75	Sectoral distribution of GDP 2004 1/	
Number of rural poor (million) (approximate) 1/	n/a	% agriculture	8
Poor as % of total rural population 1/	n/a	% industry	18
Total labour force (million) 2004 1/	1.43	% manufacturing	8
Female labour force as % of total 2004 1/	38	% services	74
Education		Consumption 2004 1/	
School enrolment, primary (% gross) 2004 1/	112	General government final consumption expenditure (as % of GDP)	13
Adult illiteracy rate (% age 15 and above) 2004 1/	8	Household final consumption expenditure, etc. (as % of GDP)	68
Nutrition		Gross domestic savings (as % of GDP)	19
Daily calorie supply per capita	n/a	Balance of Payments (US\$ million)	
Malnutrition prevalence, height for age (% of children under 5) 2004 2/	18 a/	Merchandise exports 2004 1/	944
Malnutrition prevalence, weight for age (% of children under 5) 2004 2/	7 a/	Merchandise imports 2004 1/	3 530
Health		Balance of merchandise trade	-2 586
Health expenditure, total (as % of GDP) 2004 1/	8 a/	Current account balances (US\$ million)	
Physicians (per thousand people)	n/a	before official transfers 2004 1/	-1 450
Population using improved water sources (%) 2004 2/	90	after official transfers 2004 1/	-1 127
Population with access to essential drugs (%) 2/	n/a	Foreign direct investment, net 2004 1/	1 012
Population using adequate sanitation facilities (%) 2004 2/	73	Government Finance	
Agriculture and Food		Cash surplus/deficit (as % of GDP) 2004 1/	1 a/
Food imports (% of merchandise imports) 2004 1/	14 a/	Total expenditure (% of GDP) 2004 1/	n/a
Fertilizer consumption (hundreds of grams per ha of arable land) 2004 1/	524 a/	Total external debt (US\$ million) 2004 1/	9 469
Food production index (1999-01=100) 2004 1/	104	Present value of debt (as % of GNI) 2004 1/	94
Cereal yield (kg per ha) 2004 1/	1 955	Total debt service (% of GNI) 2004 1/	11
Land Use		Lending interest rate (%) 2004 1/	9
Arable land as % of land area 2004 1/	7 a/	Deposit interest rate (%) 2004 1/	2
Forest area as % of total land area 2004 1/	n/a		
Irrigated land as % of cropland 2004 1/	6 a/		

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

1/ World Bank, *World Development Indicators* database CD ROM 2006

2/ UNDP, *Human Development Report*, 2006

COSOP results management framework

11

Country strategy alignment	Key results			Institutional/Policy objectives
Poverty Reduction Strategy and Targets	Strategic objectives	Outcome that IFAD Expects to Influence	Milestone indicators	Policy dialogue agenda
<p>Country Development Plan Objective: Poverty reduction and improvement of the income distribution Increased income and productivity in socially and economically depressed population in rural areas.</p>	<p>(a) Increasing income opportunities for the rural poor and reducing ethnic/gender based inequalities through improved access to productive support services, infrastructure and markets:</p> <p>Improving agricultural and non-agricultural income generating opportunities for the rural poor Improving targeting mechanisms for vulnerable populations</p>	<ul style="list-style-type: none"> • 12% increment in rural per capita income in project areas¹ • 15% increase in value of agricultural and non-agricultural products and services placed in national and external markets • 15% increment in rural per capita income of indigenous and women headed households in project areas¹ • 10% reduction in chronic malnutrition in children • 20% increase in the number of beneficiary indigenous and women's groups with access to productive and financial services and infrastructure in IFAD funded project areas • 20% increment of grass root organizations, including indigenous and women's groups participating in local development planning and implementation • 10 ecological, sanitation and cultural heritage projects implemented according to development plans of indigenous <i>comarcas</i> 	<ul style="list-style-type: none"> • Business plans implemented by organizations of small rural agricultural and non agricultural business and scale entrepreneurs • Increased number of small rural agricultural and non agricultural business and entrepreneurs linked to national and external markets • Small poor producers, including indigenous and women groups have improved productive, management and entrepreneurial capacities • Development plans for indigenous and non-indigenous rural communities elaborated and implemented 	<ul style="list-style-type: none"> • Built consensus and develop policies and instruments to implement pro-poor rural market oriented support services • Conductive regulatory framework to facilitate arrangements for joint ventures between small-scale producers and commercial entrepreneurs • Develop targeting and territorial focalization policies, instruments and M&E systems to ensure inclusive and equitable development • Promote workshops and other dialog mechanisms to improve decentralization and participatory rural development planning and decision making
<p>Country Baseline data (2004) National poverty level 37,3% Indigenous communities poverty levels 98% GDP per capita US\$4200 Poor – rich income gap 42% Chronic malnutrition (6 to 9 years) 22%</p>	<p>(b) Improving local government and social empowerment –with special attention to indigenous and ethnic groups</p> <p>Empowerment of poor vulnerable populations and their organizations and its participation capacities in local governments development plans</p>			
<p>IFAD Project Areas³ Baseline data (2006) Poverty level 86,3% Extreme poverty level 75,5% Average Annual Rural Income US\$685 Unemployment 22,5% Illiteracy rate 28,3% Chronic malnutrition (6 to 9 years) 34%</p>				
<p>Targets (2009): National poverty level 32% Indigenous communities poverty levels 80% GDP per capita US\$5200 Poor – rich income gap 35% Chronic malnutrition (6 to 9 years) 15%</p>				

¹ In IFAD ongoing and new project areas.

Previous COSOP results management framework

C. IFAD operations	STATUS AT COSOP DESIGN	STATUS AT COMPLETION	LESSONS LEARNED
	<ul style="list-style-type: none"> • Ongoing: Ngöbe Buglé I Triple C Darien Project • Proposed: Ngöbe Buglé II Kuna Yala project 	<ul style="list-style-type: none"> • Closed: Ngöbe Buglé I • Ongoing: Ngöbe Buglé II Triple C 	<ul style="list-style-type: none"> • Project staff rotation and political interference in the appointment of project directors has been a recurrent problem, affecting project performance
D. IFAD performance			
Policy dialogue:	<ul style="list-style-type: none"> • Institutional framework for policy reduction. The reduction of rural and indigenous poverty level require integrated and cohesive actions, that to date are disperse in sectors and numerous development programmes. • Development of specific development strategies for indigenous communities with consideration of cultural and social values. • Impact evaluation. Panama's poverty and development programmes require politically unbiased impact evaluation instruments. • Decentralization. Given the centralized government and economic structure of Panama, decentralization is a tool for empowerment and poverty reduction. 	<ul style="list-style-type: none"> • From 2000 to 2004 three different CPM managed the country programme and portfolio. • In 2002 IFAD appointed a CPM located in Panama, covering also the Caribbean region. 	<ul style="list-style-type: none"> • CPM changes should be minimized. The COSOP operative period should be managed by only one CPM. • IFAD should continue its country presence so it can participate more actively in policy dialogue with the Government and engage in consultations with other donors.
Partnerships	<ul style="list-style-type: none"> • Partnership with MIDA (Darien and Triple C projects) for rural and agricultural development and with FIS (Ngöbe – Buglé I and II) for social and rural development has been adequate for IFAD country strategies. • Coordination with other donors has allowed for adequate information and coordination mechanisms. 	<ul style="list-style-type: none"> • MIDA and FIS continue to be IFAD's operational partner. • MEF is IFAD key strategic partner in terms of policy and implementation definitions. • Donor coordination and IFAD presence has been strengthened with the presence of an out-posted CPM. 	<ul style="list-style-type: none"> • Although MIDA and FIS continue to be the leading agencies, the numerous sectoral actors and programmes participating in rural development, poverty reduction, rural infrastructure investments and decentralization hinder the adoption of a coherent unique country poverty alleviation and rural development policies and actions.

Portfolio performance	<ul style="list-style-type: none">Existing portfolio had an irregular performance, with ample room for improvement	<ul style="list-style-type: none">After delays and changes in director and staff, the slow implementation pace of Ngöbe – Buglé II project has recovered, performing now at a normal rate	<ul style="list-style-type: none">Need to decentralize implementation of projects and stabilize project staffNeed to design impact monitoring systems.
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Key file 1: Rural poverty and agricultural/rural sector issues

Priority areas	Affected group	Major issues	Actions needed
Rural poverty and extreme poverty	<ul style="list-style-type: none"> Indigenous communities Non-indigenous landless farmers and labourers Women headed households 	<ul style="list-style-type: none"> 62,7% of the rural population live below the poverty line and 35,3% under the extreme poverty line 98,4 % of the indigenous population live bellow the poverty line and 90,0% under the extreme poverty line Most non-indigenous rural poor are landless, own very small plots of agricultural land or are rural labourers Poorest groups are the indigenous communities located in “comarcas” with communal property of low quality land Low salaries and few income opportunities Low human capital due to limited access to social services Poor or non existent water, electricity and sanitation infrastructure Lack of social and productive rural infrastructure More than 60% of rural poor income is derived from non-agricultural activities Few productive assets and no access to technical or financial support services Social isolation and marginalization 	<ul style="list-style-type: none"> Invest in health and education services Implement conditional cash and food transfer programs for the extremely poor Invest in rural infrastructure Expand opportunities for off-farm income generation activities Enhance rural economic and productive organisations Improve technical support services Increase access to adequate rural financial services Create wage employment and non-land based self-employment Improve rural education and health services Implement productive and labour skills training Identify new and innovative sources of rural income Strengthen local and indigenous cultural and social values Improvement of self esteem Improvement of leadership capacities Strengthen social and economic organizations
Low productivity agriculture	<ul style="list-style-type: none"> Poor small-scale agricultural producers Women headed households 	<ul style="list-style-type: none"> 54,0% of small farmers live below the poverty line and 22,0% under the extreme poverty line 18% of farmers are women Low contribution to GDP (4%) Low contribution (30%) to domestic food consumption Low human capital due to limited access to social services Limited productive and marketing capacities Poor or non existent water, electricity and sanitation infrastructure Lack of social and productive rural infrastructure Few productive assets and no access to technical or financial support services 	<ul style="list-style-type: none"> Implement technical and financial support services Implement marketing and export support services Establish food and agricultural productive chains Establish links with packing and exporting private sector enterprises Fund research and technological development Consider non-agricultural income generating activities including rural, eco and ethno tourism Support initiatives organic and ethnic products Reduce market bottlenecks for competitiveness Improvement of leadership capacities Strengthen economic organizations
Community Development	<ul style="list-style-type: none"> Rural communities and indigenous “comarcas” 	<ul style="list-style-type: none"> Lack of participative planning schemes of community/territorial development Weak local government officials and staff Weak grass root organizations Low human capital Poor or non existent water, electricity and sanitation infrastructure 	<ul style="list-style-type: none"> Implement participative planning schemes of community/territorial development Strengthen the planning capacities of local governments and staff Strengthen the planning capacities of grass root organizations Improvement of leadership capacities Long term planning of rural social and productive infrastructure Communal implementation of small infrastructural works Participative monitoring and evaluation of rural development processes
Environmental deterioration	<ul style="list-style-type: none"> Rural communities and indigenous “comarcas” 	<ul style="list-style-type: none"> Deforestation aimed at expanding the agricultural frontier Use of migratory slash and burn agriculture High use of firewood for cooking Illegal felling Poor management of liquid and solid wastes in rural communities 	<ul style="list-style-type: none"> Implement community development plans with regulations for the use of land and natural resource Use of sustainable agricultural and non-agricultural technologies Create environmental consciousness in rural communities Implement reforestation programs

Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats [SWOT] analysis)

ORGANISATION	STRENGTHS	WEAKNESSES	OPPORTUNITIES/THREATS	REMARKS
Enablers				
Ministry of Economy and Finances – MEF <ul style="list-style-type: none"> • Directorate of Public Credit • Directorate of Investment Programming • Directorate of Social Policies • Directorate of Municipal Strengthening and Decentralization Support 	<ul style="list-style-type: none"> • Leading institution for economic and social policies • IFAD key strategic partner • Institutional and professional capacity to define country strategic social and economic policies • Institutional and professional capacity to undertake sound poverty, social and economic studies • Coordinate with donors country programmes and projects • Project programming and monitoring • Coordination of local governments strengthening programmes and actions • Coordination of the preparation of the decentralization law • Adequate financial and operative resources • Stable staff 	<ul style="list-style-type: none"> • A highly centralized institution with very limited or weak presence in provinces • Lack formal/legal mechanisms to exercise direct leadership of social and economic development programmes • Duplication of activities in municipal strengthening and decentralization support with MGJ • Requires formal mechanisms to coordinate the country ambitious rural infrastructural investments actions • Some degree of overlapping with MIDES in the area of social policies • Limited participatory mechanisms to discuss national development policies with civil society, economic organizations and donors 	<ul style="list-style-type: none"> • Government development plans 2004 – 2009 have generate a strong pro poor conducive environment, defining a framework for MEF actions and operations • The urban-rural, poor-rich and indigenous-non indigenous social and economic gaps are of such a magnitude that only a long term and systematic investment program can close • Income distribution and inequality is the biggest challenge to poverty reduction programmes 	<ul style="list-style-type: none"> • MEF has been and still is the most professional and stable government institution • An institution willing to participate in policy dialog with regard to poverty reduction and rural development • Public sector social development actions need a strong and active coordinating mechanism
Ministry of Agricultural Development - MIDA	<ul style="list-style-type: none"> • Responsible for the design and implementation of agricultural and forestry sector policies • Leadership role in concerting actions between public and private sector • Partial responsibility in the country rural development policies and actions 	<ul style="list-style-type: none"> • Institutional weaknesses, lack of resources and qualified personnel, contradictory and isolated approaches to rural and agricultural development • Limited or weak presence in rural areas • Services provided are not aligned with the demand of producers • Slow and complex administrative procedures • Sector investments do not result in better output or incomes • Lack an effective extension, production and marketing support services 	<ul style="list-style-type: none"> • Transformation of traditional crops into non-traditional export oriented fruits and vegetables in the central provinces of Panama has been successful trough MIDA – private sector partnership • MIDA challenge is to incorporate small poor farmers into the high value export crop circuit, developing technical, financial, managerial and marketing support services • Developing linkages between export agriculture and small poor farmers is a MIDA priority issue 	<ul style="list-style-type: none"> • MIDA has been a long term partner of IFAD in project implementation • An institution willing to participate in policy dialog with regard to poverty reduction and rural development
Ministry of Social Development - MIDES	<ul style="list-style-type: none"> • Created to unify and implement the country social policies and programmes • Responsible for the government direct monetary and food subsidies to extremely poor families 	<ul style="list-style-type: none"> • A newly created ministry, formerly the Ministry of Women Development, houses a large number of connected and loose social development programmes (women, child, youth, disabled, etc) • Some degree of overlapping with MEF in the area of social policies and decentralization • Limited and/or weak presence at provincial areas 	<ul style="list-style-type: none"> • Strong government institution leadership and coordination is needed for effective poverty reduction and social development 	<ul style="list-style-type: none"> • Needs more time to test and prove its policy making and programme implementation capacities

ORGANISATION	STRENGTHS	WEAKNESSES	OPPORTUNITIES/THREATS	REMARKS
Ministry of Government and Justice – MGJ <ul style="list-style-type: none"> • Directorate of Indigenous Policies • Directorate of Local Governments 	<ul style="list-style-type: none"> • Leading institution for indigenous policies • Institution responsible for strengthening the capacities of local governments • Operates the GOP – IADB land titling programme 	<ul style="list-style-type: none"> • Some degree of overlapping with MEF, MIDES and CONADES in the area of local governments and decentralization • Limited operational resources and presence in rural areas 	<ul style="list-style-type: none"> • MGJ officials and indigenous communities leaderships were responsible for the promulgation of the law creating the “Comarcas” as a vindication of historical indigenous land claims 	<ul style="list-style-type: none"> • Indigenous “comarcas” the administrative equivalent of a province, has still a very low rate of public investments and limited sectoral presence
Ministry of the Presidency <ul style="list-style-type: none"> • National Commission for Sustainable Development - CONADES • Social Investment Fund – FIS 	<ul style="list-style-type: none"> • CONADES is the leading government institution in the development and implementation of participative rural development planning methodologies • FIS is the responsible for the implementation of demand-led social investments in rural poor areas 	<ul style="list-style-type: none"> • Some degree of overlapping with MEF, MIDES and MGJ in the area of local governments and decentralization • The role and objectives of FIS are being reexamined by the government in order to coordinate multiple investment initiatives and programmes • FIS has been prone to political activism. 	<ul style="list-style-type: none"> • MIDES has tested participative local development planning mechanisms and methodologies in the Chiriquí province and its expanding the test to other provinces and “comarcas” 	<ul style="list-style-type: none"> • FIS has been a long term partner of IFAD in project implementation • New interventions on development of local capacities under the new COSOP are considering CONADES as the implementing institution
Service Providers				
Agricultural Research Institute of Panama – IDAP	<ul style="list-style-type: none"> • Nation-wide responsibility for agriculture and livestock research and innovation • Adequate research infrastructure and qualified professionals 	<ul style="list-style-type: none"> • Limited research funding • Requires an efficient market oriented crop research • Requires participative methodologies to prioritize small farmers research needs 	<ul style="list-style-type: none"> • Agricultural research for innovative, competitive and profitable export crops is the biggest challenge of IDIAP 	<ul style="list-style-type: none"> • IDIAP is a resource institution for innovative agricultural technologies for small farmers
Agricultural Development Bank– BDA	<ul style="list-style-type: none"> • Nation-wide responsibility for medium and large agricultural and livestock producers financial services 	<ul style="list-style-type: none"> • No experience in agricultural credit or micro credit for small poor agricultural and non agricultural producers 	<ul style="list-style-type: none"> • BDA has a specialized niche in rural financial services to medium and large size agricultural operators 	<ul style="list-style-type: none"> • Financial services to small farmers could be provided by savings and loan cooperatives and associations
Tourist Institute of Panama – IPAT	<ul style="list-style-type: none"> • Nation-wide responsibility to support large and small tourism initiatives • Responsible for the identification of new tourist routes and areas • Adequate planning and operating resources 	<ul style="list-style-type: none"> • Limited presence nation wide 	<ul style="list-style-type: none"> • Has completed a study on new areas with tourist potential focused on agro and ecotourism • Willing to provide technical support and training to small rural operators • Well trained and experienced personnel 	<ul style="list-style-type: none"> • Agro and ecotourism activities are being promoted as an important alternative source of income for small farmers, poor rural dwellers and indigenous communities
Actors and Associates				
Client Organisations	<ul style="list-style-type: none"> • Composed of socially oriented community base organizations, small farmers productive associations and cooperatives and indigenous traditional organizations 	<ul style="list-style-type: none"> • Community based, small farmers productive associations and cooperatives and indigenous have organizational weakness • Leaders have the capacity of expressing views of the constituency 	<ul style="list-style-type: none"> • Indigenous organizations are oriented to reclaiming land and ethnic rights, with limited capacity to plan and lead local development and negotiate government investments in “comarcas” 	<ul style="list-style-type: none"> • Existing organizations will be the basic partners for IFAD initiatives. Proposed human and social capital development will help strengthen their organizational capacities
Private Sector	<ul style="list-style-type: none"> • Experience in agricultural production for export markets • Knowledge and relations with export markets • Could support contract agriculture and formal links with individual and organized small farmers 	<ul style="list-style-type: none"> • Limited or no experience in organized participation in social/rural development programmes 	<ul style="list-style-type: none"> • Developing linkages between export agriculture and small poor farmers is a MIDA priority issue • Could provide technical and financial assistance to small organized farmers 	<ul style="list-style-type: none"> • Private sector – small farmers linkages is a priority activity in the new country strategy and an issue for continuous IFAD – GOP policy dialog

Key file 3: Complementary donor initiative/partnership potential

Agency	Priority sectors and areas of focus		Period of current country strategy	Complementarities/Synergy Potential
World Bank	<ul style="list-style-type: none"> Support sustainable economic growth; Reduce the poverty level; Social investments improved capacity to manage economic development Rural development Environmental sustainability 	<ul style="list-style-type: none"> Social protection to extremely poor population (cash subsidies) Land titling Rural water supply and sanitation Rural productivity (GEF) Environmental protection with community participation (GEF) Basic education 	2006 - 2007 ¹	<ul style="list-style-type: none"> The aim of a World Bank development partnership with Panama is to provide selective "demand-driven" assistance, consistent with areas of Bank expertise, that will help the country achieve the poverty reduction and improved income equality targets set out in the Government's development plan The Bank would finance two additional poverty focused investment operations: a loan to further develop water supply and sanitation in low income communities which is important for specific health targets under GOP's development of human capital pillar and a loan aimed at social protection, including support for the conditional cash transfer program The Bank will finance analytical work to inform the Government as it translates its strategic priorities into specific policy reforms and budget measures, these include: (i) Country Financial Accountability and Procurement Assessment Report; (ii) Public Expenditure Review; (iii) Poverty Assessment; (iv) Poverty and Social Impact Analysis; (v) Investment Climate Assessment; (vi) Urban Transport Study; (vii) Country Environment Analysis; and (viii) Country Economic Memorandum(CEM) The bank has reduced its operations in Panama, thus the areas of cooperation and coordination are only related to the Rural Productivity and Land Titling Projects. The World Bank will soon prepare another interim strategy for the country.
Inter American Development Bank	<ul style="list-style-type: none"> Support sustainable economic growth; Reduce the poverty level; 	<ul style="list-style-type: none"> Boost the economy's competitiveness; <ul style="list-style-type: none"> Support the competitiveness of productive sectors Road infrastructure and electrification Rural productivity Modernization of fiscal and economic management of external trade To develop the country's human and productive capital <ul style="list-style-type: none"> Social housing and poverty alleviation Development of productive human capital Municipal development and decentralization Social protection to extremely poor population (cash subsidies) Land titling Sustainability of the Panama Canal watershed and other areas 	2005 -2009	<ul style="list-style-type: none"> IADB strategies have the objectives of supporting the country economic development and the reduction of poverty, based on an increased competitiveness, development of productive human capital and strengthen good governance and transparency. The IADB programme first stage includes fiscal sustainability, social protection of the extremely poor and developing the conditions for economic growth. The second stage will consolidate social investments, housing and electrification and environmentally sustainable development. Sustained economic development, social protection programmes and good governance area among key elements for poverty reduction. IADB programme has positive synergic effects on IFAD country programme and strategic objectives
European Union	<ul style="list-style-type: none"> Regional integration Social cohesion 	<ul style="list-style-type: none"> Economic development Judicial and penitentiary reforms Support to rural communities Human rights Environment 	2007 - 2013	<ul style="list-style-type: none"> UE has been supporting rural and indigenous communities north of Veraguas with electric panels, educational and health centers and disease prevention. UE will support the implementation of a technology park in the "Ciudad del Saber" in Panama City.
USAID	<ul style="list-style-type: none"> Transparency and anti corruption 	<ul style="list-style-type: none"> Special support to the civil society organization Citizens Alliance for Justice 	2005 - 2008	<ul style="list-style-type: none"> USAID operational budget for Panama has been restrictive (US\$6 million), concentrating their actions in transparency and good governance and support to the

¹ Interim strategy.

Agency	Priority sectors and areas of focus		Period of current country strategy	Complementarities/Synergy Potential
	<ul style="list-style-type: none"> Support to the Complementary agenda of the Panama USA Free Trade Agreement 	<ul style="list-style-type: none"> Infrastructural, communications and connectivity support to agro-processor and handy-craft manufacturers 		consolidation of the free trade agreement
Japan – JICA	<ul style="list-style-type: none"> Poverty reduction Economic growth Sustainable development 	<ul style="list-style-type: none"> Poverty reduction in the Ngöbe – Bugle comarca and the Veraguas province Agricultural extension programme with MIDA Feeder roads and rural productivity with PRODEM 	2005 - 2009	<ul style="list-style-type: none"> JICA activities are located in the poorest areas of Panama, in which they have acted simultaneously and in coordination with IFAD. JICA volunteer programme in the “comarca” Ngöbe – Bugle was of outmost support to IFAD financed Ngöbe – Bugle I. Continuous coordination will be maintained
Spain – AECI	<ul style="list-style-type: none"> Poverty reduction Sustainable development 	<ul style="list-style-type: none"> Improvement of Panama’s cultural landmarks infrastructure Bi-lingual educational project in the “comarca” Kuna Yala Management of coastal environment in the “comarca” Kuna Yala 	2004 - 2008	<ul style="list-style-type: none"> There has been close coordination between IFAD and AECI with exchange visits to on-going project. Even though there are no common geographical areas of intervention, the exchange of experiences in “comarcas” has been fruitful
UNDP	<ul style="list-style-type: none"> Strengthening public policies Promotion of equity and social inclusion Democratic governance 	<ul style="list-style-type: none"> Poverty reduction and income distribution improvement Basic social guarantees to exert human rights Modernization of the state and public sector reform 	2007 - 2011	<ul style="list-style-type: none"> Support to an integral approach to an equitable economic development, strengthening public policies and the corresponding implementation mechanisms UNDP country programme has de concurrence of UN associate institutions (UNICEF, UNFPA, UNIFEM, FAO, GEF) all of which act in coordination The UNDP office in Panama houses IFAD country offices and provide logistic support for its operation.
FAO	<ul style="list-style-type: none"> Food security programme 	<ul style="list-style-type: none"> Food security Rural development 	2005 to 2009	<ul style="list-style-type: none"> There are systematic communication channels with FAO representation in Panama
IICA	<ul style="list-style-type: none"> Technical cooperation Project management and administration 	<ul style="list-style-type: none"> Technical assistance to MIDA Rural development 		<ul style="list-style-type: none"> IICA has supported the administration of IFAD

Key file 4: Target group identification, priority issues and potential response

Typology	Poverty Level and Causes	Coping Actions	Priority Needs	Support from Other Initiatives	COSOP Response
<ul style="list-style-type: none"> Small poor non-indigenous farmers with agricultural and non agricultural productive potential <p>(105.700 families)</p>	<ul style="list-style-type: none"> 54,0% under the poverty line and 22% under the extreme poverty line Annual per capita income of US\$858,6¹ 74,1% access from 2 to 5 ha of land (only 11% of land is titled) 4% have access to technical support services No access to financial services Linked partially and imperfectly to local food markets Lack transport and communications infrastructure Weak organizations Deteriorating environmental and sanitation conditions 	<ul style="list-style-type: none"> Production and marketing of low income traditional subsistence crops Seasonal rural work Small commerce and small transformation home industries 	<ul style="list-style-type: none"> Improving agricultural and non-agricultural income Technical and financial support services Access to local and external markets Links with private sector Strong economic organizations Entrepreneurial capacities Environmentally sustainable production practices Rural transportation and marketing infrastructure Sustainable productive practices and community sanitation services 	<ul style="list-style-type: none"> MGJ and IADB land titling programme MIDA and World Bank rural productivity project MGJ, MEF, CONADES and IADB participative local development planning programmes MEF decentralization process Rural infrastructure investment programmes (MEF and others) 	<ul style="list-style-type: none"> Improve income opportunities supporting market oriented small agricultural and non agricultural rural business Provide technical and financial support services Provide market intelligence and linkages with local and external markets Support strategic alliances with the private sector Strengthen economic organizations Increment entrepreneurial and management capacities Promote sustainable production practices and sanitation actions in rural communities
<ul style="list-style-type: none"> Small poor and extremely poor landless and rural labourers <p>(55.600 families),</p>	<ul style="list-style-type: none"> 62,7% under the poverty line and 35% under the extreme poverty line Annual per capita income of US\$598 Low educational level No access to financial services Weak organizations Lack transport and communications infrastructure Limited access to educational and health services Deteriorating environmental and sanitation conditions 	<ul style="list-style-type: none"> Production of traditional subsistence crops Seasonal and permanent rural work Small commerce and small transformation home industries Migration to urban areas 	<ul style="list-style-type: none"> Improving access to quality employment Technical and financial support services for small rural enterprises Access to local and markets Strong economic organizations Entrepreneurial capacities Rural transportation and marketing infrastructure Sustainable productive practices and community sanitation services 	<ul style="list-style-type: none"> MGJ, MEF and CONADES participative local development planning programmes MEF decentralization process Access to direct government monetary and food subsidies MIDA – FAO food security programme Rural infrastructure investment programmes (MEF and others) 	<ul style="list-style-type: none"> Improve income distribution and labor opportunities Educational support for young men and women Labor skills training for adult and young men and women Leadership training Technical and financial support to initiate small rural productive and services enterprises Strengthen base organizations
<ul style="list-style-type: none"> Indigenous communities <p>(38.800 families)</p>	<ul style="list-style-type: none"> 98,4% under the poverty line and 90% under the extreme poverty line Annual per capita income of US\$340 Very low educational level Low self esteem Very limited access to basic educational and health services High incidence of malaria and parasitic deceases in children 	<ul style="list-style-type: none"> Production of traditional subsistence crops Seasonal and permanent rural work Small commerce and small transformation home industries Production of indigenous traditional handy crafts 	<ul style="list-style-type: none"> Reduce ethnic and income discrimination Improved educational and health services Improving agricultural and non-agricultural income Technical and financial support services Access to local and external 	<ul style="list-style-type: none"> Access to direct government monetary and food subsidies MGJ, MEF and CONADES participative local development planning programmes MEF decentralization process Rural infrastructure investment programmes (MEF and others) 	<ul style="list-style-type: none"> Improve income opportunities supporting market oriented small agricultural and non agricultural rural business Reduce ethnic discrimination and revalorization of cultural heritage Provide technical and financial support services Provide market intelligence and

¹ Total country per capita average income US\$ 3.020, average per capita urban income US\$ 4.046.

	<ul style="list-style-type: none"> • High incidence of infant malnutrition (22%)² • No access to financial services • Weak organizations 	<ul style="list-style-type: none"> • Migration to urban areas 	<ul style="list-style-type: none"> • markets • Strong economic organizations • Entrepreneurial capacities • Environmentally sustainable production practices • Rural transportation and marketing infrastructure • Sustainable productive practices and community sanitation services 		<ul style="list-style-type: none"> • linkages with local and external markets • Support strategic alliances with the private sector • Strengthen economic organizations • Improve income distribution and labor opportunities • Educational support for young men and women • Labor skills training for adult and young men and women
<ul style="list-style-type: none"> • Women headed households (28.399 families) 	<ul style="list-style-type: none"> • 62,7% under the poverty line and 35,3% under the extreme poverty line • Annual per capita income of US\$445 • Very low educational level • Low self esteem • Very limited access to basic educational and health services • No access to financial services • Weak base organizations 	<ul style="list-style-type: none"> • Production of traditional subsistence crops • Seasonal and permanent rural work • Small commerce and small transformation home industries • Migration to urban areas 	<ul style="list-style-type: none"> • Improving access to quality employment • Technical and financial support services for small rural enterprises • Access to local and markets • Strong economic organizations • Entrepreneurial capacities • Rural transportation and marketing infrastructure • Health and educational services • Sustainable productive practices and community sanitation services 	<ul style="list-style-type: none"> • Access to direct government monetary and food subsidies • MGJ, MEF and CONADES participative local development planning programmes • MEF decentralization process • Rural infrastructure investment programmes (MEF and others) 	<ul style="list-style-type: none"> • Reduce gender discrimination • Improve income opportunities supporting market oriented small agricultural and non agricultural rural business • Provide technical and financial support services • Strengthen economic organizations • Improve income distribution and labor opportunities • Educational support for young men and women • Labor skills training for adult and young men and women

² The national malnutrition rate for children is 7 per cent.

