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FINAL EVALUATION  
REPORT ON  
INVESTMENT COUNCIL OF  
PANAMA

APRIL 30, 1986

## *Price Waterhouse*

April 30, 1986

Mr. Gerardo Pelaez,  
ICP Deputy Director,  
Chairman  
Mr. William Campbell,  
USAID Project Officer  
Chairman  
Members of the Joint  
ICP-USAID Evaluation  
Committee

Dear Sirs:

### FINAL REPORT ON ICP EVALUATION

1. In conformity with Statement of Work Articles III and IV of USAID Contract No. PDC-0001-I-00-3171-00, Work Order No. 18, as amended, we are pleased to submit the Final Report on the ICP Evaluation.
2. The Price Waterhouse Evaluation Team wishes to express its grateful appreciation and thanks to all the members of the ICP and USAID staffs who have participated in and contributed so much to the evaluation effort. It has been a pleasure working with you on this challenging assignment.
3. We sincerely hope that our Final Report will provide a constructive input into the Evaluation Report of the Joint ICP-USAID Committee.

Very truly yours,

*Price Waterhouse*

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## I. EXECUTIVE SUMMARY

### A. Evaluation Objectives and Methodology

The objectives of the formative evaluation are three-fold:

- o To assess the effectiveness of ICP in developing the capability of the Government of Panama (GOP) to attract and assist new export-oriented companies.
- o On the basis of past effectiveness, economic conditions and policy environment, to make recommendations as to the advisability of continuing USAID support for this activity.
- o If continued support is recommended, to make specific recommendations for adjustments of project design, operations, procedures, level of funding. The recommendations will be accompanied by a detailed plan for implementation of the recommended adjustments.

The Project Team visited Panama during a six-week period beginning January 28. During this period, project documentation was reviewed, as well as that relating to the regional and Panamanian investment climates. Interviews were held with a wide range of GOP, USAID, U.S. Embassy officials and representatives of the private sector in commerce, industry, labor, banking and entrepreneurs who have knowledge of ICP services. On March 3, we delivered a draft preliminary report which was discussed at a workshop on March 6 and 7 attended by the Joint Evaluation Committee and members of the Price Waterhouse Team. As a result of the workshop, during which a need for more data was identified, an amendment to the work order was authorized on March 20 by USAID to permit the Team to survey ICP clients to assess its performance in meeting investment and employment targets, as well as conducting additional interviews. See Annex A for a list of people interviewed.



B. Summary of Major Findings

1. ICP Performance

a. Evaluation of Overall Performance

ICP performance to date has been unsatisfactory overall and is currently far from meeting the project purpose and targets as set forth in the Project Paper Logical Framework. The reasons for this performance relate to a combination of some factors beyond ICP's control, as well as internal organization, management and project implementation problems.

b. Meeting Sectoral Investment and Employment Targets

ICP's failure at the outset of the project to define evaluation criteria and a methodology for measuring performance in meeting targets complicated the Team's data collection tasks and gave rise to a special survey of ICP clients to confirm its claims for promoting investment and employment. The results of the survey indicated that ICP had attracted to date only 4 companies representing investment of \$1.6 million and 160 jobs. Some 22 companies were walk-ins to ICP offices or were contacted by ICP when they were already involved with a project in Panama. This group of companies reported total investment of \$19.7 million and a total of 1,730 jobs. ICP had indicated that it had attracted 29 companies representing a total investment of \$25.2 million and a total of 3,100 jobs. It also claimed to have assisted 9 other companies that represented investment of \$4.9 million and represented 320 jobs. The Project Paper Logical Framework targets set for the period 1983-1985 were \$44 million in investment and 5,500 jobs generated. In Annex E, we include ICP comments on the results of the Evaluation Team's survey.

ICP's failure to meet its investment and employment targets relate partially to external factors out of the Council's control, as well as internal factors relating to the quality of management, a lack of market research to target promising markets/sectors and products, as well as an ineffective promotion technique.

c. Institutional Development

The ICP is currently in a state of institutional disarray. The Council has failed to date to establish a viable organizational structure and a stable, professional management team capable of effectively planning, implementing, coordinating, controlling and evaluating the Council's activities. There exists an inadequate degree of management authority, discipline and control. Institutional instability due to the continuing turnover of key personnel in recent years has prevented development of clear definitions of roles and functions, adequate coordination/communications or formulation of essential management policies, administrative and operational procedures and systems. Key assumptions of the project design relating to ICP's institutional setting and the role of the Board of Directors are no longer valid.

d. Policy and Strategic Planning

The Research and Development Office (RDO) has not adequately carried out its assigned role of serving as the "brain" of ICP and providing basic research and information collection, policy, comparative advantage, product and market studies needed to target promising investment areas and guide investment promotion activities. The studies and profiles the office has prepared have had limited impact on focusing promotion activities. It has been relatively inactive in carrying out its operational

planning role. Failure to formulate a prioritized research plan, to receive planned technical assistance on a timely basis, to develop an appropriate mix of qualified staff, to coordinate effectively with other ICP offices and to attract senior management attention all contributed to RDO's performance.

e. Investment Promotion

The Investment Promotion Office (IPO) appears to have rushed into a relatively expensive overseas investment promotion efforts without the benefit of:

- o A well-conceived marketing and promotion strategy and operational plans.
- o The essential research needed to define, screen and target priorities by those sectors/products or services in which Panama has some comparative advantage.
- o An adequate analysis of alternative promotion techniques to ensure cost effective approaches.
- o An inventory of Panamanian investment project sponsors seeking foreign joint venture partners.

Under pressure to produce quick results in meeting overly ambitious investment and employment targets, IPO launched its overseas promotion campaigns without a well planned strategy nor a well defined "product" to sell. It adopted a "scattershot" approach in which quality was sacrificed to quantity. It appears to have adapted a State of Florida investment promotion model ill suited to Panama's requirements in this area. The results of these efforts have been meager. It has performed well in its investor reception function when potential investors visit Panama.

f. Investor Services

The general impression is that the Investor Services Office (ISO) is carrying out its responsibilities of providing information and servicing investors diligently and effectively. The majority of investors rated ISO services from good to excellent in the survey conducted by the Team.

With regard to ISO's planned versus actual performance, the ISO did not conform exactly to its planned requirements as spelled out in the Project Paper. Nevertheless, the evidence indicates that ISO has made progress toward streamlining the document processing procedures required for a Maquila investor to acquire a Contract with the Nation and in expediting numerous infrastructure services required once an investor is ready to set up shop (e.g., water, sewer, electrical).

There appears to be a "grey area" in ICP distribution of functions as the reception function for prospective investors shifted back and forth between ISO and the IPO, leaving open the possibility that cases may "fall through the cracks." This problem of a clear definition of ISO and IPO functions and responsibilities--demonstrated during the workshop--continues to plague the Council operationally in the conduct of day-to-day activities. It would be helpful if there were a clarification of the appropriate division of labor between ISO and IPO to rectify this situation.

The major problems confronting ISO are derived from its lack of direct control over the processes which it must coordinate and activate. In the absence of market research to target promising investment areas and a related investment promotion strategy,

ISO has been somewhat handicapped in developing its own operational plans. Specifically, its services should be carefully geared to ICP's investment promotion strategy and priorities. Despite the many difficulties inherent in its mandate, we conclude that ISO has reasonably approximated its original mandate as spelled out in the Project Paper.

g. ICP Compliance with Project Agreement and Implementation Requirements

Compliance has been less than satisfactory in a number of areas, including:

- o Failure to comply with USAID requirement to prepare evaluation criteria and a methodology for measuring ICP performance in meeting investment and employment targets among others
- o The acquisition and retention of qualified management staff needed to operate the project in such a manner as to assure successful achievement of the project purpose
- o The quality and timeliness of ICP work plan/budget submissions, particularly with respect to deviations from project plans and schedules and lack of detail
- o Providing GOP counterpart contributions as planned
- o Compliance with technical assistance and training plans
- o In addition, there is an ICP tendency to view the Project Agreement and Paper as "illustrative" rather than an agreed guide to action.

h. Financial Analysis

- o GOP actual contributions lag planned contributions because of fiscal and political problems and may reflect dwindling GOP support for ICP. This judgment is evidenced by the fact that GOP contributions show a downward trend in 1984 and 1985 on the one hand, and an increasing gap between planned and actual counterpart contributions on the other.

- o The fact that the funds were available for use and not utilized by ICP points to problems in the management of project implementation. Furthermore, the non-utilization of AID contributions reflects, to some degree, an explanation for the Council's poor track record in attaining the project purposes and goals (i.e., ICP operational capacity and related investment and employment targets).
- o AID's actual expenditures on the project are low (roughly 20 percent of plan) due to, in large part, ICP deviations from Plan in the areas of contracting an industrial development advisor, contracting market identification studies and investment promotion technical assistance and the procurement of computer equipment and related support. Difficulty in obtaining AID approval for disbursement during periods of inadequate GOP counterpart contributions was another factor.
- o Personnel costs have risen dramatically while other nonpersonnel costs have fallen. The result is that personnel costs make up a disproportionate percentage of project costs. It also points to apparent serious underutilization of current staff. This suggests that staffing levels must be rationalized in accordance with more realistic projections of ICP activities.
- o Actual ICP expenditures on principal project components--Institutional Development, Policy and Strategies, Investment Promotion--have fallen considerably short of planned expenditures. Additionally, the timing of actual expenditures has been reversed (major expenditure for technical assistance and training were planned for the first 15 months of the project), highlighting a pattern of serious delays in base-building activities. The evidence indicates that the problems ICP has experienced in project implementation are the result of undertaking inappropriate promotional activities before a sound institutional base had been established and a well-targeted marketing strategy developed.

## 2. USAID -- Project Strategy/Design

- o Assumptions on sector goal regarding Panama's competitiveness for manufactured exports are questionable. Assumptions on investment climate are less valid due to some deterioration since 1983.

- o Assumptions on project purpose regarding effects of world recession are less valid as regional recession exacerbated by debt crisis continues.
- o Assumptions regarding GOP and private sector support are less valid--GOP counterpart contributions declined in 1984 and 1985 and private sector support is generally perceived as neutral to negative.
- o Institutional analysis in Project Paper did not explore sufficiently past USAID experience in assisting institutional development of public sector agencies which could have anticipated organizational/management problems common in Panama's public administration. Such an analysis could have guided the project design to anticipate and deal with such problems.
- o Decision to go with host-country procurement of essential technical assistance rather than with relatively faster and more efficient AID direct procurement deemed unfortunate. Inadequate advanced planning in the Project Paper with regard to the most efficient manner of organizing and administering technical assistance procurement is evident.
- o Decision to support at the outset a full range of ICP ongoing program services instead of phasing in USAID support gradually in selected areas (research, promotion) as institutional capabilities generally were developed is deemed infortunate.
- o Failure to ensure that private sector directors which constitute a majority on the Board play a directive role in ICP management contributed to erosion of the GOP commitment to the original project plan.
- o Failure of project design to incorporate, to the extent possible, a constructive participation of private sector organizations into project activities contributed to weak private sector support of ICP.
- o Failure to include project design provision to ensure selection and retention of high quality management team contributed to the overall management problem.
- o Overly ambitious, if somewhat unrealistic, investment and employment generation targets put pressure on ICP to rush into scattershot, expensive, untargeted investment promotion effort before essential market research was undertaken.

### 3. USAID Performance in Project Implementation

USAID provision of planned inputs has generally been related to approvals of ICP work plans/budgets and adequacy of GOP counterpart contributions. USAID project management/monitoring has been unsatisfactory in respect to:

- o Failure to insist on ICP compliance at the outset with request for presentation of evaluation plan and criteria for assessing performance. Failure to press ICP to take remedial actions on project problems identified in 1984 SRI Assessment Report.
- o Failure to insist that ICP obtain at the outset technical assistance in order to design and install key management systems (including planning, budgeting, financial and management information systems) and train personnel in their operation.
- o Inadequate USAID monitoring of ICP project implementation particularly in respect to diagnosing fundamental management/implementation problems and mapping out a strategy to deal with them effectively. USAID was generally kept well informed about project status through quarterly implementation and other reports. However, it tended to react slowly in taking decisive action to resolve issues. Occasionally, when it planned such actions, turnover in key GOP and ICP officials frustrated its plans. Also communications/coordination between USAID, ICP and key Ministries could have been improved to alert USAID on key developments affecting ICP (e.g., decision to transfer ICP to MICI and delays in signing IQC contracts). USAID assistance to ICP in procurement and in preparing work plans was less productive due to ICP management situation and lack of basic planning/budgeting systems.
- o Failure to press ICP to use direct AID contracting procedures when problems and delays arose in host-country IQC contracting. This failure was a key factor affecting the nonavailability of technical assistance in the early developmental stages of the Council.
- o Failure to insist at the outset that the project paper/agreement is a clear and agreed guide to action rather



than an "illustrative" program subject to routine renegotiation or implementation on a selective basis.

4. Overall Evaluation of Project Progress, Problems and Impact

a. Progress

In terms of the attainment of the project purpose, component, investment and employment targets, ICP performance has been unsatisfactory. Despite its performance, we consider it an element of progress that Panama has its own investment agency, which hopefully, can be developed into an effective institution over time.

It is important to note that the Council is attempting under difficult circumstances to carry out a useful public service for the country's economic development. It employs many competent, well-motivated people who have received training and are working diligently for ICP's institutional success.

b. Problems

ICP is in a state of institutional disarray. ICP's major problem is its failure to date to establish a viable organizational structure and a stable, effective management team with professional capability to formulate and carry out strategic and operational planning and to implement, control, coordinate and evaluate its activities effectively. This failure is in part due to factors beyond the Council's control, particularly the institutional instability in recent years, and in part due to inadequate internal management. ICP rushed into an ill-advised promotional effort before it had performed market research to

define its investment product. USAID project management/monitoring of this activity could have been better in identifying problems at an early stage and pressing for timely remedial action.

c. Impact

ICP's impact on investment in Panama has been marginal. There is no evidence that ICP made any major difference in the amount or type of new investment entering Panama since 1983. While it had relatively little impact on individual investment decisions, it did provide valuable services to investors after the investment decisions were made and the companies had been set up.

d. Update of SRI Fundamental Principles for Investment Promotion Activities

We provide our own update of the SRI investment promotion principles as they relate to ICP performance (See Section IV-E). The conclusions and recommendations of the 1984 SRI Assessment Report of ICP were quite valid then and remain so today. Unfortunately, they were never acted upon.

C. Key Factors Contributing to Evaluation Results

1. Investment Climate

The investment climate, the balance between Panama's investment advantages and disadvantages, appears to have deteriorated somewhat since 1983 when the AID project agreement was signed. Principal factors in the deterioration include:

- o Continued regional recession
- o Political problems in Central America
- o Impact of regional debt crisis
- o Institutional instability in Panama due to frequent changes in Presidency
- o Economic policies which discourage investment
- o Relatively high costs of labor, electricity and transport.

## 2. Project Strategy and Design

The project strategy and design as indicated above was deficient in certain respects. However, given a more favorable institutional climate, an effective, stable management team and timely application of carefully planned technical assistance, deficiencies in the project's design could have been overcome.

## 3. Organization and Management

The transfer of ICP in 1983 from the Ministry of the Presidency to MICI with a consequent loss of its autonomy, was a blow to its organizational stability and a change in a key organizational assumption of the original project design. Another key organizational assumption that changed was the fact that the Board of Directors had not functioned as a directive body but as an advisory one, at best. This is contrary to the clear intent of the project design and the provisions of the enabling decrees.

The key failure is ICP's lack of effective management which has adversely impacted on its capacity for project implementation.

4. Support from Public and Private Sectors

In interviews with the Team, senior GOP officials were critical of ICP's past performance, expressed strong support for a reformed investment promotion effort, and reflected a political decision to continue financing ICP for the time being while the new Executive Director carries out a reorganization of the Council.

Private sector support for ICP is limited. A few private sector organizations support the work of ICP and maintain close relations with it. Leaders of several other private sector organizations expressed an interest in developing closer ties with ICP. The majority of private sector leaders interviewed indicated a low degree of support and a low regard for ICP performance.

5. Project Implementation

Project implementation has suffered from institutional instability with frequent changes of the Executive Director and key managers, poor internal management, and failure to obtain planned technical assistance in a timely manner. Under pressure to produce quick results, ICP rushed into an ill-advised overseas promotion campaign without the market research necessary to target the most promising markets/sectors/products. The campaign must be viewed as a failure. Only the investor services function has performed effectively.

6. ICP Image

In its early days, ICP's image was positive with strong political support, ample GOP funding and AID assistance, and a well defined mission to attract and service investors. With the

ICP's transfer to MICI, and its consequent loss of autonomy, the institutional instability to which it became victim, and the poor performance in generating investments and employment, its image deteriorated significantly. It now appears somewhat isolated, without significant political or private sector support, in a somewhat hostile bureaucratic environment and with uncertainty as to its future, its proper role, objectives and a strategy to attain them.

D. ALTERNATIVE SOLUTIONS CONSIDERED

We have considered certain minimal environmental conditions for project success. They relate to reasonable expectations in respect to:

- o An investment climate sufficient to attract investment
- o Political and institutional stability
- o Continued GOP financial and political support to the ICP project
- o USAID ability to negotiate satisfactory agreements with GOP to resolve key institutional, management and financial issues
- o Enhanced private sector support
- o Improved institutional performance of ICP management as a result of a reorganization process supported by technical assistance and training.

These minimal environmental conditions for project success were extensively discussed during the Joint ICP-USAID Evaluation Workshop held March 6 and 7. The workshop provided an opportunity for an invaluable exchange of views on ICP's current progress, problems, and future.

On the basis of the evaluation results and taking into account the above environmental conditions for project success, we have identified four alternative solutions as follows:

1. Terminate USAID support for the project.
2. Restructure the project design.
3. Continue normal project implementation under original project design. (During the Workshop, the Joint Evaluation Committee recommended this alternative.)
4. Place project under "review" for one year while carrying out institutional reorganization, essential market research and investment promotion strategy studies.

E. RECOMMENDATIONS

1. AID Project with ICP

a. The Recommendation

The Evaluation Team recommends alternative number 4 above.

Placing a troubled project under "review" is a standard AID procedure. The review period would begin on June 1, 1986 and end one year later. During the review period, the project design and purpose would remain valid, and the project termination date would remain as scheduled, August 31, 1987. Project inputs and outputs would be modified to reflect a reduced level of assistance and reduced expectations of ICP performance. The end of project status would be a reorganized ICP, smaller in size and in scope of activities, with improved management and operational capacity and with more cost-effective approaches to attract and service investment. The reorganized

ICP will have completed essential market research and investment promotion strategies related thereto. During the review period, the following events will take place:

- o USAID-GOP negotiations will take place to reach agreements on key issues raised during the evaluation.
- o ICP will undergo a comprehensive institutional reorganization.
- o USAID will continue to provide a restricted program of technical assistance and training to obtain specific short-term objectives related to improved management, market research and investment promotion strategy development. It will restrict AID support for foreign promotion missions or opening up overseas offices. When the market research and investment promotion strategy studies are completed, USAID will review the results and will make a decision whether or not to fund recommended promotional activities.
- o Toward the end of the review period, USAID will arrange for a final project evaluation to assess ICP performance overall and particularly during the review period. On the basis of the evaluation, it will then decide to terminate the project on schedule or extend it.

(1) The Rationale

Our rationale for the recommendation is as follows:

- o We consider Panama's investment climate, although less attractive than in 1983, to be sufficient to attract local and foreign investment.
- o We reject the option to terminate the project since this would probably mean the dissolution of ICP and leave Panama without an official investment information, promotion and service agency. Panama cannot walk away from the worldwide competition for foreign investment.

- o We reject restructuring the project design and its components since the instruments needed to assist ICP's recovery are available within the existing project design.
- o We reject continuing normal project implementation since ICP is an institution in trouble and it needs special therapy to cure its ills. Its past approach to investment promotion is not working and it needs to rethink its strategy. Business as usual is no answer.
- o We have reviewed our minimal environmental conditions for project success and related these to ICP's current situation. We consider that, on balance, there is a reasonable possibility for attaining the project purpose assuming:
  - satisfactory agreements on key issues between USAID and GOP
  - that a comprehensive institutional reorganization is carried out
  - that efforts are made to enhance private sector support
  - that the project activities recommended for the review year are implemented.

(2) Key Project Issues to be Negotiated  
Between USAID and GOP

- o Agreement to carry out institutional reorganization of ICP.
- o Designation of ICP Board of Directors.
- o Agreement on role and functions of ICP Board of Directors to permit it to act as a directive rather than simply an advisory body with authority to formulate policies, programs, approve ICP work plans and draft budgets, determine organizational and management policies and to participate in selection of key ICP officials. The agreed definition of the role and functions of the ICP Board of Directors should be documented in a decree or, as appropriate, in a special agreement between the GOP and USAID.



- o Establishment of a Private Sector Advisory Council to ICP.
- o Agreement on satisfactory level of GOP counterpart contributions geared to agreed work plans with at least 35 to 40 percent of contributions going for nonsalary costs.
- o Agreement on procedures for recruitment of senior ICP officials.

(3) Specific Project Recommendations

(a) Institutional Development

- o Carry out a comprehensive ICP reorganization.
- o Contract a long-term organization/management advisor responsible to the ICP Executive Director.
- o Review positions, qualifications and performance of all ICP professional staff.
- o Establish ICP Office of Planning and Management.
- o Study organizational/functional relationship between RDO and IPO.
- o Do not proceed with planned procurement of proposed super-mini/small mainframe computer system for use by ICP in internal management and for data base uses. Use a systems analyst to prepare, in conjunction with ICP technical staff, a management information plan for ICP based on less costly technology.

(b) Policy and Strategies

Initiate carefully planned program of market/sectoral/product studies needed to assess Panama's comparative advantage in attracting potential investors and more precisely defining the "product" to be promoted. Also undertake related investment promotion strategy study, based on targeted market/sector/product specific studies, to guide overall ICP promotion effort.

Investment promotion strategy study should also consider how private sector organizations can cooperate with ICP in carrying out promotion efforts. The study should give priority to identifying investment targets in the services sector and to Panamanian investment opportunities.

(c) Investment Promotion

We recommend suspension of AID support for investment promotion campaigns, overseas missions or opening of new overseas offices during the study period with the exception of specifically authorized activities (e.g., investment seminars). On completion of investment promotion strategy studies, USAID can make a determination of whether or not to finance recommended promotion activities.

(d) Investor Services

We recommend maintaining AID support to Investor Services at planned levels.

B. Possible Merger Between ICP and IPCE

The Team heard repeated recommendations from a number of GOP and private sources about the possibility and desirability of a merger between ICP and IPCE. We did not explore this possibility in depth since it was beyond the scope of our Terms of Reference. However, we recommend USAID discuss this matter at senior government levels to determine its feasibility from a political, legal and operational viewpoint.

The key elements of a rationale for such a merger include:

- o Economies of scale during a period of fiscal stringency.
- o Most new investment is export-oriented.
- o Investment and export promotion use a common data base, market research analyses and, to a considerable degree, employ similar promotion techniques.
- o Interaction and feedback between investors and exporters could be mutually reinforcing.
- o ICP's interest in a publicly accessible computerized data bank is problematical given the uncertainty over demand for its services. Adding IPCE's demand from exporters may strengthen the rationale for such a data base.

We consider that the idea has sufficient merit and relevance to ICP's future that we consider this an appropriate subject to include in USAID-GOP discussions regarding the future of ICP.

## II. INTRODUCTION

### A. EVALUATION OBJECTIVES, STATEMENT OF WORK AND TASKS

#### 1. Objectives

The objectives of the evaluation are three-fold:

- o To assess the effectiveness of the Investment Council of Panama (ICP) in developing the capability of the Government of Panama (GOP) to attract and assist new export-oriented investment.
- o On the basis of past effectiveness, economic conditions and policy environment, to make recommendations as to the advisability of continuing USAID support for this activity
- o If continued support is recommended, to make specific recommendations for adjustments of project design, operations, procedures, and level of funding. The recommendations will be accompanied by a detailed plan for implementation of the recommended adjustments.

#### 2. Statement of Work

The ICP formative evaluation will be directed by a Joint USAID/ICP Committee and conducted as a participative process from the very beginning. The contractor shall provide the Evaluation Committee with part of the required information to enable them to complete their task. The contractor shall:

- o Analyze and present the project experience of the last two years for discussion by the ICP and USAID.
- o Moderate a meaningful discussion of problems and opportunities leading to a course of action regarding the future of the project and the institution.

### 3. Tasks

The ICP evaluation will focus on two major areas: (1) goal achievement and (2) identifying and solving design and implementation problems as appropriate. The contractor shall assess how USAID and GOP resources have been used, compare project activities to the original design of the project, discuss management issues, and assess intermediate and final outputs of the Project. Sources of information for this activity are project plans, reports, accounting records, face to face interviews with public and private sector representatives in Panama and telephone interviews with ICP clients in the U.S. Specific evaluation tasks include:

- o Develop a final work plan and schedule for the execution of the evaluation
- o Collect information and examine in detail the results achieved under each project component in comparison with Project Design and Annual Work Plans.
- o Interview officials of the ICP, USAID, GOP Ministries, private sector leaders of banking, commerce, industry and services activities including labor as well as entrepreneurs which have received ICP services.
- o Prepare a draft evaluation report containing a preliminary analysis of the project and alternative solutions to problems encountered in project design and implementation. Prepare a two-day workshop agenda and materials based on the draft report.
- o Moderate a Joint ICP-USAID Evaluation Committee workshop to discuss findings and alternative solutions for issues raised in the evaluation and to agree on modifications to the project, if any, and to prepare a plan for implementing the modifications.
- o Prepare a final draft report incorporating workshop results into the recommendations. Submit the draft report to Joint Evaluation Committee for comment.

- o Review the draft final report with the Joint Evaluation Committee.
- o Revision and submission of Final Evaluation Report to the Joint Committee.

The Project Team visited Panama during a seven-week period beginning January 28. During this period, project documentation was reviewed as well as that relating to regional and the Panamanian investment climate. Interviews were held with a wide range of GOP, USAID, U.S. Embassy, officials and representatives of the private sector in commerce, industry, labor, banking and services who have knowledge of ICP activities. Representatives of international donor and USG agencies were interviewed. The draft preliminary report was submitted to the Joint Committee on March 4, 1986 and was discussed at the Evaluation Workshop held on March 6 and 7. Additional data collection was carried out during March including a survey of ICP clients in Panama who have been promoted or assisted as well as selected telephone interviews with ICP clients in Asia, the U.S. and Latin America. A draft Final Evaluation Report was submitted to the Joint ICP-USAID Evaluation Committee on April 22 and a meeting of the Committee was held on April 25 to review the draft and receive comments. See Appendix A for a list of people interviewed.

## B. Evaluation Setting

The evaluation of ICP must take into account both external environmental factors (beyond ICP control) as well as internal, controllable factors. In this section, we set forth a summary of key external environmental factors which contribute to the "investment climate" and which impact on ICP's performance.

### 1. Regional Economic and Political Trends

Since the inception of the ICP in 1982, the regional recession affecting Latin America and the Caribbean has continued and has had a generally adverse impact on Panama's economy. Sluggish regional trade, low commodity demand and prices, slack demand for Panamanian services among its traditional trading partners and the pervasive impact of the debt crisis all have negatively affected Panama's economic prospects. A key regional factor is the general reluctance of major international banks to increase voluntary lending to, and exposure in, the countries of the area which has adversely impacted trade and financial services throughout the region.

The political instability in Central America, focusing on Nicaragua and El Salvador, has probably had some negative fallout on Panama's investment climate.

### 2. Panama's Political and Economic Evolution since 1983.

Since 1983, there has been a reasonable degree of political stability in Panama, alongside serious institutional instability, both of which affect the investment climate to some degree. Political stability has been maintained through the continuing

influential role of Panama's Defense Forces on public order and policy. The fact that Panama has had four Presidents since 1982 must be considered a manifestation of political instability which has probably had some negative effects on the investment climate and on investor attitudes. Experienced investors who know Panama well are unlikely to be overly concerned by frequent changes in the Presidency and Cabinet. However, the less experienced and new investor, who forms ICP's natural clientele, may be discouraged by this phenomenon.

In respect to internal economic trends, the regional recession continues to have some lingering impact on Panama's service-oriented economy. Real GDP declined in 1984 by an estimated 1.2 percent, reflecting a general decline in private sector activities (including construction and pipeline services), as well as uncertainty over the May 1984 elections and policy implications thereof, fiscal stringency and growing debt service burdens. Available information indicates serious unemployment continues with estimates of between 14 and 19 percent and with unofficial higher estimates in San Miguelito (20 percent) and Colon (40 percent). During 1985, the GOP negotiated a restructuring arrangement with the commercial banks for debt maturing in 1985-86 in the amount of \$600 million. In addition, it is also negotiating for \$60 million in new commercial bank credits which are conditioned on World Bank agreement to begin appraisal of the second Structural Adjustment Loan (SAL), which appraisal has now begun. The GOP, on July 15, 1985, entered into a 21 month Standby Agreement with the IMF for SDR 90 million which is being carried out satisfactorily. The SAL is designed to reform macro-economic policies away from import substitution toward a more competitive/export-oriented program. The GOP has recently adopted (in mid March) reforms in the Labor Code, Industrial



Incentives and Agricultural Laws. These reforms represent forward progress in GOP efforts to meet conditions for a SAL and also clear the way for negotiations with the major commercial banks on the new credit.

Provisional data estimate 1985 economic growth as modestly positive ranging between 2.5 and 3.0 percent, as against a minus 0.4 percent decline in 1984. The improved performance reflects increases in electric power, the Colon Free Zone, oil pipeline and shipping. In the agriculture sector, livestock, coffee exports and bananas registered increases.

Banking activity increased slightly in 1985. Total deposits in the banking system increased during the year from \$29.769 million at the end of 1984 to \$32.001 million at end of 1985. Offshore deposits also climbed from \$26.398 million to \$28.291 million over the same time frame. Inflation was very modest during 1985 with consumer prices rising 0.4 percent (November to November)

Direct U.S. foreign investment in Panama appears to have increased steadily between 1978 and 1983 (the latest year for which data are available):

<u>Year</u>	<u>Amount in Billions</u>
1978	\$2.557
1979	2.921
1980	3.171
1981	3.784
1982	4.404
1983	4.519

American Embassy estimates that most of the recorded investment reflects financial transactions of the banking sector. The Embassy has been able to confirm about \$1.5 billion in direct U.S. investments in Panama in terms of asset value. The last major U.S. investment in Panama was in 1981-83 in construction of the oil pipeline.

Certain government policies are frequently cited as having negative effects on the investment climate. These include a Labor Code which restricted the possibility of using incentives to increase worker productivity and management flexibility in hiring and firing. The recent Labor Code reform provided some modest improvements over the previous code in permitting incentives for piecework and bonus payments to be excluded in calculating base pay. Some modest improvements in respect to labor immobility were included. The apprentice period for new workers was extended to two months before severance pay is to be paid. Frequent mention is also made of a range of other government policies relating to price controls, high levels of industrial protection, state intervention in the economy which also are perceived to have a negative impact on the investment climate. The recent reform of the Industrial Law included provisions for doing away with the Contracts with the Nation procedure for obtaining investment incentives. The Contracts procedure will be replaced with a simple registration procedure, thereby significantly reducing the time it takes to process the contracts. The same reform also provided gradual reductions over a five year period in levels of protection for domestic industries. The effective level of protection would be reduced over the period to a maximum of 60 percent while new industries would be limited to protection of no more than 30 percent. In addition, import quotas are to be replaced by tariffs. These reforms, although more modest than initially proposed, should contribute somewhat to improving the climate for investors.

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### III. THE INVESTMENT COUNCIL OF PANAMA (ICP)

In this section, we present a brief, factual presentation of the background of ICP, its current organization and management structure and its principal role and functions. This section is designed to acquaint the reader with ICP as an institution prior to entering into the formative evaluation of the AID project.

#### A. Background

The Investment Council of Panama (ICP) was formally established by Decree No. 79 on August 12, 1982 "for the purpose of promoting domestic and foreign investment in Panama in accordance with the plans, strategies and development policies established by the Executive." The key objective was to seek an expansion of investment as a means of generating new employment and thereby alleviating the nation's critical unemployment problem.

There were a number of interacting trends and developments that gave rise to the decision to establish the ICP:

- o The advent of the world economic recession which has had a severe impact on the Latin American region and Panama.
- o The external debt crisis exacerbated the impact of the recession and dramatically reduced new commercial bank lending to the region.
- o The realization by many LDCs that private investment must become an important additional resource of development capital now that commercial lending was being curtailed.
- o The need for Panama to compete actively with its neighbors in taking advantage of the opportunities provided by the Caribbean Basin Initiative (CBI).

- o The need to develop a coherent promotion program for the light assembly industries (Maquila) program, the Colon Free Zone and relate to the export promotion program of DICOMEX (Foreign Trade Directorate).
- o The recommendations of the Lazard Freres/Lehman Brothers/S.G. Warburg Report of the Advisory Group in December 1980 on Private Direct Foreign Investment in Panama called for a major government effort to attract both foreign and domestic investment. It specifically proposed the creation of an official investment promotion agency with considerable autonomy and powers to play a key role in policy formulation affecting investment and to operate a "one-stop" investment promotion and servicing center for Panama. Although the goals, structure, budget of the proposed agency were perceived by many as somewhat over-ambitious for Panama, the idea caught the attention of key political and financial leaders.
- o The personal interest and commitment of President de la Espriella who took the lead in creating the Investment Council of Panama, whose initiative in this matter responded to the encouragement and support of influential Panamanian business leaders, international development agencies, including USAID and private consultants.
- o The close cooperative relationship developed between ICP and the Department of Commerce of the State of Florida which provided technical assistance and training to ICP. This relationship was to play an influential role in shaping early ICP planning and action in the areas of investment promotion, training and data base management

The establishing decree initially located ICP in the Ministry of the Presidency which provided both a base of political support and certain autonomy in carrying on its activities. Contrary to the recommendations of the Lazard Freres report, ICP was not given broad powers and faculties over investment policy which were then under the jurisdiction of other ministries such as the Ministry of Commerce and Industry, the Ministry of Planning and Economic Policy and the Ministry of Finance and Treasury. ICP was expected to coordinate its activities with these ministries

and, in general, to serve as the government's principal marketing instrument in promoting investment. The granting of investment incentives and certain governmental approvals were to remain with MICI.

In 1984, the Presidency, the ICP issued Decree No. 114 dated December 16, 1983 transferring ICP from the Ministry of the Presidency to MICI where it has operated ever since.

Annex B contains copies of the relevant decrees establishing the ICP and others modifying its structure and functions.

#### B. Organization and Management

The decree setting up ICP created an Executive Committee which functions as a Board of Directors. The Board was initially composed of 13 members, but has since been increased to 15. The majority of the Board, some 9 members, are appointed by the President from the private sector while the GOP members include the Ministers of Industry and Commerce (MICI), of Planning and Economic Policy, (MIPPE), as well as the General Managers of the Tourism Institute, the National Finance Corp. (COFINA) and the Colon Free Zone. The ICP Executive Director serves as Secretary ex-officio to the Board.

The Executive Director serves as the chief operating officer of the ICP and is charged with its administration and executing the policies and plans dictated by the Board and by the Minister of MICI, as well as overall management and coordination of its activities.

The Executive Director together with three private sector members of the Board form an Executive Committee which has some role in determining short term policy and management decisions.

ICP management team consists of the Executive Director, a Deputy Director, and the managers of the Council's five operating offices:

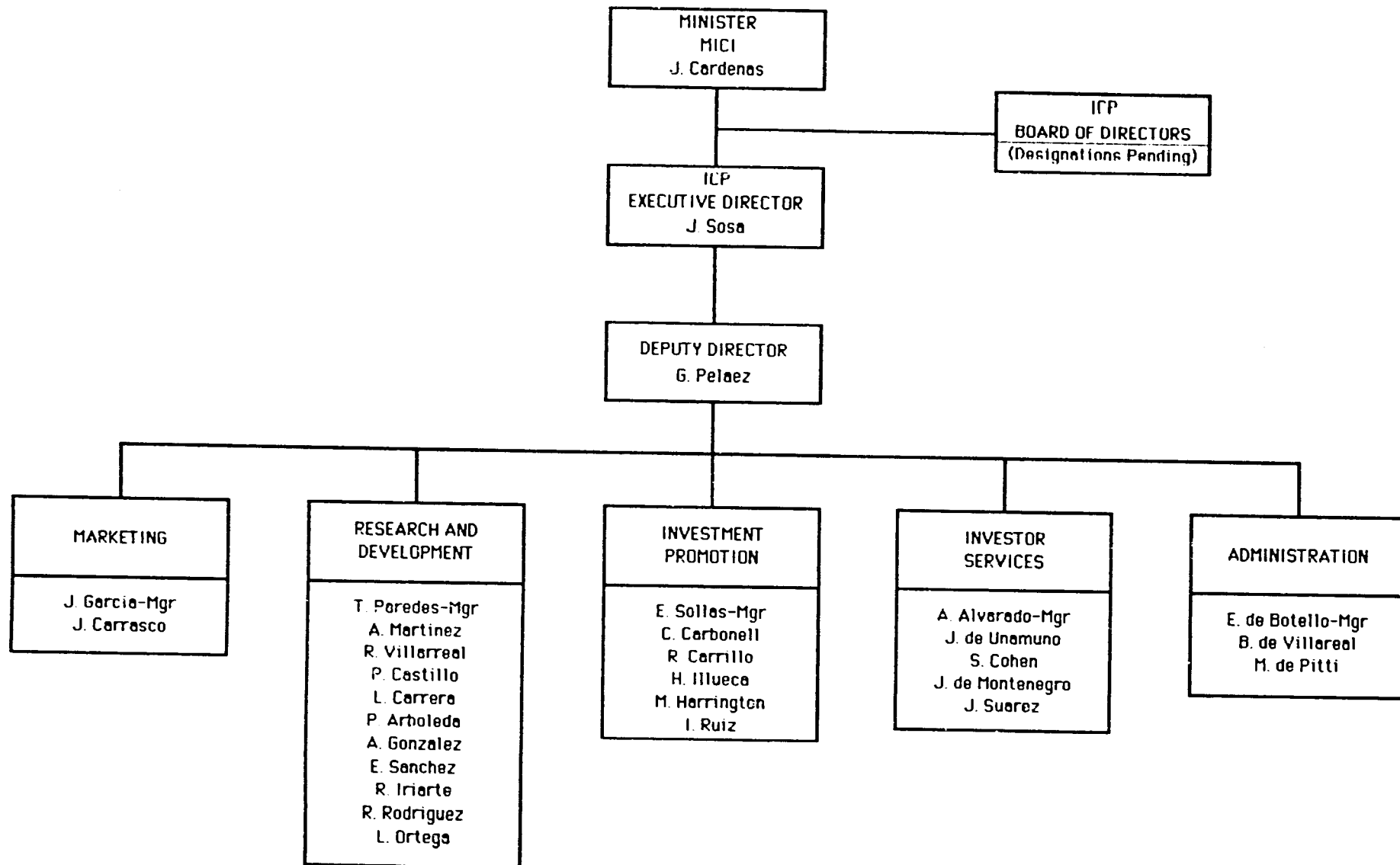
- o Research and Development
- o Investment Promotion
- o Investor Services
- o Marketing, and
- o Administration

In Exhibit III-1, an organizational chart shows ICP's organizational structure and key professional staff.

C. Principal Role and Functions

The principal role of ICP is to promote both domestic and foreign investment in order to generate employment. It serves as the focal point in the Panamanian Government in investment promotion at home and abroad through its services in:

- o Conducting policy research designed to identify means of improving the country's investment climate and research on markets/sectors/products to identify and target investment opportunities in which Panama has comparative advantage
- o Planning and implementing investment promotion campaigns and activities, on the basis of research results, in order to identify potential investors and assist them, as appropriate, in making a positive investment decision for Panama



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### III-5

- o Providing attention and services to the potential investor to facilitate and accelerate the process, acting as a focal point for orientation, information, contact, support and coordination
- o Recommending the necessary actions and policies in order to create the climate, conditions, laws and policies conducive to attracting investments.

The basic functions by ICP are carried out by five offices as follows:

1. Office of Research and Development (RDO)

The RDO office is charged with the functions of:

- o Policy formulation and analysis related to product definition, modification or improvement, (e.g., improving the attractiveness of Panama's investment climate)
- o Investigation and analysis the competitive advantages of Panama as an investment site vis-a-vis its regional competitors including comparative advantages of markets/sectors and products
- o Marketing analysis and strategy development to provide refined sector and product targeting to guide ICP promotion efforts
- o Data collection, organization, analysis and dissemination through a computerized data bank to government agencies and private sector (foreign and domestic) on basic economic, financial and statistical information, development plans and program in the industrial and services sector.
- o Operational planning for ICP
- o Technical response function to permit rapid responses to inquiries of private investors
- o Preparation of investment profiles



2. Office of Investment Promotion (OIP)

The OIP office is responsible for:

- o Developing and implementing investment promotion strategies, operational plans and activities based on market/product studies received from RDO office.
- o Attracting, receiving and follow-up of potential investors in areas of export oriented industries, light assembly and services.
- o Undertaking investment promotion campaigns to target markets, indicated by RDO, making initial contacts with target companies and soliciting follow-up visits to Panama. Maintains contact with investors during visits to Panama, provides information and contacts and follows up until an investment decision is made.
- o Using marketing tools including public relations, seminars, trade fairs and other techniques to make contacts and promote Panama as an investment site.

3. Investor Services Office (ISO)

This office is designed to provide a variety of specialized services to potential investors including:

- o Assistance and support in reducing time needed for investment project approval, execution and minimizes bureaucratic procedures involved.
- o Provide to the potential investor, "one stop" information and servicing facilities where investor compliance with GDP regulations are involved.
- o Assist investors in accessing public and private services.
- o Provides information and assistance in understanding investment incentive laws and requirements.

- o Services investors in light assembly industries (MAQUILA) who have already invested in Panama, as well as performing regulatory and service functions in this regard.

4. The Office of Marketing (OM)

The Office of Marketing has the responsibility for designing, producing, and distributing promotional materials which ICP requires in its normal activities to promote investment. The Office, in addition, coordinates and takes appropriate action to participate in local or foreign events of relevance to investment promotion. The office coordinates and develops the operational design for publicity campaigns oriented to domestic or foreign audiences.

5. Office of Administration

The Office of Administration is responsible for all administrative services including personnel, accounting, budgeting, general services, filing, motor pool, space and property management.

D. Financing

The GOP provides a major portion (75 percent) of the operating funds of the ICP with the AID project planned to finance the remaining 25 percent. Its budget is approved by the Minister of Planning and Economic Policy (MIPPE) and the Minister of Commerce and Industry (MICI). The GOP contribution funds salaries and normal operating costs. The AID project funds provides special support for technical assistance, training, international travel and commodities.

ICP also has received technical assistance grants from:

- o UNIDO--a \$500,000 grant to provide technical assistance to ICP
- o EEC--Financing technical assistance from the Irish Development Authority (IDA) connected with investment promotion in the European region.

#### IV. EVALUATION OF AID ASSISTANCE PROJECT

##### A. Evaluation Framework

In Exhibit IV-1, we include a copy of the Logical Framework for the Project against which we will make both quantitative and qualitative analyses in preparing our evaluation findings. We note that there are differences between the project component outputs as expressed in the Logical Framework and those output indicators as contained in the Project Components Section of the Project Paper, pages 20-24. For purposes of consistency, our evaluation will focus on the Logical Framework output indicators. However, we will take into account the output indicators in the text, as appropriate, in our evaluation narrative.

##### B. ICP Performance in Project Implementation

###### 1. Meeting Investment and Employment Generation Targets

The Logical Framework contains the following direct investment and employment generation target:

<u>Direct</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>Total</u>
<u>Investment</u> (\$ mill)	9.6	14.4	20.0	44.0
<u>Jobs</u>	1200	1800	2500	5500

The Project Team had considerable difficulty in obtaining reliable data on ICP performance in meeting investment and employment targets. Initially, we tried to understand the ICP criteria for classifying the different types of services it provided to its clients as well as the system or methodology used to generate and report data on investment and employment generation. We were particularly interested in determining the

INVESTMENT COUNCIL OF PANAMA  
PROJECT DESIGN SUMMARY: LOGICAL FRAMEWORK MATRIX

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><b>A. Sector Goal</b></p> <p>To marshal public and private investment resources to increase employment opportunities</p>	<p>1. Levels of investment 2. Job creation 3. Appropriate legislative and administrative changes.</p>	<p>Census &amp; national statistics</p>	<p>1. Panama is competitively positioned to compete in international markets. 2. Investment climate adequate to attract investment.</p>

**B. Project Purpose**

To develop the operational capacity of the Investment Council of Panama (ICP) to promote and service new export-oriented foreign and domestic investment.

A mechanism in place capable of promoting direct new investment in export-oriented industry in Panama attributable to the Project of not less than \$24 million per year in current dollars and the generation of not less than 3,000 direct new jobs each year.

Annual Project Reviews  
Project evaluations  
AID Project Files  
GDP statistics

1. The current world-wide recession does not deepen or continue through the life of the project.  
2. Gov't. and private sector commitment to ICP concept continues.

Indicators

	1983	1984	1985	1986	Totals
<u>Direct</u>					
Investment (\$ millions)	9.6	14.4	20.0	24.0	68.0
Jobs	1200	1800	2500	3000	8500
<u>Indirect</u>					
Investment (\$ millions)	6.0	9.0	12.0	12.0	39.0
Jobs	1800	2700	3750	4500	12,750

Total investment: \$millions 107  
Total jobs: 21,250

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS																																																																																											
<b>C. Project Outputs</b>																																																																																														
<b>1.0 Institutional Development</b> A senior management staff trained and able to develop program and operational policies and guidelines for the ICP.	<b>1.1 Personnel Trained</b> <table border="1"> <thead> <tr> <th></th> <th>83</th> <th>84</th> <th>85</th> <th>86</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>(1)Executive Director/</td> <td>1</td> <td></td> <td></td> <td></td> <td>1</td> </tr> <tr> <td>(1)Deputy Director</td> <td></td> <td></td> <td>1</td> <td></td> <td>1</td> </tr> <tr> <td>(3)Office head (line)</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(1)Office head (staff)</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>(5)Directors</td> <td></td> <td>6</td> <td></td> <td></td> <td>6</td> </tr> </tbody> </table>		83	84	85	86	Total	(1)Executive Director/	1				1	(1)Deputy Director			1		1	(3)Office head (line)						(1)Office head (staff)						(5)Directors		6			6	1. ICP records and files. 2. AID Project files. 3. Consultant reports. 4. Project Evaluations	1. Persons trained under the project begin work on a timely basis, are located where needed and work in the subject areas in which they were trained.																																																							
	83	84	85	86	Total																																																																																									
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<b>2.0 Policy and Strategy</b> A unit capable of identifying areas of policy research and making recommendations to the ICP board. Developing priorities and investor search targets set out in yearly ICP operational plans, developing and disseminating investment, market and industrial information.	<b>2.1 Trained Personnel</b> <table border="1"> <thead> <tr> <th></th> <th>83</th> <th>84</th> <th>85</th> <th>86</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>4</td> <td></td> <td></td> <td></td> <td></td> <td>4</td> </tr> </tbody> </table> <b>2.2 Studies</b> <table border="1"> <thead> <tr> <th></th> <th>CY</th> <th>83</th> <th>84</th> <th>85</th> <th>86</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Policy studies</td> <td></td> <td>1</td> <td>4</td> <td>1</td> <td>3</td> <td>12</td> </tr> <tr> <td>Competitive studies</td> <td></td> <td>1</td> <td>3</td> <td>1</td> <td>1</td> <td>5</td> </tr> <tr> <td>Product Studies</td> <td></td> <td>10</td> <td>10</td> <td>10</td> <td>10</td> <td>40</td> </tr> <tr> <td>Special studies</td> <td></td> <td>1</td> <td>5</td> <td>5</td> <td>5</td> <td>16</td> </tr> <tr> <td>Seminars</td> <td></td> <td>2</td> <td>4</td> <td>4</td> <td>4</td> <td>16</td> </tr> <tr> <td><b>Totals</b></td> <td></td> <td><b>15</b></td> <td><b>26</b></td> <td><b>23</b></td> <td><b>23</b></td> <td><b>87</b></td> </tr> </tbody> </table> <b>2.3 Annual Plans</b> <table border="1"> <thead> <tr> <th></th> <th>83</th> <th>84</th> <th>85</th> <th>86</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>1</td> <td>1</td> <td>1</td> <td>1</td> <td>4</td> </tr> </tbody> </table> <b>2.4 Information System</b> <table border="1"> <thead> <tr> <th></th> <th>83</th> <th>84</th> <th>85</th> <th>86</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>System On-line</td> <td>-</td> <td>1</td> <td>-</td> <td>-</td> <td>1</td> </tr> <tr> <td>Personnel trained</td> <td>4</td> <td>20</td> <td>12</td> <td>-</td> <td>36</td> </tr> </tbody> </table>		83	84	85	86	Total	4					4		CY	83	84	85	86	Total	Policy studies		1	4	1	3	12	Competitive studies		1	3	1	1	5	Product Studies		10	10	10	10	40	Special studies		1	5	5	5	16	Seminars		2	4	4	4	16	<b>Totals</b>		<b>15</b>	<b>26</b>	<b>23</b>	<b>23</b>	<b>87</b>		83	84	85	86	Total	1	1	1	1	1	4		83	84	85	86	Total	System On-line	-	1	-	-	1	Personnel trained	4	20	12	-	36	Consultant report and performance	Recruitment of personnel is timely and retention rates high.  Specialized T.A. from experience sources.
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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS																																																	
<p>3.0 <u>Investment Promotion</u> Investor search and reception mechanisms capable of locating investors, promoting Panama and attending to investor needs on arrival in Panama.</p>	<p>2.1 <u>Investor Search</u></p> <table border="1"> <thead> <tr> <th>Activity</th> <th>CY</th> <th>83</th> <th>84</th> <th>85</th> <th>86</th> </tr> </thead> <tbody> <tr> <td>1. <u>Overseas Offices</u></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>a. United States</td> <td>1</td> <td>-</td> <td>-</td> <td>1</td> <td></td> </tr> <tr> <td>b. Europe</td> <td>1</td> <td>-</td> <td>-</td> <td>1</td> <td></td> </tr> <tr> <td>c. Asia</td> <td>-</td> <td>1</td> <td>1</td> <td></td> <td></td> </tr> <tr> <td>d. South America</td> <td>-</td> <td>1</td> <td>1</td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td>2</td> <td>2</td> <td>2</td> <td>2</td> <td></td> </tr> </tbody> </table>	Activity	CY	83	84	85	86	1. <u>Overseas Offices</u>						a. United States	1	-	-	1		b. Europe	1	-	-	1		c. Asia	-	1	1			d. South America	-	1	1			Total	2	2	2	2		<p>1. ICP record and files 2. Quarterly Work Plans. 3. Project evaluations 4. Turn-key promotion system evaluation</p>	<p>1. That the turn-key system is not found to be more cost effective after first year evaluation.</p>							
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e. Training (persons)	3	5	-	-		8																																														
f. Promotion booths	-	2	-	-		2																																														
	<p>2.2 <u>Investor Reception</u></p> <table border="1"> <thead> <tr> <th>Activities</th> <th>CY</th> <th>83</th> <th>84</th> <th>85</th> <th>86</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>a. Training</td> <td>2</td> <td>3</td> <td>-</td> <td>-</td> <td></td> <td>5</td> </tr> <tr> <td>b. Foreign investors</td> <td>25</td> <td>75</td> <td>100</td> <td>100</td> <td></td> <td>300</td> </tr> <tr> <td>c. Local investors</td> <td>5</td> <td>10</td> <td>20</td> <td>20</td> <td></td> <td>55</td> </tr> <tr> <td>d. Investor forum</td> <td>-</td> <td>-</td> <td>-</td> <td>1</td> <td></td> <td>1</td> </tr> </tbody> </table>	Activities	CY	83	84	85	86	Total	a. Training	2	3	-	-		5	b. Foreign investors	25	75	100	100		300	c. Local investors	5	10	20	20		55	d. Investor forum	-	-	-	1		1																
Activities	CY	83	84	85	86	Total																																														
a. Training	2	3	-	-		5																																														
b. Foreign investors	25	75	100	100		300																																														
c. Local investors	5	10	20	20		55																																														
d. Investor forum	-	-	-	1		1																																														

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS					MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS	
<b>4.0 Investor Services</b>	<b>4.1.1 Activities</b>					<b>83 84 85 86 Total</b>	1. Review of ICP and USAID Project Records. 2. ICP reimbursement requests 3. Project evaluations	1. It is assumed that ICP personnel will be reassigned to or recruited for the project as needed, that counterpart funding is forthcoming for equipment and materials.
An investor service mechanism capable of processing all required documentation in a timely fashion and coordinating the provision of infrastructural services.	a. Personnel trained b. Coordination seminars c. New Documentation Processing Procedures	1	3	2	-	6		
<b>5.0 Inputs</b>	/US \$000)							
	<u>AID/DL</u>	<u>UCP</u>	<u>Total</u>					
1. Training	1,106	-	1,106					
2. Technical Services	2,220	-	2,220					
3. Equipment & Materials	447	70	517					
4. Travel/Per Diem	293	492	492					
5. Evaluation - Project Officer	200	-	200					
6. Operational Expenses (Salaries, rent, utilities, etc.)	-	7,598	7,598					
Project Total	3,973	8,110	12,083					
Total AID Loan Funded	\$3,973							
Total GCP Counterpart	8,110							
TOTAL PROJECT	12,083							



amount of investment and related employment which ICP claims to have promoted/attracted in comparison with investment and employment it claims to have assisted--(i.e., assistance provided which was unrelated to the firm's decision to invest). We learned that ICP had not established any such classification criteria nor a formal system for generating and reporting data on the precise nature of its interventions in support of the investor.

Although USAID's Implementation Letter No. 1 (Art. 6.1) (dated September 12, 1983) required ICP to submit a draft of a project evaluation program and schedule and establish evaluation criteria as integral components of the Work Plan, we were not able to obtain evidence that ICP had met this requirement nor that any agreement had been reached between USAID and ICP on the definition of evaluation criteria or the methodology for generating and reporting data on ICP performance in meeting these targets.

In Exhibit IV-2, we include a chart showing planned vs. actual investment and employment generation from 1983-85 disaggregated to include project plan targets, ICP estimates and PW survey estimates. In the following paragraphs, we explain the basic and rationale for this exhibit.

Early in our data collection efforts we requested ICP to provide a list of investments it claimed to have promoted, attracted or otherwise assisted defining for each firm the type of services rendered. The ICP presented a list of firms it claimed to have promoted but with vague indicators of the precise nature of its services to each. The list did not make the essential distinction between: companies that were attracted to Panama by ICP and those that were only assisted when they were already in Panama either in the process of establishing their project or already in operation. We included that list in our

EXHIBIT IV-2

ICP INVESTMENT AND EMPLOYMENT GENERATION  
 PLANNED VS. ACTUAL  
 (Pre-1983 to 1985)

	Pre-1983		1983			1984			1985			TOTALS		
	ICP ESTIMATE	SURVEY ESTIMATE	PLAN TARGETS	ICP ESTIMATE	SURVEY ESTIMATE	PLAN TARGETS	ICP ESTIMATE	SURVEY ESTIMATE	PLAN TARGETS	ICP ESTIMATE	SURVEY ESTIMATE	PLAN TARGETS	ICP ESTIMATE	SURVEY ESTIMATE
	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)	('000)
A. INVESTMENT														
- PROMOTED/ATTRACTED	5,900	1,300		12,300	N/A		6,014	250		1,000	-		25,214	1,630
- ASSISTED	750	8,510		-	2,750		3,201	7,700		700	700		4,651	19,660
TOTAL	6,650	9,890	9,600	12,300	2,750	14,400	9,215	7,950	20,000	1,700	700	44,000	29,865	21,290
B. EMPLOYMENT														
- PROMOTED/ATTRACTED	106	98		315	3		2,399	60		283			3,103	161
- ASSISTED	35	457			214		125	1,005		15	55		175	1,731
TOTAL	141	555	1,200	315	217	1,800	2,524	1,065	2,500	304	55	5,500	3,284	1,892

\* Includes companies whose start date was listed as prior to 1983 as well as those whose exact start date was uncertain/unavailable.

### IV-3

draft preliminary report as Exhibit IV-3. We then attempted to verify the information contained in the list on the basis of a review of documentation in ICP and spot checks with a small number of firms to find out the nature of services it received from the ICP. The results of these inquiries confirmed that there had been contact between the firms and ICP but raised questions as to the extent of ICP's role in actually promoting/attracting the investments. Accordingly, our draft preliminary report included the ICP list but indicated that Price Waterhouse had no reliable basis to verify and/or render a judgment as to accuracy of the information provided by ICP on investment and employment generation.

During the joint ICP-USAID workshop, there was considerable discussion as to which investments were attracted/promoted and which were merely assisted. It was agreed that ICP would review its earlier list of claimed investments and prepare two separate lists; one, presented herein as Exhibit IV-3A, which list firms and provide investment and employment data which it claimed to have promoted/attracted and another, presented herein as Exhibit IV-3B, which provides corresponding information for investments which it claims to have assisted. ICP prepared these lists during the week of March 24 which claims that ICP:.

- o Promoted or attracted 29 companies that represented a total investment of \$25.2 millions and a total of some 3,100 jobs.
- o Assisted, in addition to the above, 9 companies that represented a total investment of \$4.9 millions and that today employ some 320 persons.

In addition, USAID expanded the Evaluation Team's scope of work to authorize a survey of the 33 firms which ICP claimed to have either promoted/attracted or assisted. This survey was performed during the week of March 24 and resulted in personal

## LISTING OF ICP PROMOTED INVESTMENTS (1983-85)

NAME OF COMPANY	NATURE OF BUSINESS	LOCATION	ORIGIN OF INVESTMENT	MARKET	JOB CREATED (Initial)	JOB CREATED (Actual)	INVESTMENT (Initial) ('000)	INVESTMENT (Actual) ('000)	START DATE	CONTRACT WITH THE NATION
1. REDES DE PANAMA, S.A.	Assembly of tuna nets	Balboa	Panama, U.S.	Canal, Spain, Suam, Phil.	32	50	4,500	4,500	10/79	No. 58, 4/23/83
2. TEXTILES LA CHORRERA, S.A.	Womens' apparel	Chorrera	U.S.	U.S.	29	70	500	500	10/80	No. 31, 8/24/82
3. PANAMUNDO INDUSTRIAL, S.A.	Reptile skin processing	Juan Diaz	Italy, Arg.	Spain, Italy	30	0	500	2,600	4/82	No. 95, 12/21/81
4. WIDEL CORPORATION	Electronics assembly	Vista Her.	Switzerland	EEC	15	42	400	3,000	9/82	No. 19, 4/22/83
5. CONFECCIONES GLORIA DE PANAMA	Garment assembling		Panama, Hong Kong	U.S.A, Europe	190	0	300	0	1/83	Closed
6. CONFECCIONES LOS ANGELES, S.A.	Womens' apparel	Los Ang.	Panama	U.S.	31	65	50	250	3/83	No. 37, 2/13/84
7. INSTITUTO DE COSMETOLOGIA SIMONE GRIEDER	Cosmetology Services	Pa. Cy.	France	Local	4	8	50	50	5/83	Commercial
8. REASEGURADORA NACIONAL, S.A	Reinsurance	N/A	N/A	N/A	4	4	2,500	N/A	5/83	N/A
9. TEJIDOS Y CONFECCIONES, S.A.	Garment Confection	N/A	N/A	N/A	N/A	100	100	N/A	6/83	Not Applicable
10. BRITISH AMERICAN	Insurance	Pa. Cy.	N/A	Panama	4	4	1,800	N/A	9/83	Closed
11. REASEGURADORA NACIONAL DE VENEZUELA	Reinsurance	Pa. Cy.	N/A	N/A	5	5	3,000	N/A	10/83	
12. BANER REINSURANCE CO.	Reinsurance	Pa. Cy.	N/A	N/A	5	5	2,000	N/A	10/83	--
13. HAYWARD DE PANAMA	Assembling wool clothing		Hong Kong	U.S.A/Canada, Europe/South & C. America	68	0	500	0	11/83	Closed No.106
Page 1 Total					417	353	16,200	10,900		

\* Source: ICP (1986)

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## LISTING OF ICP PROMOTED INVESTMENTS (1983-85)

NAME OF COMPANY	NATURE OF BUSINESS	LOCATION	ORIGIN OF INVESTMENT	MARKET	JOB CREATED (Initial)	JOB CREATED (Actual)	INVESTMENT (Initial) ('000)	INVESTMENT (Actual) ('000)	START DATE	CONTRACT WITH THE NATION
14. LATINCAMERICANA DE REASEGUROS (LARSA)	Reinsurance	Pa. Cy.	N/A	N/A	4	4	2,000	N/A	11/83	N/A
15. PANAMA SHARK PRODUCTS	Shark processing	Chiriqui	U.S.A	U.S.A	50	70	1,200	1,400	1/84	
16. LEONARDO INVERSIONES, S.A.	Tobacco planting	Chiriqui	U.S.A	U.S.A	400	400	500	N/A	1984	N/A
17. CREACIONES ZARATI	Garment confection	Cocle	Panama	U.S.A	132	0	1,148	0	4/84	Closed, No. 154
18. CHAMPION MANUFACTURE CO.	Confection of jeans	Colon	Hong Kong & Taiwan	U.S.A	76	0	300	350	1/84	No. 91, 8/31/85
19. TRIMIX INDUSTRIAL	Confection of pants, shirts	Colon	Taiwan	U.S.A	47	61	300	300	5/84	No. 126, 12/13/83
20. JENNY MANUFACTURING	Confection of clothing	Locheria	U.S.A	U.S.A	60	285	100	1,250	10/84	No. 6, 12/20/84
21. BASIM AGRO-EXPORT	Agricultural products	Herrera	U.S.A	U.S.A	1,625	0	250	0	11/84	Closed
22. TABACO DE COCLE, S.A.	Tobacco planting	Cocle	U.S.A	Panama	N/A	300	400	400	11/84	N/A
23. EMPRESA PANAMENA DE EXPORTACION DE TABACO, S.A.	Tobacco planting	Penonome	U.S.A	Panama	N/A	750	640	640	11/84	N/A
Page 2 Total					2,394	1,870	6,838	4,340		

## LISTING OF ICP PROMOTED INVESTMENTS (1983-85)

NAME OF COMPANY	NATURE OF BUSINESS	LOCATION	ORIGIN OF INVESTMENT	MARKET	JOB CREATED (Initial)	JOB CREATED (Actual)	INVESTMENT (Initial) ( '000)	INVESTMENT (Actual) ( '000)	START DATE	CONTRACT WITH THE NATION
24. KANG - PANAMA	Software adaptation and translation	Pa. Cy.	U.S.A	Panama, C. America	9	9	400	400	11/84	Commercial
25. INTERNATIONAL TRADING-UBINSA	Fish/lobster processing	N/A	Panama, U.S.A	U.S.A	N/A	10	775	775	12/84	N/A
26. GREENBAY OVERSEAS CO.	Garment confection	Colon	Hong Kong	U.S., U.K., Germany	125	620	400	1,600	1/85	No. 26
27. PANAMA CIGARS	Cigars	Cocle	Panama, U.S.	U.S., Europe	52	35	100	300	1/85	No. 22, 3/8/85
28. ILDR INTERNATIONAL CORP.	Garment confection	Chorrera	Panama	U.S.A	112	176	300	600	2/85	No. 9, 4/3/85
30. MARINAPAC	Shrimp processing	Vacaronte	Panama	U.S.A	N/A	130	200	N/A	6/85	No. 413 with addenda Dr. 5
Page 3 Total					298	980	2,175	3,675		
TOTAL					3,109	3,203	25,213	18,915		

GH

## LISTING OF ICP ASSISTED INVESTMENTS (1983-85)

NAME OF COMPANY	NATURE OF BUSINESS	LOCATION	ORIGIN OF INVESTMENT	MARKET	JOBS CREATED (Initial)	JOBS CREATED (Actual)	INVESTMENT (Initial) ('000)	INVESTMENT (Actual) ('000)	START DATE	CONTRACT WITH THE NATION
1. MARISCOS DEL PACIFICO	Shrimp processing	Vacaonite	Panama	U.S.A., Japan/Europe	125	170	241	241	10/84	No. 413 with addenda Dr. 5
2. CANASA	Shrimp production	Vacaonite	Panama	Panama, U.S.A	N/A	31	2,500	N/A	11/84	N/A
3. CARARNERA SANTA GERA	Shrimp production		Panama	Panama, U.S.A	N/A	5	360	N/A	2/84	N/A
4. PROMEDIAS, S.A	Clothing confection		Panama	N/A	N/A	15	100	N/A	11/84	N/A
5. AMERICAN FLOWERS SHIPPERS	Ferns cultivation		Panama	N/A	N/A	12	300	N/A	3/85	--
6. PANARTEX GARMENT FACTORY INC.	Garment confection		Taiwan, Panama	U.S.A	15	15	300	300	3/85	--
7. CONFECIONES CHARLOTTE, S.A	Clothing confection		Panama	N/A	N/A	30	100	N/A	10/85	
8. AGRO INDUSTRIA DE AZUERO	Watermelon, melon, pine-apple packing	Azuero	Panama	U.S.A	40	40	300	300	1986	Local Alq. contract: HICI
9. PRODUCTOS NUTRITIVOS, S.A	Nutritional cream		Panama	Panama	35	--	750	--		
Page 1 Total					215	318	4,951	841		

Source: ICP (1986)

interviews with officials of 12 firms and telephone interviews with the remaining 14 firms. Our efforts to contact and interview 6 other firms on the ICP list were not successful.

The main results of this survey, which are presented in detail in Exhibit IV-4, showed that:

- o Only 4 companies that presently represent a total investment of \$1.6 million and a total of some 160 jobs, were attracted to Panama by the search efforts of ICP.
- o The rest of the companies were walk-ins to ICP offices or were contacted by ICP when they were already involved with a project in Panama. This group of companies reported a total investment of \$19.7 million and a total of some 1,730 jobs.

It is widely recognized that investment decisions are only marginally related to the promotion efforts of an institution like ICP, other variables, such as the investment climate of internal corporate policies, being such more determinant.

Nevertheless, this recognition does not imply that the quality of a promotion program does not have a bearing on accomplishing better or worse results; and in this request, a number of major deficiencies such as the lack of a clear promotion strategy, the use of a shotgun approach as opposed to a targeted approach, and others discussed in this report attributable to the promotion activities conducted by ICP in the past, have probably contributed to the poor progress achieved by ICP in meeting the investment and employment targets.

At this point, it should be mentioned that in order to provide for additional evidence to evaluate the quality of the promotion activities of ICP, we held telephone interviews with 19 other companies at their offices in the USA, Asia and Latin



## INVESTMENT COUNCIL OF PANAMA

## CLASSIFICATION OF INTERVIEWED COMPANIES

## GROUP I: INVESTORS ATTRACTED TO PANAMA BY ICP.

No.	NAME OF COMPANY	NATURE OF BUSINESS	ORIGIN OF INVESTMENT	START DATE	JOBES	INVESTMENT
1.	TRIMIX INDUSTRIAL, S.A.	APPAREL	TAIWAN	1984	60	\$250,000
(+) 2.	TEXTILES LA CHORRERA, S.A.	APPAREL	UNITED STATES	1980	55	\$100,000
3.	WIDEL CORPORATION	ELECTRONICS ASSEMBLY	SWITZERLAND	NA	43	\$1,200,000
4.	REASEGURADORA NAC. DE VENEZUELA	REINSURANCE	VENEZUELA	1983	3	NA
GROUP I TOTAL					161	\$1,630,000

(+) ATTRACTION EFFORT BY THE MAQUILA PROGRAM, THE PREDECESSOR OF ICP.

## GROUP II: CONTACTED AND ASSISTED IN PANAMA BEFORE INVESTMENT DECISION HAD BEEN MADE.

No.	NAME OF COMPANY	NATURE OF BUSINESS	ORIGIN OF INVESTMENT	START DATE	JOBES	INVESTMENT
1.	INTERNATIONAL TRADING	FISH AND LOBSTER PROC.	UNITED STATES	1984	90	\$500,000
2.	WANG PANAMA-CENTRO DE TRADUCCIONES	SOFTWARE ADAPTATION	UNITED STATES	1984	10	NA
GROUP II TOTAL					100	\$500,000

## GROUP III: ASSISTED BY ICP PRIOR TO ESTABLISHMENT, BUT AFTER THE INVESTMENT DECISION HAD BEEN MADE.

No.	NAME OF COMPANY	NATURE OF BUSINESS	ORIGIN OF INVESTMENT	START DATE	JOBES	INVESTMENT
1.	GREENBAY OVERSEAS INT'L INC.	APPAREL	HONG KONG	1984	300	\$3,500,000
2.	JENNY MANUFACTURING COMPANY	APPAREL	UNITED STATES	1984	350	\$1,000,000
3.	ILOR INTERNATIONAL CORPORATION	APPAREL	PANAMA	NA	175	\$750,000
4.	PANAMTEX GARMENT FACTORY	APPAREL	TAIWAN/PANAMA	1985	15	\$200,000
5.	CONFECIONES LOS ANGELES, S.A.	APPAREL	UNITED STATES	NA	70	NA
6.	PANAMA CIGAR COMPANY, S.A.	CIGAR MANUFACTURING	U. S. / PANAMA	1985	40	\$400,000
7.	TABACOS DEL COCLE, S.A.	TOBACCO PLANTING	US, CUBA, FRA., PAN.	1982	5	\$200,000
8.	EMPRESA PANAMENA DE EXPORT. TABACO	TOBACCO PLANTING	UNITED STATES	1984	100	\$1,200,000
9.	PANAMUNDO INDUSTRIAL, S.A.	REPTILE SKIN PROC.	PANAMA, ITALY, ARG.	1982	0	\$4,000,000
10.	PANAMA SHARK PRODUCTS	SHARK FISHING & PROC.	UNITED STATES	1984	60	\$1,500,000
11.	REDES DE PANAMA, S.A.	ASSEMBLY OF TUNA NETS	U. S. / PANAMA	1980	40	\$1,000,000
12.	INST. DE COSMETOLOGIA S. BRIEDER	COSMETOLOGY SERVICES	FRANCE	1983	4	\$250,000
GROUP III TOTAL					1,239	\$14,100,000

INVESTMENT COUNCIL OF PANAMA

CLASSIFICATION OF INTERVIEWED COMPANIES

GROUP IV: ASSISTED BY ICP WHEN COMPANY WAS ALREADY OPERATING.

No.	NAME OF COMPANY	NATURE OF BUSINESS	ORIGIN OF INVESTMENT	START DATE	JOBS	INVESTMENT
1.	CREACIONES ZARATI, S.A.	APPAREL	PANAMA	1982	0	\$1,000,000
(*) 2.	CONFEDIONES CHARLOTTE	APPAREL	PANAMA	1982	37	\$68,000
(*) 3.	PROMEDIAS, S.A.	APPAREL	PANAMA	1984	13	NA
4.	TEJIDOS Y CONFEDIONES, S.A.	APPAREL	PANAMA	1964	NA	NA
5.	CHAMPION MANUFACTURING COMPANY	APPAREL	PANAMA/TAIWAN	1983	0	NA
6.	MARISCOS DEL PACIFICO	SHRIMP PROCESSING	PANAMA	1983	210	\$2,500,000
7.	MARINAPAC	SHRIMP PROCESSING	PANAMA	1979	130	\$1,500,000
8.	LATINOAMERICANA DE REASEGUROS, S.A.	REINSURANCE	PANAMA	1976	NA	NA
GROUP IV TOTAL					352	\$5,068,000

(\*) THIS COMPANY WAS NOT INCLUDED IN THE LIST PREPARED BY ICP FOR THE WORKSHOP. HOWEVER, WE SELECTED THEM FOR INTERVIEW, AS WE LEARNED THAT THEY WERE GOING TO BE INCLUDED IN A REVISED LIST.

	NUMBER OF COMPANIES	TOTAL ACTUAL JOBS CREATED	TOTAL ACTUAL INVESTMENTS
GROUP I	4	161	\$1,630,000
GROUP II	2	100	\$500,000
GROUP III	12	1,239	\$14,100,000
GROUP IV	8	392	\$5,068,000
TOTAL	26	1,892	\$21,290,000

America, to ask them to evaluate the job done by ICP to get them interested in investing in Panama (10 of them did visit Panama but did not go ahead with an investment and the rest did not visit the country. More information about the reasons is presented in Section IV-B.4.

The main results of this survey, contained in Annex D-2, were as follows:

- o The majority of the companies rated good to excellent the job of the ICP representatives in providing them with general information on Panama's investment climate and advantages to foreign investors.
- o The majority of the companies indicated that the ICP representatives could not address the specific information and topics of interest for their particular line of business but agreed to try to obtain the requested information.
- o The majority of the companies that did visit Panama rated good to excellent the assistance received from ICP to arrange their meetings and activities.

Whether one wants to attribute the poor progress of ICP in meeting the investment and employment targets established for the project to factors external to ICP or factors directly related to the quality of its performance, the fact that the investment promotion activities conducted to date have shown a very low cost/effectiveness ratio, raises the question of the convenience of continuing with the costly approaches applied so far for those activities. A fuller analysis of the results of the survey is contained in the Section IV-4 on Investment Promotion (IV.B.4.).

An analysis of the data presented in Exhibits III-2, IV-3A and B, and IV-4 reveals markedly different indicators of ICP performance in respect to attracting/promoting or assisting

investors and dramatically below planned investments and employment targets as contained in the Logical Framework.

Our principal findings in respect to ICP performance in meeting investment and related employment generation targets are as follows:

- o ICP performance in promoting/attracting investment to Panama has been unsatisfactory both in terms of the planned targets and results in comparison with efforts expended.
- o ICP performance in assisting investors who have on their own decided to locate in Panama appears to be quite satisfactory although investor assistance was not defined in the Project Purpose as a key target.
- o ICP has failed to date to define precise criteria for classifying the types of services provided to its clients and to establish a system/methodology (agreed with USAID) for generating and reporting data on claimed investments and employment generation.
- o USAID, despite its request to ICP to present an evaluation criteria, schedule and program, has been less than diligent in monitoring ICP's performance in establishing clear evaluation criteria and a methodology for generating/reporting of reliable data on meeting investment and employment targets. Accordingly, USAID has tended to accept uncritically the information provided by ICP on this matter.

On April 22, we delivered the draft Final Evaluation Report to members of the Joint ICP-USAID Evaluation Committee. The draft report was extensively discussed at a day long meeting on April 25th. The USAID member of the Committee requested that corrections of any factual errors in the draft report should be submitted in writing to the team by close of business on April 25. The ICP Executive Director promised to bring the ICP comments to Washington and present them to PW on Monday, April 28.

On April 30, the completion date under the work order for submission of the Final Evaluation Report to USAID and the Joint Committee, we received a letter dated April 29, from ICP Deputy Director, Gerardo Pelaez, containing ICP comments on the results of the Team field survey referred to above. In essence, the letter provides information justifying the proposed inclusion of additional firms into Group 1 of Exhibit IV-4 (Firms which ICP claims it has attracted/promoted to locate in Panama).

We have included a copy of the ICP letter of April 29 in Annex E of this report.

Given the April 30 deadline for submission of the Final Evaluation Report, the ICP letter arrived after the Report was in final production process. Accordingly, there was no time to analyze in detail the ICP comments and integrate them, as appropriate, into the Final Evaluation Report.

Our review of the ICP letter, however, leads us to the conclusion that, even on the assumption that some of ICP's claims of having promoted specific firms have merit, the new information provided in the letter would in no way change our basic finding as expressed above:

"ICP performance in promoting/attracting investment to Panama has been unsatisfactory both in terms of the planned targets and results in comparison with the efforts expended."

2. Institutional Development

a. Institutional Setting

A key feature of the original project design was the fact that ICP was provided with a measure of institutional autonomy

within the Ministry of the Presidency. The rationale for this autonomy as stated in the Project Paper (Pg. 8) was the

"need to have an entity with sufficient budgetary stability and operational flexibility so as to be capable of coordinating and focusing investment activities and brokering between the various public and private sector actors."

The decree establishing the ICP did not provide it with legal autonomy but only located it as appendage of the Ministry of the Presidency. The Project Paper considered that, as an agency of the Presidency, ICP "had more de facto flexibility than would have been the case if it were given de jure autonomy." While there was some concern in USAID over the less than clear legal status of the ICP, there was recognition of the need to monitor carefully the issue of ICP "autonomy" as it affected its operational performance.

Apart from the legal status of ICP, the close personal relationship between its first Executive Director, Mr. Frank Kardonski, with President de la Espriella and other senior government authorities provided the institution with sufficient political support to give it initially the operational flexibility needed to conduct its activities. In addition, the Executive Director played an active advocacy role in supporting the interests of the private investor in the GOP's senior economic policy councils. Operating out of the Ministry of the Presidency, ICP promoters and officials providing investor services enjoyed broad operational flexibility in making contacts and in cutting through bureaucratic red tape.

ICP's "autonomy" abruptly ended when on December 16, 1983, President de la Espriella signed Decree 114 transferring ICP from the Ministry of the Presidency to the Ministry of Commerce

and Industry (MICI) where it has been organizationally located ever since. By Decree No. 9 of February 28, 1985, President Barletta confirmed its organizational setting within MICI.

The ending of ICP's "autonomy" was perceived by many ICP staff as a "fall from grace" and affected staff morale to some extent. Mr. Kardonski, who apparently was not previously consulted about the change, resigned and was replaced by Mr. Mario Typaldos. USAID likewise was surprised by the transfer of ICP to MICI, particularly given the importance which the project strategy/design placed on its institutional "autonomy". The USAID apparently agonized over the implications of the transfer to the attainment of the project's institutional development objectives and finally decided to accept the transfer as a "fait accompli." It decided to monitor ICP performance closely in its new setting to see if its institutional development could still be realized. We found no evidence of a formal USAID expression of concern to the GOP on this matter.

In our analysis of the issue of ICP's appropriate institutional setting, we noted a wide range of viewpoints as to the significance of organizational location to operating performance. On the one hand, there was the viewpoint of the 1980 Lazard Freres report which recommended an autonomous, high level investment promotional agency, taking over policy and operational functions related to investment then being exercised by several ministries and agencies. Another senior GOP official indicated the need for an autonomous investment promotion agency in the Presidency to advocate policies favorable to investment, to monitor performance of other ministries in removing impediments to investment and to promote national investment on an equal basis as foreign investment. Holders of these viewpoints, including some ICP staff members, consider ICP autonomy within the Presidency would give it a strong voice in economic policy

formulation affecting investment and facilitate bureaucratic procedures in getting investment approvals by cutting red tape. On the other hand, we heard the viewpoint that ICP should be simply an investment advertising agency whose operational functions were appropriately located in MICI.

Sound organizational planning indicates that decisions on organizational structure and location are a function of and respond to a definition of agreed organizational goals and objectives. The key question is whether ICP is primarily a policy or an operational agency. Is its role to influence economic policy in favor of investors or is its role primarily an operational one of attracting new investment to Panama?

### Findings

It is our judgment that ICP current institutional setting within MICI is appropriate to carry out its assigned functions. We share the view of a more modest definition of ICP's role as an operationally oriented promotional agency but with certain advisory policy role. Within MICI, ICP can readily develop policy studies and recommendations for improving investment laws, incentives and climate and forward these to the consideration of appropriate economic policy making units. From the viewpoint of facilitating access to policy formulation and operational flexibility, ICP's effectiveness will basically depend on the political support it receives from the President, and his key Ministers, as well as the bureaucratic and management skills of its Executive Director and senior staff.

Past history has demonstrated the difficulty of trying to maintain ICP as an autonomous agency of the Presidency. This history need not be repeated. Over time, the role, functions



and organizational location of Panama's investment promotion agency will always be determined by political considerations. The current political decision to locate ICP within MICI, in our judgment, makes sense from an organizational viewpoint.

b. Organizational Structure

Since its establishment, ICP has had a number of organizational structures reflecting to some extent the different organizational concepts of each new Executive Director. In Exhibit IV-5, we include several organization charts which reflect changes over the years. As envisioned in the Project Paper, ICP would have two line offices, one for Investment Promotion and one for Investor Services, with key staff offices including Research and Development and Administration. By January 1983, Research and Development had been made a full office on a par with the Investment Promotion and Investor Services. In March 1985, a new Marketing office was established with the former head of Investment Promotion, Mr. J.J. Garcia assigned as Director of Marketing. We understand that the rationale for the creation of this new office was that there was a need for a marketing concept/planning unit that would provide overall guidance to investment promotion and investor services offices. In addition, it incorporates operational functions, including public relations and special events.

In our review of the ICP organizational structure over the years, we note the following:

- o The organizational structure has remained basically stable since its creation with the exception of the upgrading of the Research and Development Office and the addition of the Marketing Office.
- o We note a dispersion of planning and management functions within existing offices. The Research and

Development Office has responsibilities for operational planning and management information systems. The Office of Administration has accounting, budgeting, personnel, procurement, etc. We note the absence of any organization and methods unit to carry out organization and management analysis or any professional staff member working on organizational and management improvement. We see a need to centralize, in a single office, key planning and management staff functions which are currently dispersed to direct and coordinate staff functions including:

- Operational planning
- Budgeting and accounting
- Project monitoring/evaluation
- Management information system
- Organization and methods
- Personal management
- Procurement and contracting
- Administrative and general services.
- AID project coordinator

We consider the grouping of planning and management functions in one office reporting directly to the Executive or Deputy Director will significantly upgrade and improve these key functions which are, at present, inadequately attended. We will treat with this matter further in Section VI on Recommendations.

- o We note the internal organization of the Investment Promotion Office to be on a geographical basis. We have tried to ascertain the rationale for this internal organization. We understand that it based on the need to organize the promoters to attend different foreign geographical markets to which priority promotion efforts will be directed. We note the absence of unit within IPO oriented to promoting Panamanian investors. We understand that the market/product/research studies carried out in RDO should provide guidance to IPO on the sectors, services, products and markets toward which internal and foreign promotion efforts should be

targeted. Once these studies are carried out and the investment promotion strategy and priority targets are determined, the office's internal organization may be determined in any way that best accords with requirements for carrying out the strategy.

There is an important organizational issue that emerged from our review. The original project design was impressive and unique with respect to creating a public sector institution designed to promote private investment with a Board of Directors composed of a majority of private sector leaders and an Executive Director selected from the private sector. The Executive Decree No. 79 of August 12, 1982 which established ICP, gave responsibilities to the Committee (Board) in the following areas:

- o Develop domestic and foreign investment programs and recommend actions to be taken by the Executive Body.
- o Recommend incentive laws or any other law to promote private investment.
- o Approve the plans and budgets of ICP.
- o Establish policies to be implemented by the Executive Bureau.

In Decree No. 9 of February 28, 1985, the ICP Board functions were slightly modified to refine its responsibilities for directing the policies and activities of the Council staff including:

- o Approving the internal organization of the Council and in general adopting appropriate measures for its adequate functioning.
- o Approve the draft budget of the Council and submit it to the consideration of competent authorities.
- o Dictate the Internal Regulations of the Council

- o Perform other tasks assigned to it by the Executive Organ through the Ministry of Commerce and Industry.

We understand from interviews with both public and private sector sources, that in practice, despite the good intentions reflected in the decrees cited above, the Board has in recent years had very limited directive authority and serves essentially as a consultative/advisory committee to the Executive Director. The private sector members appear most active. The public sector members including the Ministers of MICI and MIPPE appear to take a less active role. We have examined a selection of minutes of Board meetings as well as those of its Executive Committee in 1984 and 1985. We find no evidence that the Board reviews and approves annual or quarterly work plans or budgets, reviews or approves basic policies or strategies to be implemented by the Council or plays any role in advising governmental authorities on key Council staff appointments. The Board has not met since August 1985 when it met with the former President to review its plans and programs. Since then, President Del Valle has not yet designated a new Board of Directors. The Minister of MICI informed us that the naming of the new Board will take place soon.

It is understandable that when the government finances a state agency, it inevitably will exercise control over it. The limited role of the Board of Directors in guiding the policies and programs of ICP is disappointing. Its public image and performance in attracting private investment is, in our judgment, importantly related to the active participation of private sector leaders in the work of the ICP. The effective downgrading of the role of the ICP Board by senior GOP officials appears to be inconsistent not only with the provisions of the relevant decrees cited above but also with the commitment of the GOP in approving the AID project agreement and design. We consider a

Board of Directors with well defined directive powers absolutely essential to insulate the ICP, to the maximum extent possible, from political pressures and from the repercussions of institutional instability within the GOP. We consider that continued AID support to ICP should be related to obtaining some accommodation with the GOP to accord more directive authority to the Board to exercise its functions as defined in the decrees. We do not imply that the GOP surrender its legal authority or control over a state financed entity to a Board dominated by the private sector. We do consider that an enhanced private sector role in ICP management will better foster project objectives.

The institutional analysis of the Project Paper provides impressive documentation on ICP organizational structure, definition of roles and functions among units, responsibilities and authorities including job descriptions of key managers etc., provisions for coordination internally and externally, etc. This documentation may have reflected organizational reality when the Project Paper was prepared. It does not, however, reflect organizational reality today. We understand that there are no current and approved descriptions of the roles and functions of the key organizational units; there are no current job descriptions describing precisely the responsibilities and authorities and qualifications of key personnel; and there are no current organizational manuals documenting ICP's organizational structure, administrative procedures and methods.

#### Findings on Organizational Structure:

1. The current organizational structure, while appropriately defining key line functions, is deficient in the definition and organizational location of staff functions, particularly in respect to planning, budgeting and information systems. There is a need to establish

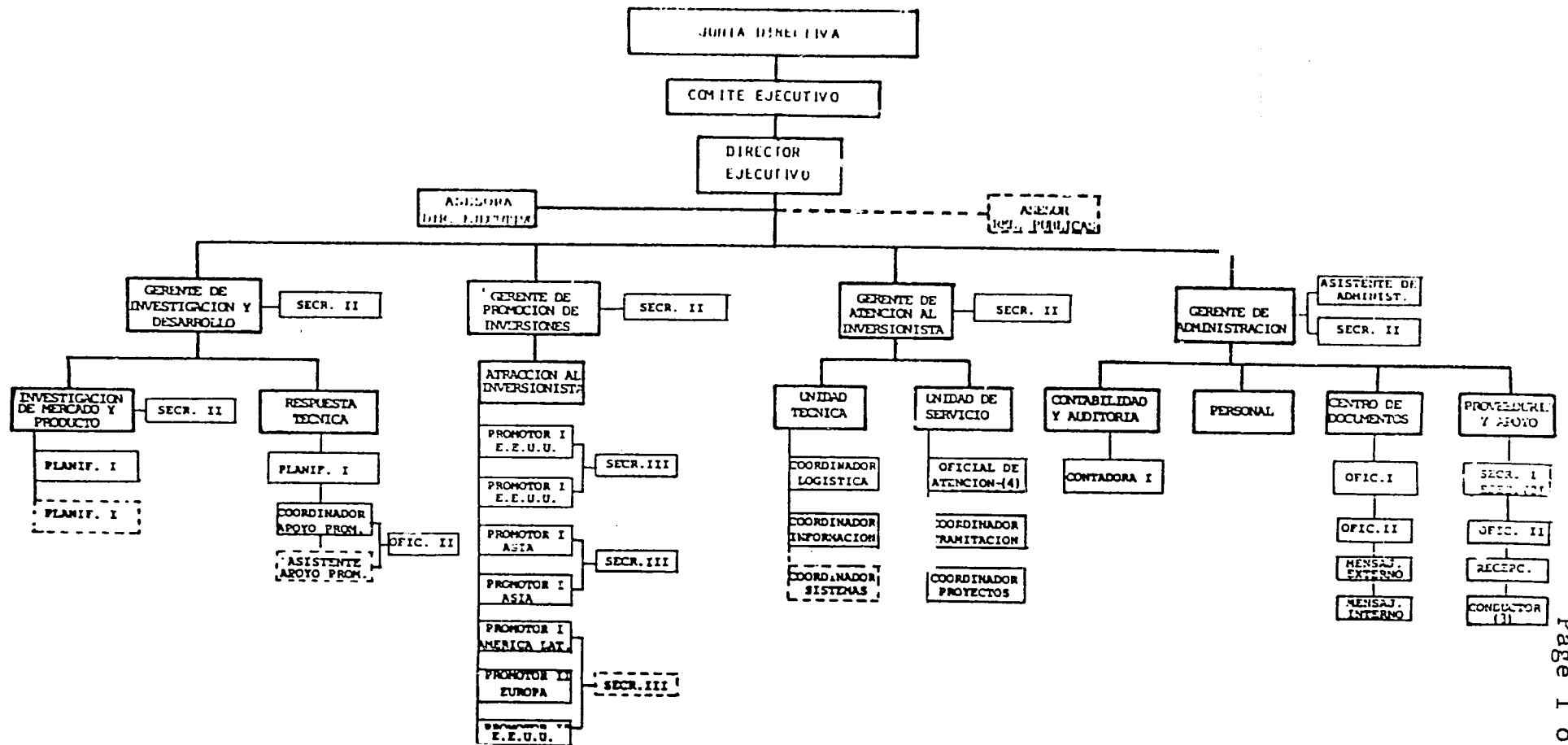
an appropriate staff organizational unit in the Office of the Executive or Deputy Director to organize and direct key staff functions.

2. The GOP has not, in practice, accorded the ICP's Board of Directors the directive authority to set policies, programs, approve work plans and budgets and advise on key personnel appointments which the enabling decrees and the AID project agreement foresaw. This has, in our opinion, been a contributing factor affecting ICP performance in attracting investment. The Board's role as only an advisory group is hardly conducive to inspiring broad private sector support for the Council.
3. There is no organizational/management analysis or planning undertaken in ICP. It lacks an organizational manual defining roles, functions, responsibilities and authorities of key units and their internal and external relationships.
4. We note that a key underlying problem is a lack of a common understanding among key ICP management staff regarding the institution's basic goals, objectives, strategies, operational programs, and--most significantly--a clear idea of how to carry them out. Accordingly, there appears to be a significant difference between how the ICP was intended to function (as presented in the Project Paper) and as it actually functions.

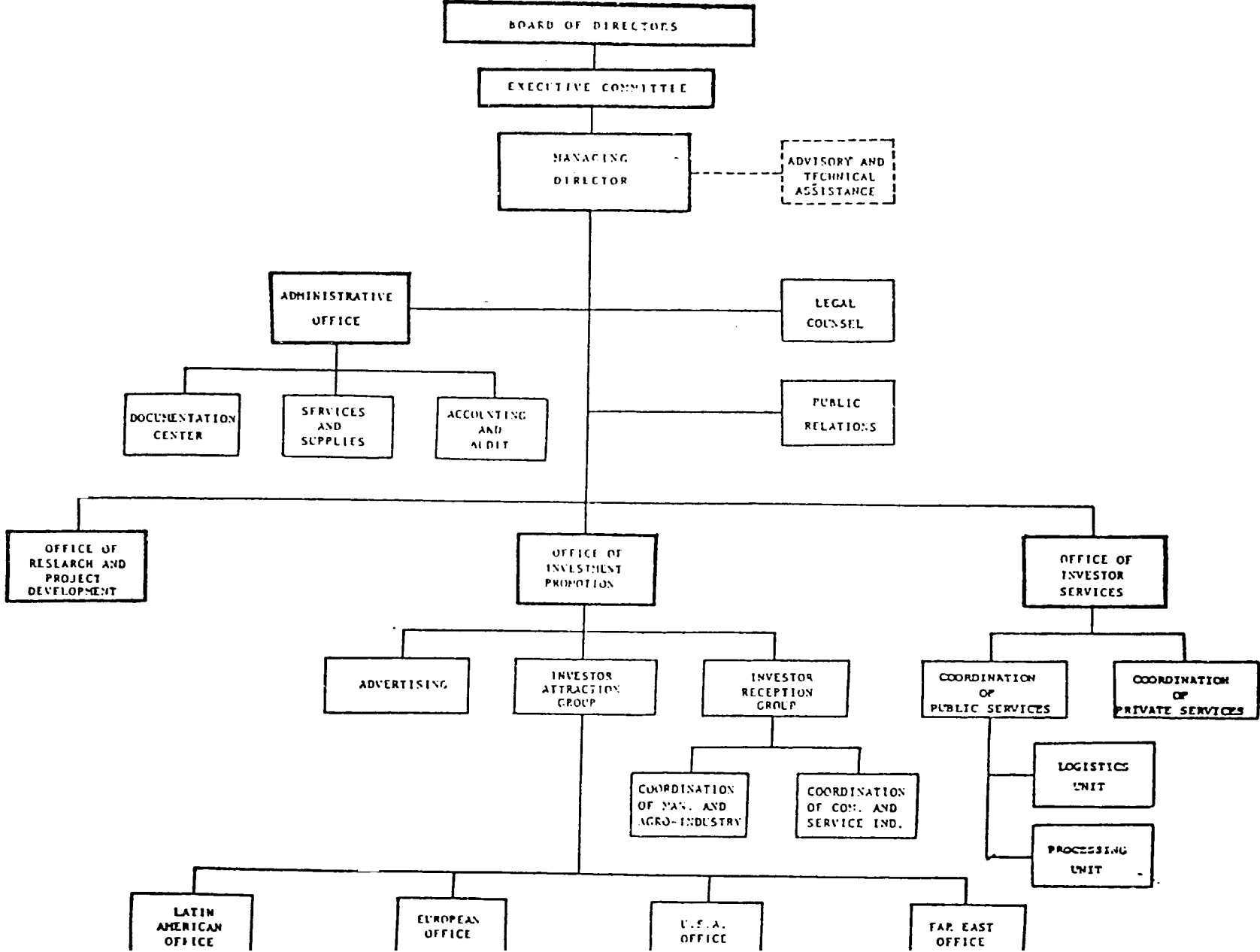
#### c. Management

The project purpose is "to develop the operational capacity of the ICP to promote and service private sector oriented investment." The purpose is unlikely to be realized if present trends continue. The central problem revealed by our analysis is ICP's failure to date to develop a viable organizational structure directed by an effective, stable management team capable of planning, programming, implementing, controlling and evaluating its activities. One reason for this failure is the generalized instability which has afflicted Panama's public administration generally and ICP particularly in recent years.

CONSEJO NACIONAL DE INVERSIONES  
ORGANIGRAMA

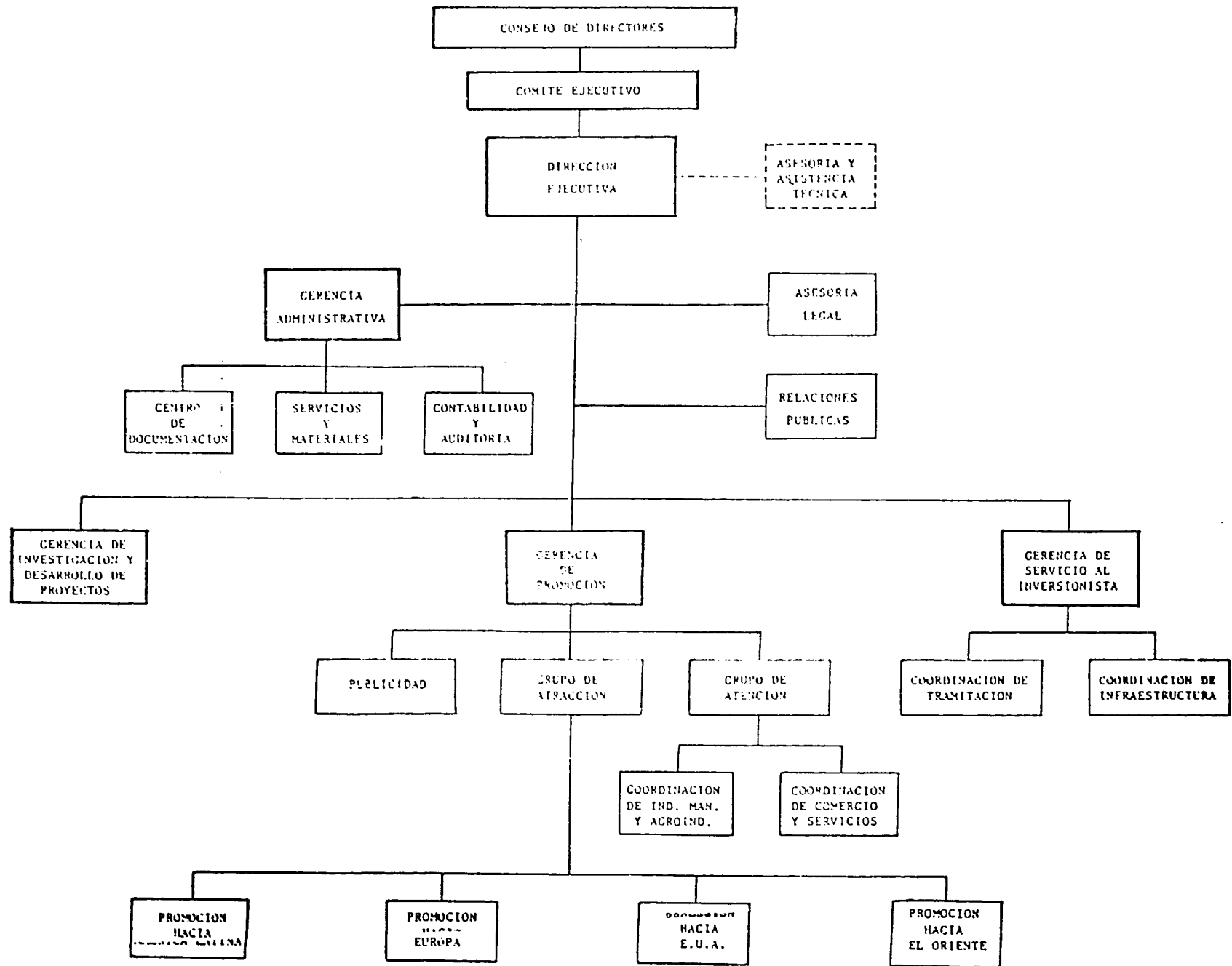


# ORGANIZATIONAL CHART OF THE INVESTMENT COUNCIL OF PANAMA



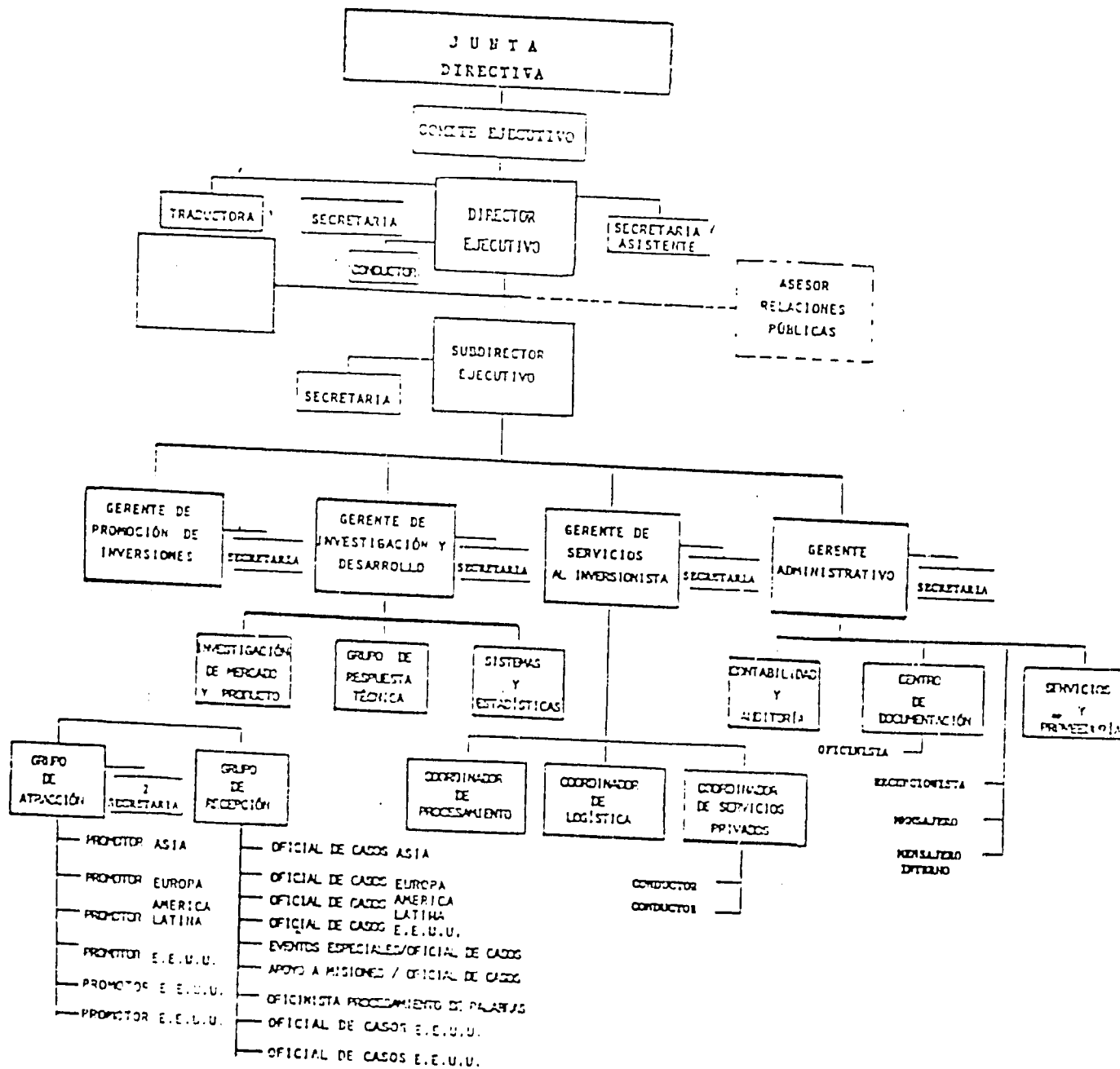


# ORGANIGRAMA DEL CONSEJO NACIONAL DE INVERSIONES



2

# CONSEJO NACIONAL DE INVERSIONES



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Exhibit IV-6 tells a good part of the story; indicating changes that have taken place in recent years in the Presidency, in the institutional location of ICP within the government structure and key managerial changes within the ICP. The fact that there have been four (4) Executive Directors of ICP in four (4) years, as well as frequent turnover among the senior departmental managers, explains one of the reasons for ICP's failure to develop a stable organizational/management structure.

While the institutional instability at the top of the government was clearly beyond the control of ICP, there are indications that senior ICP officials over recent years have paid inadequate attention to organizational/management functions and underestimated the damage that inadequate attention to these matters could do particularly to a new and untried government entity trying to promote the private sector to invest in Panama. As a result of these inadequacies, there is evident a general perception both within and outside the Council that ICP lacks a clear focus and concept of its goals and objectives and particularly its strategy for their attainment.

In our review of ICP, we have examined a number of indicators of management performance with the following results:

- o Need for organizational recognition of the importance of staff functions which service both senior management as well as line offices.
- o Need for Management Assistance Analysis and Technical Assistance

There are no qualified management specialists in ICP currently working on organizational/management problems.

## MAJOR INSTITUTIONAL CHANGES IN GOP AND ICP

	1982	1983	1984	1985	1986
President of Republic	...ROYD de la ESPRIELLA (7/82)		ILLUECA (2/84)	BARLETTA (11/84)	del VALLE (9/85-pres.)
MICI	de DIEGO (8/82)	HOFFMAN (9/83)	QUIJANO (2/84)	CARDENAS (11/84)	
CPI Location	Presidency	MICI (12/83)			
CPI Exec. Director	KARDONSKI (9/82)	TYPALDOS (12/83)	NAVARRO (10/84)	SOSA (11/85)	
CPI Dep. Director		LINEROS (6/83 - 2/84)	Vacant		PELAEZ (1/86)
R&D Manager		RUIZ (3/83)	de la GUARDIA (1/84)	RUIZ (11/84)	PAREDES (6/85)
Promotion Manager	RUIZ/ORTEGA (8/82)		GARCIA (3/84)	PELAEZ (3/85)	SOLLAS (1/86)
Inv. Services Mgr.		FERNANDEZ (2/83)		ALVARADO (11/84)	
Administration Mgr.	CALDITO (8/82)	de GAR (12/82)	de CHANIS (11/83)		BOTELLO (4/85)
Marketing Manager				GARCIA (3/85)	

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 \* Source: ICP (1986)

o Need for Management Operational Manuals

There are no formal systems for documenting in manuals management policies, practices, administrative and operational procedures.

o Need for a Management Information System (MIS)

There is no established management information system (computer or manual) which can generate, organize, report and disseminate either administrative, program or economic/statistics data. Information on past program activities, statistics, accomplishments and financial/budget matters are difficult to obtain. The difficulty the Project Team had in obtaining basic information on ICP activities provide ample evidence in this regard.

o Need for an Effective Financial Management System

The financial management system, based on a GOP public sector accounting system, is inadequate to produce financial information/reports in a timely, accurate or complete manner. There is no formal cost accounting system necessary for tracking financial flows in relation to program activity and for preparing budgets and reports both for internal decision-making, management and reporting to USAID.

o Need for a Planning/Budgeting System

There are no formal and documented planning/budgeting systems, nor trained staff for producing strategic, program and operational plans and related budgets. We have evidence that, on occasion, guidances were prepared outlining the steps in preparing an annual work plan and budget, but this has not, to our knowledge, been incorporated into a formal system. The failure to have such a basic management system installed and functioning properly at the outset has been a major factor in inadequate institutional performance. As indicated above, ICP's organizational structure is deficient in not providing for a senior level staff unit with a manager to operate a planning/budgeting system for the organization.

o Need for a Project Monitoring, Tracking, Evaluation System

There is no formal documented project monitoring, tracking or internal evaluation system in place. This system is an essential management tool for an investment promotion agency that needs to keep track of a wide range of activities in the investment cycle from initial inquiry, to investor search, visits to Panama, servicing, investment decision and post investment liaison. Monitoring and tracking is informal, non-systematized and depends on the personal interest and diligence of individual staff members.

There is a system for recording investor inquiries and contacts on standard forms. A master contact sheet is included in the files set up for each client where each activity or contact is narratively recorded. A review of selected files indicates that information recorded on the contact sheet is frequently incomplete and not up to date. A formal tracking system is critical to following the course of investor activity on a project and documenting the record of the precise nature of ICP assistance to the investor and for reporting on investment/employment generation accomplishments.

A well designed project monitoring/tracking system could help ICP maintain a current record of its active projects, their status, action/follow up requirements, and performance according to pre-established criteria. With such a system, ICP would be able to evaluate its own performance on a routine basis.

o Need for More Effective Coordination/Communication

Coordination/communication within ICP and in respect to external relations with other GOP agencies and private sector groups could be improved. There are few established procedures for ensuring effective communications and coordination both within ICP and with external agencies. Coordination/communications principally depend on informal and personal relationships. Staff meetings are held frequently to deal with special ad hoc problems but are not considered to be an effective mechanism for staff communication or coordination.

We have observed evidence of serious lack of coordination/communication between ICP offices and even within such offices. There appears to be some reluctance among staff to share information and reports.

This problem of communications/coordination is not unique to ICF--it exists in many organizations to a greater or lesser extent. One specific example highlights the problem. We found evidence of very little awareness among senior and middle level management and subordinate staff of the requirements of the AID project, many of whom had never seen the Project Paper.

Effective management leadership is the key to ensuring a free flow of information and coordination among different units of ICP. Such leadership is also important in exercising the authority and discipline needed to curb office politics and improve productivity.

d. Personnel and Staffing

Our review of ICP personnel administration focused on the following:

- o Staffing levels
- o Staffing patterns
- o Recruitment
- o Personnel evaluation systems
- o Compensation

In Exhibit IV-7, we present a chart showing ICP staffing levels from 1983-85. It indicates a buildup of staff in 1983 and arrival at planned staffing of around fifty (50) in 1984. This level was maintained in 1985 and an increase is planned in 1986, principally related to the planned opening of new overseas offices and purchase of a computer. The buildup of personnel proceeded according to project plans, based on the assumption that major technical assistance and training activity would be underway supporting the work plan described in the Project Paper. Unfortunately, due to extended delays in obtaining technical assistance, periods of inactivity following changes in the

## ICP EVALUATION

## EXHIBIT IV-7

## ICP STAFFING LEVELS

PERSONNEL	1983	1984	1985	1986
Executive Director	1	1	1	1
Deputy Director	1	--	--	1
Department Managers	4	4	4	4
Promoters	3	12	8	9
Marketing Agent	1	2	2	3
Legal Advisor	1	1	1	1
Systems Analyst	0	0	1	1
Public Relations	1	1	1	1
Planners	3	6	8	9
Accountant	1	1	1	1
Secretaries	6	8	11	14
Office Support	1	5	6	7
Drivers	2	3	3	3
Messenger	1	2	2	2
TOTAL	26	46	49	57

Note: Prepared by ICP.



Presidency, declining GOP counterpart contributions and partial curtailment in planned activities in relation to approved work plans, there appears to have been significant underutilization of ICP staff particularly during 1984 and 1985. It is noteworthy that despite this underutilization, ICP staff levels increased slightly in 1985. Our experience with investment promotion programs in other countries gives the impression that ICP is probably overstaffed given its volume of business.

In Annex C, we present a detailed staffing pattern listing personnel in all organizational units since inception to the present. This listing illustrates the turnover of senior and middle level managerial personnel which, as noted above, has been a factor in adversely affecting operational performance.

In respect to recruitment, the evidence indicates that no documented procedure for recruiting new personnel exists. While at the Council's inception, detailed job descriptions were prepared for key departmental managers, we found that there had not been updated and that job descriptions for subordinate personnel were not prepared. Likewise, qualifications statements outlining the specific experience and professional requirements for each position were not available. Recruitment practices have reportedly been informal, based on recommendations, referrals and direct applications.

Compensation policies of ICP have been subject to criticism from some outside sources in recent years. In addition to government salaries, senior ICP executives receive representational allowances on a monthly basis placing their gross compensation well above their counterparts in other public agencies. In addition, when on foreign travel during travel on promotional missions, ICR promotes receive executive level per diems and reimbursement for representational activities. This has drawn

fire from various sources and has affected the Council's public image. The rationale for higher compensation levels for ICP personnel was the need to attract highly qualified professionals from the private sector who could better relate to potential investors than public officials. Given the increasingly stringent fiscal situation in Panama, there is likely to be continuing pressure to bring ICP compensation levels more into line with government levels. We note that there have been some downward adjustments in compensation levels of senior ICP officials in the past year.

Compensation levels must be determined in relation to the objectives, principal functions of the ICP, its work plans, budgetary availabilities and the qualifications of the personnel needed to carry out specific activities. It appears that ICP's investment promotion function involving direct and active interaction in selling Panama to the foreign investor is the principal ICP function justifying special compensation arrangements. To the extent ICP can develop alternative investment promotion strategies and more cost-effective techniques, it may be possible over time to adjust compensation levels in a way to remove the controversy surrounding this matter.

There is a need to design and implement a formal personnel evaluation system applicable to all ICP personnel, since the evidence indicates that such a system does not presently exist. Evaluation of personnel performance, where they do occur, are informal and are not related to preestablished performance criteria agreed to by the employee and his supervisor.

e. Training

Training represents a major component of AID assistance to ICP, amounting to \$1.1 million over the life of the Project. It

was to have covered all project components and been arranged by ICP utilizing various technical assistance contracts. The Project Paper contains a very detailed training program in Annex II.B. to be carried out by ICP over the life of the Project.

In Exhibit IV-8, we present a chart showing planned versus actual training activities measured by number of people trained. In Exhibit IV-9, we present a chart listing training activities by year.

Our analysis of this information and the results of interviews lead us to the following findings:

- o The Project Paper training program has not served as a clear guide to action in implementing ICP training.
- o Significantly more people were trained in investment promotion and research than were originally planned.
- o The sequencing of training activities in relation to other project components appears to have been unsatisfactory. A number of people were sent off to Florida to be trained as sales promoters prior to knowing from Research and Development what kind of product they were to be selling.
- o Planned training resources for helping ICP establish a data bank and management information system were used to train staff in use of personal computers, for word processing and other related areas.
- o There appears to have been little use of planned training resources for training of the Executive Directors or senior officials in organization and management courses.
- o The delays in obtaining approval of IQC contracts and the availability of technical assistance therefrom caused ICP to reprogram its training activities in accordance with targets of opportunity, availability of courses and staff preferences.
- o There is no well planned ICP training capability currently operative. Training programs must logically

ICP TRAINING PERFORMANCE  
 PLANNED VERSUS ACTUAL PERFORMANCE  
 MEASURED BY NUMBER OF PEOPLE TRAINED

NUMBER OF PEOPLE TRAINED BY DEPARTMENT	1983		1984		1985		TOTAL	
	* PLANNED	** ACTUAL	PLANNED	ACTUAL	PLANNED	ACTUAL	PLANNED	ACTUAL
Managing Directorate (including Directors)	0.0	--	7.0	--	1.0	--	8.0	8.0
R & D Office	0.0	1.0	0.0	2.0	0.0	5.0	4.0	8.0
							(incl. 1986)	
Investment Promotion	3.0	8.0	5.0	11.0	0.0	5.0	8.0	24.0
Investor Services	0.0	3.0	0.0	--	0.0	--	0.0	3.0
Administrative	0.0	3.0	0.0	3.0	0.0	2.0	0.0	8.0
TOTAL PEOPLE TRAINED	3.0	15.0	12.0	16.0	1.0	12.0	20.0	43.0

\* Planned figures from Project Paper, Annex I.A.

\*\* Actual figures based on Exhibit IV-9, which was provided by ICP.

## ICP TRAINING PERFORMANCE

## LISTING OF ICP PERSONNEL TRAINED

## I. Investor's Services Department (1983)

NAME/POSITION	PURPOSE OF TRAINING	DESCRIPTION TRAINING RECEIVED	PERIOD OF TRAINING	PRESENT POSITION OF TRAINEE	COST OF TRAINING
1. Lilia Ng (Case Officer)	Basic investment promotion training	Basic information, records systems, training manual, organization structure	5 days (Sept. '83)	Project executive-Promotion department	N/A
2. Elena Suarez (Case Officer)	Basic investment promotion training	Basic information, records systems, training manual, organization structure	5 days (Sept. '83)	Commercial attache (Washington DC) Promotion department	N/A
3. Jeannette de Unamuno (Case Officer)	Basic investment promotion training	Basic information, records systems, training manual, organization structure	5 days (Sept. '83)	Project Coordinator-Investor's services dept.	N/A

\* Source: ICP (1986)

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## ICP TRAINING PERFORMANCE

## LISTING OF ICP PERSONNEL TRAINED

2a. Promotion (1983-84)

NAME/POSITION	PURPOSE OF TRAINING	DESCRIPTION TRAINING RECEIVED	PERIOD OF TRAINING	PRESENT POSITION OF TRAINEE	COST OF TRAINING
1. Eduardo Sollas	N/A	PIDT, Fla. Bobbin Show	7 days/'83	N/A	3,900 2,475
2. Gerardo Pelaez	N/A	PIDT, Fla.	7 days/'83	N/A	N/A
3. Carlos Carbonnell	N/A	SGP technical meeting/Mkt. workshop Toy Mfgs. PIT - Fla	9 days/'83 6 days/'83	N/A	4,100 4,225
4. Ramon Carrillo	N/A	Investment promotion, mission to South America PIDT, Fla	7 days/'83	N/A	2,150
5. Mercedes Arosemena	N/A	PIDT, Fla	7 days/'83	N/A	2,700
6. Mayra Desgrenger (secretary)	To learn MANG PC	Operative system of Mang PC	3 days/'83	N/A	175
7. Carmen Bieberach	N/A	PIDT, Fla. Mang PC Contrast w/ the Nation Analysis International coordination	7 days/'83 1993 1983 3 days/'83	N/A	2,700 N/A N/A 175
8. Jovier Illueca	N/A	CBI	1983		
9. Jose Juan Garcia	N/A	PIDT, Fla./ Techniques of promotion & development, N.Y.C Pto.Rico/ Advertisement techniques/ UNCTAD (UNIDO)Export promotion	7 days/'84 7 days/'84 4 days/'84	N/A	3,000 2,100 575 1,900
10. Eduardo Sollas	N/A	CCA/A, MIA/ Ind. promotion to Asia	60 days/'84	N/A	2,500 9,600
11. Gerardo Pelaez	N/A	Stephanie Angel, Panama/ INCAE/Fed. of Korean Ind.	7 days/'84	N/A	N/A
12. Carlos Carbonnell	N/A	Seminar for Caribbean countries CBI, MIA/ Latin Am. Trade conference/ INCAE	4 days/'84 22 days/'84	N/A	3,800 2,000 5,341 750
Page 2 Total					54,166

## ICP TRAINING PERFORMANCE

## LISTING OF ICP PERSONNEL TRAINED

## 2b. Promotion (1984-85)

NAME/POSITION	PURPOSE OF TRAINING	DESCRIPTION TRAINING RECEIVED	PERIOD OF TRAINING	PRESENT POSITION OF TRAINEE	COST OF TRAINING
13. Ramon Carrillo	N/A	INCAE/ Missions to South Am./ Forum of investors (Colombia)	N/A	N/A	750 2,300 1,197
14. Mercedes Arosemena	N/A	CCAA/Costa Rica	2 days/'84	N/A	530
15. Carmen Bierbach	N/A	Maquila Program	1984	N/A	N/A
16. Eira Camacho (secretary)	N/A	Executive secretaries' day	1 day/'84	N/A	100
17. Darcy de Peregina	N/A	Secretarial skills	1 day/'84	N/A	100
18. Mayra Desenger	N/A	Executive secretaries assoc.	1 day/'84	N/A	25
19. Javier Illueca	N/A	Exports	1984	N/A	N/A
20. Gerardo Pelaez (director)	N/A	Wharton seminar, Panama	1985	N/A	
21. Carlos Carbonell	N/A	Promotion seminar, N.Y.C	30 days/'85	N/A	4,846
22. Elena Suarez	N/A	Promotion seminar, N.Y.C	30 days/'85	N/A	4,846
23. Menalco Solis	N/A	Promotion seminar, N.Y.C	30 days/'85	N/A	4,846
24. Javier Illueca	N/A				
Page 3 Total					14,763

ICP TRAINING PERFORMANCE  
LISTING OF ICP PERSONNEL TRAINED

## 3. R&amp;D

NAME/POSITION	PURPOSE OF TRAINING	DESCRIPTION TRAINING RECEIVED	PERIOD OF TRAINING	PRESENT POSITION OF TRAINEE	COST OF TRAINING
1. Lilia de Carrera	N/A	Information and Central Sources for business documents	1983	N/A	N/A
2. Pedro Castillo		Nova University/ Agricultural techniques/ MIA	6 mths/'84 10 days/'84 3 days/'84	Another GOP office	385 1,300 1,165
3. Lilia de Carrera (marketing agent)		USMA graduate course/ PIDT,FLA./ Lotus 1-2-3/Wang/ Information network CBI/ Agricultural/commercial seminar	1984 3 weeks/'84 2 weeks/'84	IPCE	158 2,700 250 3,780 1,165
4. Tomas Paredes (director)		Lotus 1-2-3/Wang/ Productivity symposium	3 weeks/'85		125 50
5. Rosario de Villareal (planner)		Decision-making/ Productivity symposium	3 days/'85 2 days/'85		200 50
6. Pedro Castillo		Industry and fishery seminar			237
7. Pedro Arboleda		Agricultural forum, Colombia/ Ag.products seminar, N.Orleans.	5 days/'85 10 days/'85		1,517 1,468
8. Marilina Porros		Data processing/Wang/ Data base/Wang	1 month/'85 1 month/'85		200
Page 4 Total					14,750



ICP TRAINING PERFORMANCE  
LISTING OF ICP PERSONNEL TRAINED

## 4. Administration

NAME/POSITION	PURPOSE OF TRAINING	DESCRIPTION TRAINING RECEIVED	PERIOD OF TRAINING	PRESENT POSITION OF TRAINEE	COST OF TRAINING
1. Berta Mc Innis (accountant)		Wang system/ Lotus 123/Wang	2 days/'83 3 weeks/'83		
2. Dany de Micosia (secretary)		PC/Wang	2 days/'85	BNP secretary	
3. Lilia Ny (documentalist)		PIDT, Fla.	7 days/'83		2,900
4. Guillermina de Chanis		Management seminar, MIA	1 week/'84		2,000
5. Macira Sierra (accountant)		Lotus/Wang	3 weeks/'84	Consulate/Chicago	175
6. Luisa Guerra (secretary)		Executive secretary	1 day/'84		25
7. Dolores Jaen (receptionist)		Data processing	1 month/'85		250
8. Ines de Mino		Intro. to Wang system	1 month/'85		250
Page 5 Total					5,600
Grand Total					89,379

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be related to institutional objectives, strategies, programs on the basis of which training needs assessments are formulated and specific programs and activities are designed. Training programs should be geared to the specific tasks the individuals are being assigned to carry out.

- o We understand that each Office Manager is charged with formulating the training programs for his/her staff. Training assignments are often made on the basis of individuals requesting to attend a course without regard to its relevance in enabling the individual to improve performance in a specific assignment.
- o There appears to be no professional training specialists available who can organize, plan and coordinate ICP training and selecting programs taking into account the costs and availability of comparable training.

f. Technical Assistance

The success of the ICP project was heavily dependent on the timely availability of technical assistance to help nurture and guide the institutional development of this new, unique public sector organization.

In the Project Paper, the technical assistance Annex II.B. Exhibit 4 provides great detail on the types of technical assistance needed, its objectives, content and sequencing and the role it will play in providing on-the-job training to ICP personnel.

According to the project plan, AID's technical assistance contribution would essentially relate to:

- o The management and institutional development component
- o Research and development and investment promotion

In respect to the management and institutional development component, AID included funds to permit ICP to contract a long-term senior industrial development advisor to support the ICP Executive Director and an AID project officer to assist ICP with procurement, operational plans and budgets and to monitor ICP compliance with AID regulations.

The technical assistance for the research and investment promotion components were well described, but no clear provisions were made in the Project Paper regarding how this varied technical assistance was to be procured and administered.

In Exhibit IV-10, we present a copy of the planned technical assistance program as it appeared in the project paper (Annex II.B, Exhibit 4). ICP's actual technical assistance programming was such that it was not possible for them to prepare a planned vs. actual performance chart.

In Exhibit IV-11, we present a description of technical assistance actually received by ICP during 1983-85 and financed from AID and other sources (UNIDO and EEC). A comparison of both Exhibits indicates that the planned technical assistance program varied significantly from the technical assistance actually received over the period.

On the basis of these data and our interviews with ICP and USAID personnel, we have arrived at the following findings relating to technical assistance:

- o A key factor adversely affecting ICP performance was its failure to obtain at the outset qualified technical assistance as set forth in the project plan.
- o We consider ICP's decision not to move ahead rapidly in contracting a senior industrial development advisor to assist in the institutional development of ICP in its

ICP TECHNICAL ASSISTANCE PERFORMANCE  
PLANNED VERSUS ACTUAL PERFORMANCE

ORGANIZATIONAL DIVISION/DESCRIPTION	1983		1984		1985		TOTAL		TOTAL PERSON-MONTHS	
	PLANNED	ACTUAL**	PLANNED	ACTUAL	PLANNED	ACTUAL	PLANNED	ACTUAL	PLANNED	ACTUAL
1.0 EXECUTIVE MANAGEMENT										
1.1	\$0						\$0			
Total Executive Management	\$0		\$0		\$0		\$0		0.0	
2.0 RESEARCH & DEVELOPMENT										
2.1 Market Identification	\$85,000		\$85,000		\$85,000		\$255,000		34.0	
2.2 Det. of Avail. Dom. Data Base	\$10,000						\$10,000		2.0	
2.3 Dev. of Domestic Data Base			\$40,000		\$10,000		\$50,000		6.0	
2.4 Cod. of Dom./US Investor Data			\$5,000				\$5,000		1.0	
2.5 Re-Exportation Studies			\$15,000		\$15,000		\$30,000		9.0	
2.6 L.A. Import Studies			\$21,000		\$21,000		\$42,000		8.0	
2.7 Target and Opportunity Studies			\$50,000		\$50,000		\$100,000		15.0	
2.8 Policy Studies			\$80,000		\$80,000		\$160,000		24.0	
2.9 Distribution & Trans. Studies			\$50,000		\$50,000		\$100,000		10.0	
2.10 Canal Traffic Studies			\$30,000		\$30,000		\$60,000		18.0	
2.11 Advisory Committee			\$60,000		\$60,000		\$120,000		15.0	
2.12 Intersectoral Seminars			\$100,000		\$100,000		\$200,000		30.0	
Total R&D	\$95,000		\$536,000		\$501,000		\$1,132,000		172.0	
3.0 INVESTMENT PROMOTION										
3.1 Seminars			\$60,000		\$60,000		\$120,000		18.0	
3.2 Asian Promotion Campaign			\$230,000				\$230,000		18.0	
3.3 European Promotion Campaign			\$295,000				\$295,000		18.0	
Total Investment Promotion	\$0		\$495,000		\$60,000		\$555,000		54.0	
4.0 INVESTOR SERVICES										
4.1 Workshops			\$28,000				\$28,000		6.0	
Total Investor Services	\$0		\$28,000		\$0		\$28,000		6.0	
5.0 MARKETING										
5.1										
Total Marketing	\$0		\$0		\$0		\$0		0.0	
6.0 ADMINISTRATIVE										
6.1										
Total Administrative	\$0		\$0		\$0		\$0		0.0	
TOTAL	\$95,000		\$1,059,000		\$561,000		\$1,715,000		232.0	

\* Planned figures based on Project Paper Annex II.B., Exhibit 4, Page 2.

\*\* ICP unable to produce actuals since actual technical assistance did not correspond to that planned and since ICP accounting system could not produce cost data.

## ICP TECHNICAL ASSISTANCE RECEIVED

## I. TECHNICAL ASSISTANCE (1983-84)

COMPANY CONTRACTED	PURPOSE/DESCRIPTION	DATE		SPECIFIC OUTPUT	SOURCE OF FINANCING	COST OF ASSISTANCE	CONTRACTED BY
		From	To				
1. Fantus	(a) Identify target industries (b) Prepare reports and personnel training.	--	--	Reports and training seminars.	CNI	(a) 46,000 (b) 43,000	CNI
2. Industrial Development Authority- Ireland	Choose industrial sectors and select target companies in specific European countries	--	--	Assistance during visits Brochures/studies preparation. Holding seminars.	EEC	159,000	
3. Compu Data Assoc.	Evaluation of the hardware and software requirements for the CNI	N/A	5/83		CNI	N/A	CNI
4. Stephanie Angel	Promotion training program	6/83	1/83	Report and training program	CNI	N/A	CNI
5. Lazard Freres	Document to uphold creation of the CNI	N/A	N/A	Study		45,000	GGP
6. SEV	Program to promote investments in Asia	N/A	N/A	Interviews and pre-selection of investors	AID	N/A	CNI
7. ANKMON	Program to promote investments in Asia	N/A	N/A	Interviews and pre-selection of investors	AID	N/A	CNI
8. INVESTEC	Program to promote investments in Asia	N/A	N/A	Interviews and pre-selection of investors	AID	N/A	CNI
9. DATABASE	Program to promote investments in Asia	N/A	N/A	List of target companies Telephone calls	AID	N/A	CNI
10. Stanford Research Inst.	Evaluation of the CNI	N/A	9/84	Written report	AID	N/A	CNI
11. Gerald A. Cooklin		N/A	11/84		CNI	N/A	CNI
12. Manchester Associates	Washington's consultant in trade and investment	N/A	N/A	Assistance for commercial negotiations and in investment promotion.	CNI	N/A	CNI

## ICP TECHNICAL ASSISTANCE RECEIVED

## I. TECHNICAL ASSISTANCE (1985-8A)

COMPANY CONTRACTED	PURPOSE/DESCRIPTION	DATE		SPECIFIC OUTPUT	SOURCE OF FINANCING	COST OF ASSISTANCE	CONTRACTED BY
		From	To				
1. Panamean Private Consultants	Identification of project ideas, development profiles and financial analysis in the following: fish products, tropical fruits, oil bearing plants, construction materials, chemical, metallic and plastic products.	7/84	3/85	34 project ideas prepared as industrial profiles	UNIDO/UNDP	26,250	
2. Cristian Nowak	Preparation and installation of computer program COMFAL	7/85	N/A	A computer system for project evaluations.	UNIDO/UNDP	3,000	
3. Walter Bates (IESC)	Study preparation regarding electronic sector in Panama	9/85	N/A	Profile of electronic sector in Panama	AID	N/A	CMI
4. Tchaknavorian Asenbauer (UNIDO)	Pharmaceutical industry survey	12/85	N/A	Preliminary report	UNIDO	5,000	
5. Steven Washburn (IESC)	Preparation of a feasibility study on retailing industry in Panama	2/86	N/A	Written report	AID		CMI
6. L.Kenisson/P.Katanadan	Coconut production and industrialization	2/86	3/86	Pre-feasibility study	UNIDO	50,000	
7. Two consultants (2 mths)	Pharmaceutical industry development	1986/a	N/A		UNIDO	50,000	
8. One consultant (2 mths)	Electronic industry evaluation	1986/a	N/A		UNIDO	30,000	
9.	Preparation, evaluation, analysis and administration of projects/ investment promotion seminar	1986/a	N/A		UNIDO	80,000	
10. M.Villavic/E.Appelgreen (UNIDO)	Institutional strengthening project: identification of industrial development ideas and establishment of project information systems with possible national and international implementors	4/83	12/86	Profiles of project ideas, identification of staff qualified in investment promotion -Data banks.	UNIDO/UNDP	522,988	
11. Robert Sanpetri (UNIDO)	Investment promotion project	4/86	12/86	Monitoring project during its various stages	UNIDO	50,000	

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formative stages to have been unfortunate (see August 4, 1983 letter from Lineros to Ryner).

- o We consider USAID should have pressed this point with the ICP to provide some short- and/or long-term assistance in designing, installing and training staff in key management systems and controls.
- o The lack of such management systems and controls have plagued ICP's functioning from the outset. ICP explained its desire to delay contracting the long-term advisor until loan funds became available and they would then recruit the advisor in conjunction with the contracting of the main technical assistance procurement. Unfortunately, that procurement was delayed for one and a half years with negative consequences for project performance.

In respect to the problem of contracting the major portion of the technical assistance for research and investment promotion, we have reviewed the documentation and held extensive interviews and have arrived at the following findings:

1. We find the Project Paper's description of technical assistance needs to be very thorough, but its description of the administrative procedures for timely procurement of such services to have been inadequate.
2. We consider that USAID's decision to go for host-country procurement of technical assistance services in the case of a new public sector entity with minimal administrative capacity to have been inappropriate. We consider that AID direct procurement, despite its well-known complexities, could have significantly advanced the availability of technical assistance.
3. While we appreciate the need for a flexible procurement mechanism for servicing ICP's unplanned technical assistance requirements, we consider that USAID direct consulting contract or a USAID managed IQC contract could have best met the requirements of the situation.
4. While the contracting administration approach selected contributed to delays in obtaining the planned technical assistance, we also heard that, due to GOP fiscal stringency and unhappiness over the high fees of

expatriate consultants, ICP officials occasionally demonstrated little enthusiasm for contracting the outside consultants so vital to meeting project performance requirements.

5. We understand that part of the problem of delayed technical assistance procurement was a change in GOP procurement practices in the wake of a fiscal crisis which had the effect of increasing the bureaucratic approval process. We also heard that there was inadequate planning in ICP as to the most expeditious manner of obtaining GOP approval of the ICQ contracts.

g. Procurement

The success of the ICP project depended importantly on the adequacy of procurement planning and the effectiveness of mechanisms required for timely provision of project inputs to ICP. The two major input components were to be:

- o Technical assistance
- o Commodities including a computer and vehicles.

In the technical assistance section above, we concluded that inadequate USAID/ICP planning on how technical assistance was to be procured in an expeditious manner and the selection of a complex procurement mechanism constituted key contributing factors for serious delays in project implementation.

In respect to procurement of a data base system, a different set of considerations must be taken into account. From the outset, it was evident that ICP needed a computer of some size and capacity for two purposes:

1. An internal management information system for administrative, financial management, statistical and project monitoring purposes.
2. A data base management information system of sufficient capacity to handle and manipulate the economic, financial, trade, cost and statistical data needed for ICP's program activities, to service potential



investors and to provide industrial and investor information services.

Originally, although the so-called "systems and statistics" function was considered part of the RDO Office, funding for the development of a turn-key mini-computer system was placed in the Institutional Development component of the project given the importance of the computer to all the offices of the Council. A firm was to have been selected to design an information system based on ICP needs, develop specialized software, install the system, and train ICP personnel in its use. At that time, the ICP was conceived as a focal point for the development of a large mass of investment/trade/market data and policy studies which were to be updated quickly and easily. Eventually, it was hoped that GOP agencies would be able to access the data bank via remote terminals. In effect, end of project status contemplated a computer data base established and functioning.

We are informed that the ICP computer problem started during the project development phase. A consultant, Mr. Conklin, prepared a report which recommended the acquisition of a computer on the basis of the volumes incurred and types of information used in the State of Florida's investment promotion program. Some ICP staff members, as well as other consultants familiar with the Conklin report, questioned the recommendations as not necessarily consistent with Panama's investment promotion needs. Doubts about the need for such a large, sophisticated computer system, coupled with budgetary stringency, occasioned ICP to exclude the procurement of a computer in the 1984 budget. A second study, again conducted by Conklin, in effect confirmed the original recommendation. By the end of 1984, we are informed that ICP still had not made a decision about the demand for such a large computer since its Research and Development office had not made progress in collecting and consolidat-

ing key data inputs. During 1985, the ICP Executive Director changed his mind and pressed USAID for an immediate purchase of a large computer.

In a letter from USAID on February 21, 1986 to Julio Sosa, the new ICP Executive Director, the question was asked whether ICP desired to proceed with the purchase. USAID raised the point that, during the period of transition between directors, ICP personnel had expressed doubts about such a system, the solicitation of which was pending. It was USAID's opinion that the new system under consideration, which was to be used by multiple parties and maintain multiple data bases to be developed and utilized by outside entities be housed at ICP, was different from what was then being solicited for and asked for clarification about ICP intentions in this area. The letter further stated that if ICP decided to cancel the solicitation, USAID could not assure ICP that the purchase of such a system could be approved in the future.

In a letter dated February 26, 1986, Mr. Sosa responded, stressing that, despite the fact that the implementation approach for the data base management system had changed, no changes had been made in the basic composition of equipment to be procured. The Executive Director proceeded to outline three points deemed crucial in the procurement process:

- o The selection should be based on quality, and not on lowest price.
- o ICP should participate in the technical evaluation of the proposals.
- o The supplier should have an established presence in Panama City in order to guarantee the provision of technical support and general services.

Attached to the letter was a list of the specifications ICP deemed necessary to procure the proper equipment.

As of the Evaluation Workshop, the computer issue has been left pending. The Team stated in the preliminary draft report that the evaluation findings could lead to recommendations to ICP and USAID relating to a possible restructuring of the USAID project, implying possible changes in ICP's functions and hence possibly in computer specifications. For this reason, it was suggested that no decisions be made by ICP or USAID about the acquisition of a computerized data base management system until the final evaluation report has been considered and the Joint ICP-USAID Evaluation Committee has made its report.

As presently constituted, ICP's plans for a computer system are very ambitious--and costly. Before moving ahead with the procurement of such a system, several factors should be taken into consideration, including the extent of inter-institutional demand for a publicly accessed data bank, ICP's technical capability to employ such a system and its ability to manage the outputs of the system. Our assessment of the situation regarding the computer follows.

o Extent of inter-institutional demand for such the system.

It is not clear that sufficient inter-institutional demand for such a system exists. Specifically, whether other agency support--(financial, time, technical, etc.) would be forthcoming is uncertain.

Positively, interviews conducted by the Team confirmed that there is at least an expressed demand both among private and public sector organizations for a data base system to provide timely, correct and complete information on investment, trade, industrial development, agriculture, price and costs, etc. that will help them plan their business activities. ICP and SIP have recently signed an agreement to cooperate in this area,

among others. The ICP-SIP arrangement could serve as a model for similar relationships based on a sharing of such data with the private sector.

Nevertheless, it is not clear at this point the amount of resources that other agencies would be willing to devote, if any, to such an enterprise or if their interest would be sustainable over time. Specifics with regard to the type and amounts of information that would be inserted and withdrawn from the system are in need of further definition as well.

Furthermore, whether or not an effective inter-institutional mechanism can be created to manage effectively such a system is also uncertain. ICP documents on the subject recommend the creation of a committee presided over by ICP and including other participating organizations. The committee would function at two levels: an executive level in which the directors of the participating agencies would participate; and a technical level in which the actual users of the system would participate and coordinate their activities. The ICP-SIP arrangement does discuss the creation of a technical committee to oversee the relationship, but its objectives, functions, operating procedures, etc. are as of yet not spelled out in sufficient detail.

Based on the above, it is the Team's judgment that the extent of effective demand for a publicly accessed data base system must be explored in much more detail before a purchase decision can be made. If present or potential demand for such a system does not clearly manifest itself, it is not unreasonable to state that the system's specifications would be excessive, and that alternative, less ambitious--and less expensive--data base management systems exist to satisfy ICP's needs in this area.

o ICP's technical capability.

ICP's technical capability to specify, implement and operate such a sophisticated system or, at the very least, to be able to absorb outside technical assistance to carry out this task is a very important consideration in the purchase decision. From a strictly technical point of view, ICP appears to possess the in-house capability to, in conjunction with a qualified systems consultant, to develop and install an appropriate MIS and data base management system, as the need for the latter arises. USAID assistance in

the area of financing and procurement will be necessary to make any management information system operational. Appropriate USAID and ICP personnel must, however, be in constant contact and develop a full understanding of each other's needs and constraints before moving ahead with any system purchase, design or implementation.

o ICP's management capability.

It is the Team's experience that, in order to be successful, an investment promotion program must be initially structured--and remain anchored--in the collection, analysis and dissemination of information to prospective investors. The lack to date of a well-designed and operated management information system (including data base management capability) to carry out basic investment promotion functions has seriously impeded the ICP in the attainment of sectoral objectives (investment and employment) and the project purpose (ICP operational capacity). In light of ICP's present institutional problems, it is not certain if ICP's management could effectively manage or productively channel the outputs of a large, sophisticated system as is presently being contemplated.

More appropriately at this stage of ICP's institutional development, priority might well be given to developing basic management information systems for accounting, planning, budgeting, work plan implementation, etc. from which a data base management system could eventually grow as institutional capabilities are developed from an internally accessed data bank to one accessed publicly--if the demand for one ever become concretely manifest.

To summarize, given the significant uncertainty regarding the true level of demand for a publicly accessed data bank--as well as the Council's past inability to develop and implement the most basic of management information systems--we cannot recommend that ICP move forward with the purchase of such a large-scale computer system at this time. A more detailed investigation of the level of effective demand for the system is called for.

Findings:

- o ICP has not to date been able to develop and implement a basic management information system for its internal management needs with the computer it now has.
- o There is considerable uncertainty about the true level of demand for a publicly accessed data bank, as well as an updated definition of information system requirements related to such a data base. Above all there are doubts about how the computer will meaningfully relate to ICP priority research and promotion needs.
- o We question whether ICP currently has the management/technical capacity to effectively operate and maintain the proposed data base system.
- o It is important to note that AID documentation on the computer projects a procurement, installation and full implementation period of 18 to 25 months for the proposed super-mini/small mainframe computer. While the computer itself can be probably procured in 120 days, the effective development of the data base will involve an extended period of time with only limited benefits accruing during the remaining life of the project.
- o Since the Cocklin studies were conducted in 1983 and 1984, data base management technology has advanced considerably. It is now possible to develop a modest data base from a micro or personal computer, with appropriate investment promotion software packages or even subscribe to specialized data base services (e.g., Caribbean Basin Information Network operated by C/CAA, Dun & Bradstreet, Citibank, OPIC's Opportunity Bank etc).
- o Our research indicates that many investment promotion agencies in the CBI region use micro-computers to interconnect with specialized investment and export promotion data bases. By so doing, these agencies avoid the high costs of building and maintaining up-to-date their own data bases and pay only for their actual use of the outside data base services.
- o We are not satisfied that there exists an adequate feasibility study or plan which justifies the acquisition of the proposed computer.

### 3. Policy and Strategy Planning

The policy and strategy planning function is performed by ICP's Research and Development Office (RDO). It is directed by a manager and currently employs 9 full-time professionals and four (4) support staff. The professionals include industrial engineers, economists, administrative systems and trade specialists. Since 1983, the office has had four managers one of whom, Ivonne Ruiz, served on two separate occasions.

The R&D office, according to the Project Paper, was to be the recipient of the largest single portion of AID technical assistance resources (157 person/months over 4 years at a cost of \$1.577 million).

The principal functions of the RDO office fall into three broad areas:

- o Policy Formulation

Designing a policy research program, arranging for GOP agencies or outside consultants to conduct the research and disseminating study results and recommendations to the ICP staff and Board, to other GOP agencies and, as appropriate, to the public including potential private investors. Carrying out in-house research on selected priority studies.

- o Market Strategies

Undertaking research to identify as precisely as possible the markets, sectors and products in which Panama enjoys comparative advantage vis-a-vis its CBI competitors, the results of which were to permit the development of a highly refined, targeted and cost effective marketing strategy to be carried out by the Investment Promotion Office.

As part of its market research function, RDO was given responsibility for operating a computerized data base system containing a wide range of economic, trade,

market, price, cost and product information for its own use, for use by other GOP agencies and for access by private sector organizations and private entrepreneurs.

o Operational Planning

Playing a lead role in organizing/coordinating ICP's internal operational planning on the basis of guidelines from the Executive Director. Such RDO activity was to provide work plans, schedules and targets for the two line offices, Investment Promotion and Investor Services, and would also evaluate their performance annually.

In respect to the RDO's research program, a few comments are in order on the process for selecting studies, defining their scope and determining their use and dissemination. RDO prepares its own annual work plan setting forth its program of studies for the year. During the year, other offices including Investment Promotion and Investor Services may recommend new studies needed to respond to special inquiries. Likewise, requests for special studies may emerge from the ICP Board of Directors, the Executive Director, private sector groups, from MICI or other senior GOP officials. Moreover, when some government policies or practices are changed affecting investment, studies are needed on a crash basis to analyze the impact of the change on the private investor. When the order to proceed with a given study is placed, work gets underway to define the scope of work, the content of the final product data sources, the end user and how the report would be disseminated. A determination is also made on who should be assigned to carry out the research, either an RDO staff member or arranging that the study be carried out by another government department or under contract with a consultant.

The principal users of the studies are the Office of Investment Promotion, government authorities, private potential investors, and private sector organizations.



In Exhibit IV-12, we present a chart indicating the planned vs. actual ICP performance in respect to the number of studies completed.

In Exhibit IV-13, we present a chart listing the completed studies according to categories defined in the logical framework.

In respect to the number of studies completed, RDO got off to a slow start in 1983 as it attempted to build up staff. In 1984, the principal research activity was directed toward economic policy studies focusing on national development plans, labor legislation, taxes, investment incentives and export promotion. Sectoral and industry analyses also received attention including studies on the forestry industry, tourism, electronics, livestock and plastics. In 1985, economic policy studies continued to have priority with studies in development policy, cost reduction factors in investment, labor legislation, export development and some economic analysis. On several occasions, RDO personnel were called upon to carry out policy studies relating to trade and investment for MICI, work which was quite apart from RDO sponsored studies. For example, Mrs. Ruiz worked during 1984/85 carrying out studies related to Panama's negotiations to qualify for participation in the CBI. Increased attention was placed on agriculture and agro-industries, transportation textiles, insurance and electronic sectors.

For the most part, these studies were disseminated internally within ICP, and used primarily by the promoters of the Investment Promotion Office. The studies were frequently disseminated within the government and, on a selective basis, to private sector organizations and to potential investors where appropriate.

POLICY AND STRATEGIES  
 PLANNED VERSUS ACTUAL PERFORMANCE

NUMBER OF STUDIES CONDUCTED

STUDIES	1983		1984		1985		TOTAL	
	* PLANNED	** ACTUAL	PLANNED	ACTUAL	PLANNED	ACTUAL	PLANNED	ACTUAL
Policy Studies	1.0	1.0	4.0	3.0	3.0	2.0	8.0	6.0
Competitive Studies	1.0	--	3.0	1.0	1.0	--	5.0	1.0
Product/Project Studies	10.0	--	10.0	14.0	10.0	6.0	30.0	20.0
Special Studies	1.0	1.0	5.0	5.0	5.0	9.0	11.0	15.0
TOTALS	13.0	2.0	22.0	23.0	19.0	17.0	54.0	42.0

\* From Project Paper Logical Framework, Annex I.A., Page 2, Section 2.2

\*\* Actuals provided by ICP.

EXHIBIT IV-13  
LISTING OF STUDIES CONDUCTED  
BY LOG FRAME INPUT CATEGORY

## 1. POLICY STUDIES

POLICY STUDY (NAME)	YEAR	PRODUCED BY	HOW USED
1. Reinsurance study	1983	Ivonne Ruiz	Executive director requested study of best way of attracting new reinsurance companies to Panama- Given to OIP
2. Panama's position on textiles exports to U.S	1984	Ivonne Ruiz	Given to GOP committee that negotiated trade agreements on textiles with the U.S.
3. Analysis and recommendations on Panama's immigration laws	1984	Ivonne Ruiz	To see whether immigration laws were obstacles to promoting Asian investments- Given to Ex.Dir. and discussed with Ministry of Justice.
4. Suggested national development plan	1984	Ivonne Ruiz	Internal use
5. Economic development policy	1985	Ivonne Ruiz	Analysis of economic policies needed to promote investment. Used by Exec. Dir.
6. ICP proposal to improve cost factors which has greatest impact on investment in Panama	1985	Ivonne Ruiz	Executive Director used it in economic policy presentation

\* Source: ICP (1986)

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EXHIBIT IV-13  
LISTING OF STUDIES CONDUCTED BY  
LOG FRAME INPUT CATEGORY

## 2.SPECIAL STUDIES

STUDY (NAME)	YEAR	PRODUCED BY	HOW USED
1. Singapore	1983	Ardito Barletta	To inform about Singapore investment promotion plans, programs
2. Labor legislation	1984	R.Villareal	Gathering of information on labor legislation- Used to present to investment groups visiting & in fact sheet for promotion materials
3. Tax legislation	1984	R.Villareal	Same purpose- To inform visiting investment groups & used in fact sheet for promotion materials
4. Export incentives	1984	R.Villareal	Same purpose- To inform visiting investment groups & used in fact sheet for promotion materials
5. Investment incentives	1984	R.Villareal	Same purpose- To inform visiting investment groups & used in fact sheet for promotion materials
6. Analysis of electricity tariffs	1984	R.Villareal	Analysis to determine what rates were applicable to different industries in Panama- Analysis of new tariffs to determine impact on costs
7. General investment prospects for Panama	1985	Ivonne Ruiz	Executive director request- Internal use
8. Analysis of national economy	1985	Ivonne Ruiz	Executive director request- Internal use
9. Sugar production	1985	P.Arboleda	Requested by OIP- at request of investor
10. Gathering of data on sanitary regulations for exporting food products to USA	1985	P.Arboleda	Requested by OIP- at request of investor
11. Collection of data on procedures to establish Panamanian corporation	1985	T.Paredes	At request of Executive director- General information for OIP at request of investor
12. Registration of foreign companies in Panama	1985	T.Paredes	At request of investor
13. Procedure to obtain insurance co. license	1985	T.Paredes	At request of investor
14. General factor cost of doing business in Panama	1985	A.Gonzalez	Part of general information for OIP
15. Cargo transport system study	1985	E.Sanchez	Part of general information for OIP

EXHIBIT IV-13  
LISTING OF STUDIES CONDUCTED BY  
LDG FRAME INPUT CATEGORY

## 3. COMPETITIVE STUDIES

STUDY (NAME)	YEAR	PRODUCED BY	HOW USED
1. Analysis-Export of electronic components to USA by Hong Kong, Korea, Taiwan	1984	R. Villareal	To measure Panama's competitive advantage in exports to the USA

EXHIBIT IV-13  
LISTING OF STUDIES CONDUCTED BY  
LOG FRAME INPUT CATEGORY

## 4a. PRODUCT/PROJECT STUDIES (1984)

STUDY (NAME)	YEAR	PRODUCED BY	HOW USED
1. Bananas	1984	R.Villareal	To gather technical information on sub-products of bananas and possible industrialization of those sub-products
2. Analysis of plywood industry in Panama	1984	R.Villareal	At investor request
3. Industrial parks	1984	R.Villareal	Analysis of a proposal to set up industrial parks- Review of MICI plans.
4. Evaluation ATLAPA	1984	E.Perez	Evaluation of costs of convention center and review of possibility to transfer government officers to ATLAPA- Presidential request
5. Casco viejo project	1984	I.Ruiz/E.Perez	Project to analyze restoration of old city- Presidential request
6. Analysis of possibility of Contadora Holding Company, Hotel, Airline,----etc Establish price and method of privatization	1984	I.Ruiz/E.Perez	To serve as basis for privatization- Presented to the Board of Directors- Presidential request
7. Local market for chalk and paper	1984	L.Carrera	Investor request to set up factory
8. Dairy products	1984	R.Villareal	Local market study done at request of investor
9. Livestock (pork) production	1984	R.Villareal	Request of investor- No result
10. Production of plastics	1984	R.Villareal	Request of investor- No result
11. Plantain production	1984	P.Arboleda	Program of agro-products to be promoted- Given to OIP
12. Cacao production	1984	P.Arboleda	Program of agro-products to be promoted- Given to OIP
13. Annatto Production	1984	P.Arboleda	Program of agro-products to be promoted- Given to OIP
14. Palm Nuts	1984	P.Arboleda	Program of agro-products to be promoted- Given to OIP

EXHIBIT IV-13  
LISTING OF STUDIES CONDUCTED BY  
LOG FRAME INPUT CATEGORY

## 4b. PRODUCT/PROJECT STUDIES (1985)

STUDY (NAME)	YEAR	PRODUCED BY	HOW USED
15. Analysis of electronic/electrical components industry in Panama	1985	A. Gonzalez	As basis of general information - IZSC
16. Eucalyptus production	1985	E. Sanchez	Request of investor- No results
17. Reforestation products- Feasibility of establishing reforestation projects in Panama	1985	E. Sanchez	Request of investor- No results
18. Port of Redregal Chiriqui- Capacity to import and export agricultural products	1985	E. Sanchez	Part of analysis of export transport capacity
19. Analysis of centerport	1985	E. Sanchez/T. Paredes	Evaluation of PRC proposal and possible ICP participation for promotion of investment projects in centerport
20. Garment manufacturing industry profile	1985	R. Villareal	Analysis of local industry for promotion

The size, complexity and content of the studies undertaken varied widely, some consisting of short analytical pieces, some were compilations of information on tax or labor laws and regulation and others consisted of analyses of the structure and market of a particular local or foreign industrial sectors.

Under the supervision of a UNIDO advisor, some thirty-four (34) project profiles of hypothetical projects of possible benefit to Panama have been prepared for local investors seeking joint venture partners. Most of these projects involve low investment requirements (under \$1.0 million) and, according to the UNIDO advisor, are generally of little interest to foreign investors. Our experience with hypothetical project profiles is that they tend to have little practical usefulness except in cases where an investor has a specific interest in a country and/or product, but lacks the definition of a specific project. The profile writing exercise came about when the UNIDO advisor first arrived in Panama and discovered that local industrialists had little interest in joint ventures nor had specific investment projects at hand. He then initiated the profile exercise to teach the RDO staff how to prepare them and to provide some project ideas to the ICP promoters on their overseas missions. In recent days, the RDO Office has undertaken, in conjunction with SIP, a survey of local industry to identify excess capacity and interest on specific investment projects.

#### Findings:

In reviewing the performance of the Research and Development Office (RDO) against plans and expectations as reflected in the Project Paper, we have arrived at the following findings:



- o The overall performance of RDO has been less than satisfactory.
- o It has not effectively carried out its function as the "brain" of ICP in either providing higher GOP authorities with recommendations for policy/administrative measures for improving the investment climate including laws and incentives, or playing a significant role in generating basic research, studies and data to focus effectively ICP's investment promotion efforts.
- o The reasons for this poor performance include, inter alia:
  - inadequate research planning, strategy and priority definition.
  - the destabilizing effects of annual changes of the RDO manager on the work of the unit.
  - the nonavailability of planned external technical assistance needed to help establish and execute the research program.
  - the lack of the appropriate mix of qualified staff to both plan and carry out the research program, specifically the lack of highly qualified industrial and macro economists, financial analysts and a statistician.
  - the relatively low priority or attention given by senior ICP management to RDO activity in comparison with that devoted to investment promotion.
- o In regard to investment policy studies, some initial work was carried out in 1983 and early 1984. However, when ICP was transferred from the Presidency to MICT in 1983, the priority given to policy formulation was significantly reduced on the basis that MICT would provide policy guidelines to ICP for use in its promotion activities. The common understanding among ICP staff was that they had to promote the product (Panama's investment climate) as defined by MICT and the GOP economic team. The role of ICP as an autonomous advocate for improved economic policies affecting investment within the GOP policy councils had for all practical purposes been abandoned.

- o RDO's critical problem has been its inability to produce the crucial market research needed guide a highly refined, targeted and cost effective investment promotion strategy. It did arrange the production of a diverse array of sectoral and market studies defining some sectoral and subsectoral priorities. However, these studies were insufficiently detailed to determine in which specific markets/sectors/products Panama enjoyed a comparative advantage or can find its special niche toward which ICP's promotion efforts should be directed. In all recent investment promotion studies on Panama, clear reference was made to the priority need for intensive market research to define as precisely as possible the target sector/market and product which should determine and guide investment promotion activities. More specifically, comparative advantage studies including relative cost analyses for specific products were needed to show a potential investor Panama's advantage for locating his or her specific line of business. Unfortunately, there has been little such market research undertaken to date. These studies were supposed to be carried out by the RDO staff with the guidance and assistance of the IQC contractors who never arrived due to the delays in GOP approval of the contracts. Lacking such essential market essential market analyses, the ICP promotion effort was reduced to providing general information on Panama as an investment location rather than the targeted industry specific information needed to catch the investor's serious interest.
- o A review of the list of studies completed demonstrates no clear coherent market research plan or strategy to accomplish the critical targeting objective. Rather, the list of studies reflects an unplanned, unfocused research effort responding to ad hoc requests or targets of opportunity.
- o The RDO office initially was to assume responsibility for organizing operational planning, prepare work plans, schedules and budgets for the two line offices, Investment Promotion and Investor Services and evaluate their performance annually. We found no evidence that RDO has performed this function at least in recent years. The question of ICP work plans, budgets has been a somewhat delicate issue between USAID and ICP in recent years. The ICP Deputy Director, as the AID Project Coordinator, has been assigned responsibility for these functions currently. We consider it appropriate that a planning and budget system be

designed and managed from the Office of Executive Director rather than in RDO. In addition to planning and budgeting, there remains some question about RDO's current role and responsibilities for coordinating the IQC contracting process. The Investment Promotion Office is currently involved in preparing a work order under the IQC. The specific responsibility for this function needs to be clarified.

- o The RDO has responsibility for developing ICP's data base for its own use and to serve investors and private sector users. The original design of the data base system and computer has been under intensive review in ICP for over a year and a half. The Council's current information systems advisor has indicated some reservations about the type and size of the computer originally recommended. A key question is whether ICP has the administrative and operational capability to make effective use of a relatively complex computer system. An additional question is whether the RDO unit has advanced its data collection and information requirements definition--and properly planned for programming and maintenance support--to use the computer productively when operational. For a fuller discussion on the computer problem--see Section IV-B.2.(g).
- o To perform its functions effectively, the RDO office requires professional staff properly qualified and experienced for carrying out its work program. We note the absence on the RDO staff of a industrial and macro economists and experienced financial analysts.

#### 4. Investment Promotion

##### (a) Strategies and Approaches

According to the project design, two major activities were subsumed in the Investment Promotion component: (a) Investor Search and (b) Investor Reception.

An Investment Promotion Office (IPO) was created within the organization structure of ICP, having as its major objectives to develop investor search and reception mechanisms capable of locating investors, promoting Panama and attending to investor needs on arrival in Panama.

To implement the above objectives, the project design considered that the activities of the Investment Promotion Office were going to be guided and supported by the following essential inputs:

- o The definition of sound promotion strategies on the part of the Research and Development Office (responsible for the Policies and Strategy Component of the project), including carefully selected approaches and techniques to target the promotion efforts for optimum exploitation of Panama's unique strengths.
- o The development of a turnkey promotion system assisted by external consultants with extensive international experience in investment promotion.
- o Intensive training programs for a carefully selected staff on the Investment Promotion Office, relying as much on its participation in specialized courses, as on training on the job while working together with the external consultants hired to develop the turn key promotion system.

In practice, these elements of guidance and support have not been present to assure the effectiveness of the promotion activities as intended in the project design, because it has been explained in other sections of this report, the Research and Development Office has not been able to successfully design sound and comprehensive promotion strategies for ICP and because external technical assistance was not obtained as planned.

Consequently, in spite of the fact that, since the inception of ICP, the investment promotion activities have been given

priority in both management attention and resources, and that the Investment Promotion Office has undertaken many of the activities planned in the Project Paper (preparation of promotional material, overseas promotional missions, attendance at trade fairs, etc., as reported later in this chapter), there has not been significant progress in attaining the objectives of this component of the project.

Essentially, without benefit of the results of research work to narrowly define and target promising promotional activities, the Office conducted its efforts along the following major lines:

- o Initially, the approach concentrated in selling Panama to a mass-mail audience, trying to copy uncritically the State of Florida model.

The firms responding positively were visited and a one-on-one presentation of Panama's investment advantages was made to try to convince the firm's executives to visit the country to explore investment opportunities.

Foreign visitors so attracted were received to provide them with support and services as necessary during their visits.

- o Later on, arrangements were made with a contractor to help identify categories of firms and products in a target market meeting certain criteria. For campaigning in Asia, the assistance of consultants was used for mass-mailing and arrangement of visits and seminars by ICP representatives.
- o Only recently has ICP attempted to narrow its focus to begin selling Panama to more specific target sectors, giving the highest priority to the following:
  - Agro-industry
  - Electronic assembly
  - Pharmaceuticals

- Light manufacturing including garment
- Services

An official summed up ICP's promotion strategy very succinctly, "At first we tried to sell Panama to everyone, then we started to sell Panama to everyone in some sectors, now we are beginning to sell Panama to a selected group of investors in specific sectors for specific products."

In terms of the selection of geographical markets for the promotional activities conducted so far, the absence of a carefully defined strategy has also affected performance in the sense that major shifts have occurred in a relatively short period.

At first, the activities concentrated in the United States, followed by the opening of a promotion effort in Latin America; shortly after, promotion in Latin America was interrupted; then followed a total concentration in Asia for more than one year, until a decision was reached to abandon that area and to concentrate again in the United States market, together with some renewed efforts in Latin America and having in mind to start some activities in Europe in the near future.

(b) Effectiveness of the Search Promotional Activities

Obviously, the above mentioned problems, related to the poor targeting of the promotion efforts of the IPO and to the constant shifts in the market covered, had to be detrimental to its effectiveness in contributing to meet the employment and investment targets established for the project.

Indeed, notwithstanding the difficulties encountered as a result of the failure by both USAID and ICP to agree at the very outset on specific criteria, methodological procedures and data base indicators to gauge ICP performance, the results of a very comprehensive survey that we conducted, of the companies that ICP includes in its accounting of the employment and investment generated through its efforts, clearly indicate that:

- o The search activities of ICP have had a very limited success, as only a handful of companies acknowledge to have been attracted to Panama by ICP, not adding up to significant figures of jobs created or investment generated.
- o The great majority of the companies interviewed only acknowledge to have received some kind of assistance from ICP when they came to Panama out of their own initiative to study an investment, or when they were already implementing a project.

To supplement the above evidence, we also conducted a number of telephone interviews with other companies located in the USA, in Asia and in Latin America, that never invested in Panama but that were approached by ICP representatives as a part of the search programs of the Investment Promotion Office. The purpose of these interviews was to obtain evaluative comments from those companies, as it regards the job done by the ICP promoters in presenting them with information and in assisting them in those cases when one or more executives of the company actually visited Panama.

Although the opinions obtained were generally very favorable in terms of the reception activities in Panama, they were not as favorable as they referred to the capabilities of the ICP promoters to address the specific topics of interest to their particular line of business. In other words, this evidence confirmed that the search activities of ICP have not been

sufficiently specialized or targeted so as to be able to discuss with the potential investors "the bottom line" advantages of doing their kind of business in Panama.

We refer the reader to Annexes D-1 and D-2 for more information about the scope, content and results of the above mentioned surveys. In the following paragraphs we address the attention to a comparison between the planned versus the actual performance of ICP, as it refers to the list of indicators established in the Investment Promotion component of the "Logical Framework Matrix" of the Project Paper.

(c) Overseas Offices

Part I of the Project Paper, "Summary and Recommendations", under Section F "Project Issues", recognized the convenience of delaying the establishment of overseas offices for the first one and a half years of project implementation. It also stated that, at that time, an evaluation of Panama-based promotion efforts and cost analyses had to be carried out to decide if overseas offices were warranted.

Although only one office in Miami was in operation at the end of 1985, by that time decisions already been taken to establish offices in New York and Washington, D.C. (both in the process of being established).

Based on evidence gathered in our interview process, no formal evaluation and cost analyses were carried out to justify the establishment of these overseas offices.

We were told that informal calculations were made of the costs of operating these offices, sharing occupational expenses with IPCE in the case of Miami, or benefiting from the use of



space and support services of other Panamanian Government agencies in the USA at no charge, as in the case of New York and Washington. Reportedly, in this manner, ICP would be spending somewhat less than it has been spending in the past covering the USA market by means of missions of its representatives.

However, the real question is whether the low effectiveness of the search activities warrant the costs involved, including the compensation and other expenses of the staff devoted to those activities, regardless of some marginal savings that might be obtained by the establishment of the overseas offices.

We believe that the evaluation called for in the Project Paper was intended precisely to answer that specific question.

(d) Turnkey Promotion System

As it has been explained earlier, ICP did not implement opportunely the technical assistance scheme established in the Project Paper, whereby experienced contractors specialized in investment promotion at an international level, would have developed a turn-key promotion system suitable to the specific needs of the ICP.

This strategy included the design of a process for selection of "high potential" investor targets, so that investor search activities could be well targeted and cost effective.

In the absence of the above, the overseas promotional activities were conducted by ICP staff as shown in Exhibit IV-14.

The Log Frame did not include any indicator of performance expected in terms of missions. However, expected outputs as per the section on Project Component Activities of the Project Paper

ICP EVALUATION

EXHIBIT IV-14

MISSIONS, CONTACTS AND VISITS GENERATED

AREA	YEAR	NUMBER OF MISSIONS	INVESTORS CONTACTED	NUMBER OF INVESTORS VISITED PANAMA	INVESTMENTS MADE	NAME OF FIRMS
U. S. A	1983	9	170	9	1	Jenny Mfg.
	1984	31	1,277	27		
	1985	3	92	23		
	--	--	--	--		
	--	43	1,539	59		
ASIA	1983	-	-	-	5	Green Bay Overseas Hayward de Panama * Confeciones Gloria * Trimix Industrial Champion Textile *
	1984	9	350	132		
	1985	1	52	-		
	--	--	--	--		
	--	10	402	132		
LATIN AMERICA	1983	1	72	2		
	1984	11	471	12		
	1985	2	79	11		
	--	--	--	--		
	--	14	622	25		
TOTAL		67	2,563	216	6	
		==	=====	===	===	

Closed/suspended due to changes in customs regulations.

states that 131 promotional missions should be conducted during the life of the project.

It should be mentioned that the tables that ICP prepared upon our request about the level of promotional activities in terms of missions and results obtained, may not be fully accurate, as ICP does not maintain orderly records and reports; however the figures in Exhibit IV-14 might be accepted as orders of magnitude sufficient for the purposes of this evaluation.

It is interesting to point out that those tables acknowledge that out of the total of investors contacted overseas during the missions and of those that actually visited Panama, only one company from the USA and five companies from Asia made an investment in the country (two of them not being in operation any more).

This low level of effectiveness of the search activities is consistent with the findings of our survey referred in Annex D and reaffirms the questions raised as to the validity of the employment and investment figures that ICP claims to have promoted per Exhibits IV-3A and IV-3E.

(e) Promotional Material

The Log Frame states that fourteen (14) promotional materials were to have been developed by the end of 1985. Exhibit IV-15 presents the list of materials produced by the ICP, as well as other materials from other sources that have been utilized by the Council to support promotion efforts. A video presentation has also been developed recently.

The quality of the materials utilized by the ICP has been improving over time, as exemplified by the video and the "facts

## PROMOTIONAL ACTIVITIES

## INFORMATIONAL/PROMOTIONAL MATERIALS ANALYSIS

## I. MATERIALS DESIGNED AND PRODUCED BY ICP

TITLE	SUBJECT/CONTENT	DATE		EST. NUMBER OF COPIES PRINTED	TARGET GROUPS	DISSEMINATION TECHNIQUE	LEVEL OF DEMAND		
		Started	Completed				Light	Medium	Heavy
1. Panama Centro Mundial de Inversion (Spa. & Eng.)	General	--	--	--	Foreign industrial business persons	Letters, individual contacts, expositions and fairs	X		
2. Panama - The Investment Council of Panama (Eng.)	Advantages to doing business in Panama	--	--	--	Foreign industrial business persons	Letters, individual contacts, expositions and fairs	X		
3. Light Assembly Industry in Panama (Regulations and Procedures)	Law decrees regarding investment	--	--	--	Foreign industrialists	Direct contacts		X	
4. The Republic of Panama - A prospectus for Manufacturing Assembly Investment	General	--	--	--	Foreign industrial business persons	Direct contact, seminars		X	
5. Profile: The Republic of Panama	General and specific	--	--	--	Foreign industrial business persons	Direct contact		X	
6. Panama: The ICP - Panama, a Sound Investment	General	--	5/84	10,000	Business persons	Direct contact, seminars and fairs	X		
7. The Investment Council of Panama - Fact Sheets (Eng.)	General and specific - sectors and ideas for investment	4/84	8/84	15,000	Foreign industrial business persons	Direct contact, seminars			X
8. Consejo Nacional de Inversiones - Fact Sheets (Spa.)	General and specific by sectors	4/85	12/85	4,000	Local and Latin American industrialists	Direct contact, seminars			X
9. The Logical Place to Invest - Panama - The Investment Centre of America (IDA) (Eng., Spa., Fr., Ger.)	General	1/85	9/85	12,000	Industrialists - designed for external market	Direct contact, mail and seminars	X		

PROMOTIONAL ACTIVITIES  
INFORMATIONAL/PROMOTIONAL MATERIALS ANALYSIS

## II. MATERIALS CONTRACTED OUT

TITLE	SUBJECT/CONTENT	DATE		EST. NO. OF COPIES PRINTED	TARGET GROUPS	DISSEMINATION TECHNIQUE	LEVEL OF DEMAND		
		Started	Completed				Light	Medium	Heavy
1. Panama's Assets and Liabilities (Eng. & Spa.)	Perception study of foreign investors located in Panama regarding the investment climate	--	1983	--	Local and foreign investors	Seminars/conferences as presentation and supporting material		X	
2. Procedures to Organize a Panamanian Corp. (Eng.)	General aspects	--	--	--	Business persons and referenced sources	Mail, direct contact	X		
3. Export and Fiscal Incentive Law (Eng.)	Law 108 (12/30/74)	--	--	--	Local and foreign investors and exporters, referenced sources	Mail, direct contact		X	
4. Incentive Law for Natl. Manuf. Prods. (Eng. & Spa.)	Law 413 (12/30/70)	--	--	--	Local and foreign investors, referenced sources	Mail, direct contact		X	
5. General Corporation Law (Eng.)	Law 32 (2/26/27)	--	--	--	Business persons and referenced sources	Mail, direct contact, conferences		X	
6. Programa de Incentivos para el Establecimiento de Industrias de Ensamblaje (Spa.)	Decree No. 5 (1/79)	--	--	--	Local and foreign investors, referenced sources	Mail, direct contact, conferences		X	
7. Panama Business Report (by Fantus)	Advantages to conducting business in Panama	--	9/83	--	U.S. industrial sectors	Reference material in promotion efforts	X		
8. Executive Summary (Eng., Cantonese, and Mandarin)	Extract from Fantus report	--	10/84	20,000	Business and industrial sectors	Letters, conferences			X
9. Compendio de Leyes de Incentivos (Eng.)	Laws and decrees	--	7/84	1,000	Diverse local/foreign industrial sectors, referenced sources	Direct contact, conferences		X	
10. Documento Pre-Fact Sheets (Eng.)	Schematic compendium of promotional sectors	5/84	7/84	300	Foreign industrial sector	Direct contact	X		
11. Why Panama?	Advantages and opportunities to invest	12/84	2/85	1,500	Foreign industrial sector	Letters		X	
12. Perfiles de Proyectos CNI	38 profiles developed and documented	4/85	8/85	2,000	Local industrial sector	Mini brochures	X		

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PROMOTIONAL ACTIVITIES  
INFORMATIONAL/PROMOTIONAL MATERIALS ANALYSIS

## III. MATERIALS NOT PRODUCED BUT PRINTED AND UTILIZED BY ICP

TITLE	SUBJECT/CONTENT	DATE		NUMBER OF COPIES PRINTED	TARGET GROUPS	DISSEMINATION TECHNIQUE	LEVEL OF DEMAND		
		Started	Completed				Light	Medium	Heavy
1. CBI	Understanding the Initiative				Investors, exporters, importers	Letters and direct contact		X	
2. Caribbean Basin Initiative Starter Kit	Procedures				Investors, exporters, importers	Letters and direct contact		X	
3. CBI - New Opportunities for American Business	Eligibility and potential for development				Investors, exporters, importers	Letters and direct contact	X		
4. What is the CBI? (Spa. & Eng.)	The nature of the law and its implementation				Investors, exporters, importers	Letters and direct contact	X		
5. CBI Recovery Act (Japanese)	The nature of the law and its implementation				Investors, exporters, importers	Letters and direct contact	X		
6. Panama (Eng. & Spa)	IPAT pamphlet				Business persons	Letter, fairs and seminars			X
7. Zona Libre de Colon	Statistics and legislation				Exporters and investors	Direct contact	X		
8. Investment in Panama (P. Marwick)	Investments and procedures				Business persons	Direct contact, seminars		X	
9. World Business Reports (A. Young)	Systems, incentives and legislation				Business persons, referenced sources	Direct contact		X	
10. Industrial Parks MICI - Panama	Industrial parks				Investors	Mail, direct contact	X		

10/6

sheets", which are of good quality and have been generally well-received. However, the content of the materials is essentially related to the attractiveness of Panama in general, with limited information focused on the interest of specific sectors, reflecting the absence of focused marketing and promotion objectives and concomitant strategy to attain these objectives.

(f) Promotion Campaigns

ICP has not been using the term "campaign" for any of its activities, mostly due to the fact that the promotion model implemented is built around the concept of "missions" to the different markets, with a duration defined in the range of one to two weeks.

The Log Frame states that nine promotion campaigns should have been carried out to date, but elsewhere in the Project Paper (see page 23), the identification of the outputs of the project is made in terms of "131 missions", without any reference to "campaigns".

We were told that USAID and ICP never agreed on specific definitions to gauge the level of promotional activities implemented by ICP.

However, as we have included sufficient detail under paragraph (d) of this Section, about the missions conducted by ICP to the different markets, it is unnecessary to repeat here that information.

(g) Observation Trips

The project plan calls for eighteen (18) observation visits to have been conducted to date. ICP did not have any orderly recording of the events of this nature implemented so far, but extracting from some of the reports prepared by ICP upon our request, the following list of observation trips conducted to date can be identified:

- o 1 trip was made to prepare for the Asian campaign
- o 1 trip was made to explore prospects in Singapore
- o 1 trip was made to prepare promotion activities in Europe
- o 1 trip was made to Minneapolis/St. Paul
- o Several observation trips were made as part of the training program of the State of Florida.

In addition to these trips, ICP officials traveled frequently to attend trade fairs, conferences and seminars, as detailed in the following paragraph.

(h) Attendance at Trade Fairs and Conferences

The Log Frame states that by the end of 1985 twenty-eight (28) events of this nature should have been attended. Actual implementation of this activity has not been as intensive as planned, but ICP intends to give it more emphasis in the future, and for that purpose in the 1986 promotion plan a dozen events of this nature have been programmed.

The events attended in the past are listed below:



- o 1983:
  - Annual C/AA Conference, Miami
  - Industrial Development Research Council Conference
  - Bobbin Show
  - Telecommunications Conference, Jamaica
- o 1984:
  - Annual C/CAA Conference, Miami
  - Caribbean Basin Business Opp. Conference, New York
  - Toy Manufactures Association, New York
  - Governor's Conference, Miami
  - Caribbean Basin Business Conference, California
  - International Trade Development Conference (Hispanex), Texas
  - Latin America Trade Conference, Chicago
  - Caribbean Basin Trade Conference, Chicago
  - Americas' Society, New York
  - An Opportunity Worth Exploring, Jacksonville
  - Central America Today, New Orleans
  - Agricultural Marketing Workshop, Miami
  - Houston Chamber of Commerce, Texas
  - Jacksonville Chamber of Commerce, Texas
  - Tampa Chamber of Commerce, Tampa
  - Investors' Forum, Colombia
  - Second International Agro-Alimentary Exposition, Mexico

- o 1985:
  - Annual C/CAA Conference, Miami
  - Panama's Week, New Orleans

(i) Promotion Training

According to the Log Frame, by now the Investment Promotion Office would have on its staff 8 persons trained in investor search activities and 5 persons trained in investor reception activities.

In practice, some basic formal training has been received by the majority of the present members of the Office, as follows:

- o The present Manager of the Office attended the courses of the State of Florida, UNIDO and INCAE, plus one more in Japan.
- o The four Regional Directors attended the State of Florida course and at least one more course in either UNIDO or INCAE.
- o Of the remaining professional staff, that is, the case officers, one has attended three of the above mentioned courses, one has attended two of them and only two officers have not been to any course.

In addition, it should not be ignored that the training of the staff has also been reinforced by their participation over the years in missions, seminars, conferences and other events that imply considerable learning opportunities.

However, since ICP did not engage in the development of the turnkey promotion system, that with the assistance of promotion specialists was going to provide a major ingredient to the

training of the staff, it can be said that the targets, in terms of what was to be understood by "trained persons", have not been met as planned.

It should also be mentioned that four other persons that now work in other ICP offices attended promotion courses while they were members of the Investment Promotion Office and that seven other persons also attended promotion courses but have since left ICP.

(j) Promotion Booths

The Log Frame states that two (2) promotion booths were to be arranged. One was developed in 1983 for use during the C/CAA Miami Conference and has been used two times more in the same annual event and in other two presentations in Miami and New Orleans. Another booth was developed under a contract with the Irish Development Authority, for use in missions to European countries. Reportedly, they both served their purposes in supporting ICP promotional activities, but ICP considers that new booths have to be developed to solve some of the problems of the existing ones in terms of quality and easiness of handling.

(k) Effectiveness of the Investors Reception Activities

In contrast with the problems and criticisms identified for the search activities, the results of the survey that we conducted with companies that were assisted by ICP and that did invest in Panama, and of the telephone interviews with companies that did not invest but that visited the country to explore investment opportunities, give good ratings to the reception activities of ICP.

The services rendered to receive and assist potential investors normally included:

- o Assistance to arrange contacts with Panamamian businessmen for discussion of joint-ventures or other transactions.
- o Assistance to arrange meetings with officers of government institutions.
- o Assistance to visit sites for project development.
- o Assistance to obtain visas and comply with immigration procedures.
- o Provision of information on costs of doing business in Panama.
- o Assistance to contact lawyers, accountants and consultants for preparation of feasibility studies.

Of course, other services are also provided to the investors once they take the decision to implement its project, such as assistance to obtain the "Contrato de la Nacion" or the "Contrato de Maquila" but these services are referred to in the next section of this report as they belong to a different component of the project design.

On the other hand, to evaluate the performance of ICP in quantitative terms, the Log Frame states that by 1985 ICP had to be capable of providing reception services to 100 foreign investors and 20 local investors, per year.

As reported in Exhibit IV-14, "Missions, contacts, visits generated", ICP has indeed been capable of providing reception services to well over 100 foreign investors per year, as was the case in 1984 when ICP reached its highest level of overseas promotional activity.

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In respect to reception services to local investors, ICP has not focused much of its efforts in the past to promote and assist investment projects by local investors; however, policy decisions have been taken recently to give more emphasis to promotion activities related to the Panamanian business community. As examples of these activities, ICP is presently conducting some studies jointly with the Camara de Industria, Comercio y Agricultura, and has also established a cooperation agreement with the Sindicato de Industriales (SIP).

(1) Investor Forums

The Log Frame does not set forth a planned number for this activity. Yet the description of the Project Components-Activities section of the Project Paper includes three (3) investor forums as part of the activities to be financed by AID and to be part of the outputs expected.

No investor forums have been carried out to date. UNIDO representatives assisting ICP have as a principal task the organization of investor forums. The project was abandoned due to a lack of sufficient local investor interested in participating in specific projects. UNIDO representatives detected resistance by local investors to provide information about their projects to a public sector institution.

As a result, the approach was modified to pursue the identification of specific investment opportunities; 34 project profiles have reportedly been prepared with the assistance of local professionals in order to interest local investors in sponsoring potential joint-venture projects. A number of "microforos" were organized to try to attract local investors,

but success has been limited and to date only three (3) of the profiled projects have reportedly generated any active investment.

(m) Overall Progress of Promotion Activities

In reference to the performance of ICP in the area of investment promotion, it may be useful to cite that according to the "end of project" indicators established in the project paper for this component, by 1987, ICP should have developed capabilities to:

- o contract 2,000 targeted foreign investors per year
- o attract 100 high-interest visitors per year
- o be able to evaluate and prioritize investment targets
- o be able to provide quality information on investment opportunities
- o be able to identify fifty (50) local investors per year for joint venture opportunities

Based on the findings reported in this section, it is our opinion that ICP has not made sufficient progress to date to be able to meet the above targets as expected.

Indeed, not only the comparisons with the quantitative indicators of the Log Frame show that many of the targets have not been met. Much more significant is the qualitative assessment that results from the evaluation show that ICP has developed very limited capabilities to define its priorities, target its potential investors by most promising markets/sectors/products, and develop the marketing approaches and techniques to be successful in attaining the employment/investment goals of the project.

Indeed, the evidence suggests that ICP rushed into an expensive overseas promotion effort without the benefit of:

- o A well-planned marketing/promotion strategy.
- o The essential research studies and information needed to define and target priorities by those sectors and products in which Panama has comparative advantage or has good prospects of developing a special niche, (e.g. offshore banking)

For example, ICP has placed excessive emphasis on promoting industrial projects (on the basis of questionable evidence that Panama can, under present policy and cost circumstances, be competitive with other CBI neighbors), to the neglect of the service sector where the country has well recognized and unique strengths.

- o Adequate analysis of alternative promotion techniques to ensure least-cost promotion approaches.
- o An inventory of well studied Panamanian industrial or service investment projects with local sponsors seeking joint venture partners.

## 5. Investor Services

### a. Goals and Functions

The Investor Services Office's (ISO) original mandate was to provide a wide array of services to foreign and domestic companies which had been induced to invest in Panama through the efforts of the ICP or through independent initiatives. These services were to be offered as a "one-stop" package to relieve investors of much of the burden associated with compliance with diverse regulations which are administered by several agencies.

As stated in the Project Paper, the ISO's major functions were to provide services to investors to facilitate their compliance with the corporation and incentive laws and to assist

them in securing a range of services and facilities necessary for operation. More specifically, the ISO was to be the division responsible for providing investors with technical and logistical information and for assisting them in working their applications through the government approval process. The ISO was not originally responsible for receiving and hosting investors, which was the responsibility of the Investment Promotion Office's Investor Reception Group. More specifically, the ISO's major duties included the following:

- o Transact with various government agencies on behalf of the investor.
- o Provide a directory of legal and technical services to the investor.
- o Assist the investors in securing certain public and private services.

In short, the ISO was expected to provide after-sales services, insuring that promises made to investors were kept.

Starting in late February 1984, however, the Investor Services Office held both the information and reception functions. In order to carry out these functions, the ISO was reportedly organized as follows:

- o A Technical Unit primarily responsible for collecting technical and logistical information needed by investors.
- o A Service Unit responsible for receiving investors and assisting them in bringing their investment ideas to fruition; moving specific investment applications through the government's approval process while at the same time working with other government bodies in an effort to streamline the general approval process.



The fundamental change in departmental functions to include reception activities was highlighted in its staffing pattern. In September 1983, four people were in the Office: Manager, Private Services, Procedures, and Logistics. In March 1984, however, Department documents reflect nine staff members under ISO: Manager, Logistics, Procedures, Information, Project Officers.

As of March 1985, Departmental documents reveal the ISO as once again comprised of four staff members, thereby reflecting another fundamental reorientation of ISO objectives and functions. These included the following positions: Manager, Logistics, Coordination, and Procedures. Accordingly, the Department's objectives/functions no longer reflected reception-related responsibilities. Specifically, based on Department documents prepared in 1986, the ISO has as its basic function to provide established and potential investors a range of specialized services aimed at reducing project execution time and minimizing the necessary processing steps in the bureaucracy. These efforts involve direct actions to acquire and improve public and private services. This basically comprises the following subcomponents:

- o Investor Information
- o Investor Assistance
- o Maquila Program Administration
- o Special Events
- o Interdepartmental Support
- o Training and Seminars

In order to carry out the department's overall objective and the subsequent subcomponents, the ISO is currently divided into

two units. A Processing Unit is responsible for tracking and providing required information regarding Contracts with the Nation applications; accelerating the evaluation and approval process for pending Contracts; serving as a contact point to satisfy a future firm's informational and other needs; and controlling and administrating ICP services to established firms. A Logistics and Coordination Unit, in turn, is responsible for providing information on benefits, regulations, laws, contracts, restrictions, etc.; information on public and private services; information on infrastructure and concessions; personnel recruitment; costs and various expenses; visa processing; public and private sector contacts. In short, ISO's current basic goals, objective and functions appear to have returned to those originally mandated to it in the Project Design.

The changes in ISO's basic objectives and functions reflect an organizational problem that afflicts ICP generally: ISO's functions do not appear to be clearly defined or well integrated within the overall organizational structure of ICP. The functions and responsibilities between the two original line offices--investment promotion and investor services--have, since inception, been under internal discussion and definition, with regard to both which office had major responsibility and how to define areas of overlap in order to provide flexibility without losing control of functions.

As originally conceived, the Investment Promotion Office (IPO) was responsible for attracting investment through its Investors Attraction Group (IAG) and, in turn, receiving investors through its Investor Reception Group (IRG). IRG was to maintain constant contact with the potential investor until a final investment decision had been made; after which, if the decision was positive, the company was turned over to the

Services Office. ISO, in turn, was to direct the assistance given to corporations being established in Panama. Clearly, this assistance often begins at the promotional stages. Nevertheless, the responsibility for handling the case was to be passed on to ISO only after the investor had taken a firm decision to invest in Panama.

As noted above, aspects of the reception function appear to have shifted back and forth between IPO and ISO over time. The result has been a "gray area" in ICP operations where an important organizational function is not clearly defined, leaving open the possibility that cases may "fall through the cracks". This problem of organizational location of ISO and IPO functions and responsibilities--clearly brought out during the workshop--appears never to have been fully resolved and continues to plague the Council operationally in the conduct of day-to-day activities.

The lack of a clear definition of ISO's basic objectives and functions is but a reflection of the same problem of ICP as an institution. ISO's basic function is to service investors. It needs to define its own operational objectives and plans in terms of what kind of services, to which investors, in what degree of intensity and in what priority sectors, markets and products. ISO is somewhat handicapped in developing its own operational plans by the failure of RDO to define priority investment target areas where Panama enjoys comparative advantage and of IPO to develop a coherent investment promotion strategy. Once these other offices have completed their own strategies and operational plans, ISO can prepare its own. It needs to better define its targets, its range of services and gear these to overall ICP objectives and strategies. Providing

services to potential investors can be a costly business. ISO needs to sharpen its focus and priorities to do its job on a more cost-effective and targeted basis.

b. Planned versus Actual Performance

The Investor Services component in the Project Paper sought to strengthen the "one-stop" concept deemed critical to the overall investment promotion effort of ICP. Two major activities were to be handled by the ISO. In the area of document processing, ISO would conduct remedial efforts in the area of document processing within the actual system. Specifically, attempts would be made to streamline the 34 separate steps necessary for an investor to gain certain fiscal benefits provided by a Contract with the Nation. In the area of coordination of infrastructure services, the ISO was also expected to facilitate the oftentimes arduous task of expediting the various processes involved once an investor is ready to start construction, including the procurement of water, sewer, electrical, public works and telephone services. In order to carry out these activities, the Project Paper stipulated various outputs for the Department. As noted in the Project Paper and presented in Exhibit 16, these include:

- o Five (5) personnel trained in new documenting procedures
- o Three (3) coordination seminars
- o Six (6) new documentation processing procedures
- o A functioning motor pool.

(1) Training

To date, three (3) ISO personnel have received training. All of the training was conducted in 1983 over a five-day period

INVESTOR SERVICES  
PLANNED VERSUS ACTUAL PERFORMANCE

INVESTOR SERVICES ACTIVITIES	1983		1984		1985		TOTAL	
	* PLANNED	** ACTUAL	PLANNED	ACTUAL	PLANNED	ACTUAL	PLANNED	ACTUAL
Personnel Trained	0.0	3.0	0.0	0.0	0.0	0.0	0.0	3.0
Coordination Seminars	0.0	0.0	0.0	1.0	0.0	0.0	3.0	1.0
New Documentation Processing Procedures	1.0	3.0	3.0	1.0	2.0	1.0	6.0	5.0

\* From Project Paper Logical Framework, Annex I.A., Page 4.

\*\* Actuals provided by ICP.

in Tallahassee for basic investment promotion training purposes. More specifically, the training covered the following areas:

- o Basic information
- o Records systems
- o Training manual
- o Organization structure (on the field training of Investor's Attention).

Of the three staff members trained, only one presently remains in ISO, with the other two holding positions in IPO. Despite the fact that the training was not necessarily directed at learning new processing procedures per se, the ISO staff members interviewed by the Team felt that the training had helped to inform and positively orient them in the area of investor services. Given the relatively low costs and level of effort expended by the ICP in providing the training, the benefits--in terms of preparing the personnel to provide effective and efficient investor services--appear to have outweighed the costs.

It is important to note that the ISO staff is clearly energetic, well-educated and substantially well-oriented toward meeting ISO's operational responsibilities. As presently constituted, ISO is composed of six (6) staff members: a manager, 2 logistics officers, a legal advisor, a document processing officer, and a secretary. Of the staff, five (5) have principally private sector experience; one (1) has substantial public sector experience (ex-Maquila) in precisely those Ministries with which ISO must deal with to process investor documentation--a very valuable asset. The staff is relatively young, which should be viewed as a source of strength

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given that it is being effectively directed and channeled by ISO management.

(2) Coordination Seminars

An important ongoing function assigned to the office has been to attempt to streamline government administrative procedures affecting investors--to, in effect, become a so-called "one-stop" processing center. The office's basic approach has been to attempt to simplify procedures by changing standard operating procedures and, to the extent possible, to attempt to alter laws or regulations.

An integral instrument in this regard has been to arrange seminars that focus on particular administrative and procedural issues. The Project Paper deemed seminars necessary in order to establish standard norms and guidelines for expediting the actual coordinating process which, in effect, had always been an exercise in persuasion, often generating mixed results at best. To date, one seminar has been conducted by the ICP in this area. Furthermore, four so-called work missions have been carried out to complete a comparative study of other country experience as it relates to ISO's mandate and subsequent responsibilities at the Council. The objectives of the work missions are closely related to that of the seminars and are therefore reviewed in the same light.

The stated objective of the seminar titled "Workshop Seminar for Inter-institutional Coordination, Maquila Program," was to inform the different governmental sectors of the importance of the Maquila Plan (Decree No. 5, January 19, 1979) so as to coordinate the efforts of the distinct institutions in the

development of industrial activities of the companies covered under the Decree. Fifty (50) people from the following institutions were invited to attend:

- o Ministerio de Comercio e Industrias (Direccion General de Industrias y Asesoría Legal).
- o Ministerio de Hacienda y Tesoro (Asesoría Legal, Direccion General de Aduanas, Direccion General de Ingresos Inspectores y Administrators de Aduana, Direccion Administrative).
- o Ministerio de Trabajo y Bienestar Social (Direccion Nacional de Empleo, Direccion Nacional de Trabajo e INAFORP).
- o Contraloria General de la Republica (Asesoría Legal, Direccion Consular, Direccion Consular, Direccion de Estadísticas y Censos).

Forty-five (45) people from management, subdirector, inspector and legal advisory positions participated.

In a summary report prepared by ISO staff in April 11, 1984 regarding the seminar, it was concluded that the seminar could be considered a success in light of the fact that relations with Customs general management were considerably enhanced and a promise of greater cooperation by that agency had been secured, particularly with regard to those matters relating to the Maquila Program. Furthermore, all participants were considered to have demonstrated a profound interest in each item on the agenda and were judged to have been well-impressed by ICP's message. Interviews conducted by the Team confirm the conclusions drawn by ISO staff with regard to the results of the seminar.



In addition to the seminar described above, the ISO staff has carried out a number of so-called work missions to the following countries:

- o Dominican Republic (June 10-16, 1984)
- o Costa Rica (August 5-11, 1984)
- o Jamaica (August 26-September 3, 1984)
- o Puerto Rico (September 23-27, 1984).

The purpose of carrying out these work missions was to complete a comparative study in the areas of:

- o Documentation procedures for external commerce
- o The expediting of visas for potential investors coming from countries where visas are restricted
- o Investment promotion
- o Debureaucratizing efforts.

A review of a report regarding the missions demonstrates that a conscious effort was made to learn lessons from other country experience in the area of investor/exporter servicing in order to apply them to the Panamanian situation generally, and to ISO's day-to-day operations in particular.

A key objective of the seminars was to achieve reductions in the number of different and separate steps a business needed to take before finalizing a Contract with the Nation. As of late 1982, there existed 34 different and separate steps in this process. A review of a number of Council documents demonstrates that subsequently, in 1984, at least partially due to the intervention of ISO, these steps were reduced to 24. In 1985, the number of steps was reportedly reduced to 16 steps. In

1986, with the passing of Law 45, all aspects of the process are reduced to 2 basic steps: Registration and review of documentation and signature by the Minister of Commerce and Industry.

Therefore, despite the fact that relocation of ICP from the Ministry of the Presidency to MICI was considered a blow to ICP prospects for establishing a one-stop processing facility for new investment (in the sense that the ISO would have to accommodate its efforts to processing investor approvals for Contracts with the Nation at the normal bureaucratic pace of MICI), ISO has been successful in its attempts to streamline what in 1981-82 was a very cumbersome investor registration process--and clearly an obstacle to increasing investment in Panama.

To conclude, from a strictly quantitative point of view, ISO did not conduct the number of formal seminars planned in the Project Paper. Nevertheless, indications are that the one seminar that was held--in addition to the work missions carried out by ISO staff--were productive in the sense that they contributed to an overall understanding in a number of important sectors in the Government of ISO activities and requirements and brought important information and insights to bear on the day-to-day, operational management of ISO. Importantly, the seminar that was conducted appears to have created a favorable environment within government conducive to the creation and implementation of both formal and informal documentation processing procedures, as noted below.

### (3) New Documentation Processing Procedures

The Project Paper envisioned that ISO would develop "various" new documentation processing procedures (the Log Frame

Matrix specified six) so that it may carry out its assigned task of streamlining government administrative procedures affecting investors. Exhibit IV-16 demonstrates that of the 6 planned new procedures, ISO actually developed 5. A review of the evidence and a number of interviews reveals them as being:

o Inter-institutional Agreement with the Treasury (Customs) (June 22, 1983).

An agreement was signed by Treasury (Customs), the Ministry of Agriculture and Livestock Development (RENARE) and ICP on June 22, 1983. A principal outcome was the granting of preferential treatment to imports of perishable raw materials. The Council was granted authority to process the necessary documentation, thereby streamlining procedures on the one hand, and speeding up the importation of perishable raw materials on the other.

o Treasury, Executive Decree No. 25 (October 10, 1984).

The Decree, signed as a result of Council research efforts, has two key points of operational significance to ISO. Firstly, a Maquila investor is allowed to begin operations before his Contract with the Nation is finalized. And secondly, a Maquila investor can use bonds, local bank guarantees, insurance guarantees etc. as an import guarantee for machinery imports--rather than an up front cash deposit as previously required. Both factors significantly enhanced ISO's capability to service investors in a more expeditious manner.

o Inter-institutional Agreement with MICI (January 23, 1985).

On January 19, 1985, MICI representatives and ISO personnel met to finalize this agreement. Key outputs of the agreement included the following:

- Revision of Decree No. 5 (assembly) to include certain services (e.g. software development) under the rubric of "nontraditional exports" and therefore subject to the benefits of the Decree.
- Simplification of the format to receive incentives granted under Decree No. 5

- Reduction of the the requirements to obtain Decree No. 5 incentives (from 10 to 7) and of the processing steps to obtain same (from 5 to 3)

Operationally, it is estimated that the processing time to secure a Contract with the Nation was reduced from 5-plus months to approximately 3 to 3-1/2 months as a result of the new procedures.

Importantly, this agreement with MICI represents a relatively systematic, mutually agreed-upon procedure for the processing of contracts. It also integrates into the investor services function of the ISO the suggestions and plans of relatively high-level MICI representatives for simplification of investor services processes--and vice versa. Notably the same MICI representatives who signed the above agreement are scheduled to hold a meeting shortly with ISO personnel to discuss the implications of the recent series of reform laws recently put into effect. This would seem to indicate continuing cooperation between the two agencies.

- o Tacit Agreement with Customs.

As a result of a personal letter transmitted by ISO management to senior level immigration personnel, entry and residency visas are expedited in a summary manner. This "tacit" agreement has been developed as a practice since the founding of the Council and is based on the ISO's ability to properly research and investigate the prospective investor. The processing time of entry visas has reportedly been reduced from 7 to as little as 2 days; residency visas from 6 months to as little as 2 weeks, with 1 month as an average.

- o Tacit Agreement with Ministry of Labor.

Similar to the tacit agreement between ICP and Customs, ISO maintains an arrangement to expedite work permits by means of personal letters sent by ISO management to the appropriate personnel at Labor. Operationally, the time necessary to obtain a work permit permit has been reduced from 2 to 3 months to as little as 2 weeks, with an average of 4 weeks. The "agreement" is similarly based on the ISO's ability to properly research and investigate the prospective investor.

In short, from the point of view of developing new documentation processing procedures, the ISO appears to have generally lived up to original expectations as outlined in the Project Paper. That ISO efforts in this area have had positive operational effects was confirmed in interviews with a number of investors that have been serviced by ISO.

#### (4) Coordination of Infrastructure Services

Although not included in the Log Frame Matrix, as noted above, the ISO was originally expected to expedite in a "one-stop" manner the coordination of infrastructure services. Exhibit IV-17, under the heading "Description of ICP Effort," clearly demonstrates that ISO provided infrastructural services for a large number of ICP-assisted investments. ISO personnel appear to have been effective in developing a net of working relationships with the multiple public service entities in Panama in order to facilitate investor requirements in this area. Interviews with a number of investors who have received ICP assistance generally confirms the highly facilitative assistance provided by ISO in coordinating infrastructure services.

#### c. Findings on Investor Services

- o The major problems confronting the ISO have derived from its lack of direct control over the processes which it must coordinate. Despite the many difficulties inherent in its mandate, it is not unreasonable to conclude that the ISO has approximated in a reasonably adequate manner its original mandate as spelled out in the Project Paper
- o As noted in the results of the survey conducted by the Team, as well as in numerous interviews conducted outside the survey, the vast majority of the opinions were good to excellent in regard to the quality of services received after companies had decided to invest

LISTING OF ICP ASSISTED INVESTMENTS (1983-85)  
DESCRIBING INVESTOR SERVICES EFFORTS

NAME OF COMPANY	NATURE OF BUSINESS	LOCATION	ORIGIN OF INVESTMENT	MARKET	ACTUAL JOBS CREATED	TOTAL EST. JOBS	INITIAL INVESTMENT (B/.)	START DATE	CONTRACT WITH THE NATION	DESCRIPTION OF ICP EFFORT
1. REDES DE PANAMA, S.A.	Assembly of tuna nets	Balboa	Panama, U.S.	Canal, Spain, Guam, Phil.	50	220	4,500,000	10/79	No. 58, 4/23/83	Contract with the Nation. Installation of water, lights, tel., telex. Facilitated contracts with fiscal inspector, local vacante, customs, port authority, etc.
2. TEXTILES LA CHORRERA, S.A.	Womens' apparel	Chorrera	U.S.	U.S.	70	120	500,000	10/80	No. 51, 8/24/82	Contract with the Nation. Installations, remodeling construction, water, lights, insurance, etc.
3. PANAMUNDO INDUSTRIAL, S.A.	Reptile skin processing	Juan Diaz	Italy, Arg.	Spain, Italy	0	100	500,000	4/82	No. 95, 12/21/81	Contract, installation, utilities, customs, etc. ICP carried out prompt processing of perishable articles.
4. WIDEL CORPORATION	Electronics assembly	Vista Her.	Switzerland	EEC	42	25	400,000	9/82	No. 19, 4/22/83	Contract, customs, utilities, telephone.
5. CONFECCIONES LOS ANGELES, S.A.	Womens' apparel	Los Ang.	Panama	U.S.	65	115	250,000	3/83	No. 37, 2/13/84	Contract, customs, utilities, telephone.
6. INSTITUTO DE COSMETOLOGIA SIMONE GRIEDER	Cosmetology services	Pa. Cy.	France	Local	8		50,000	5/83	Not Applicable	Information and tramitation with Ministry of Health in order to obtain operating licenses, etc.
7. REASESURADORA NACIONAL, S.A.	Reinsurance	N/A	N/A	N/A	4		2,500,000	5/83	N/A	Information and attraction of the investor to Panama.
8. TEJIDOS Y CONFECCIONES, S.A.	Apparel	N/A	N/A	N/A	100		100,000	6/83	Not Applicable	Information and attraction of the investor to Panama.
9. AMERICAN BRITISH	Reinsurance	Pa. Cy.	N/A	Global	4		1,800,000	9/83	Not Applicable	Attention, touring, interchange of information and services necessary to operate.
10. REASEGURADORA NACIONAL DE VENEZUELA	Reinsurance	Pa. Cy.	Ven.	Global	5		3,000,000	10/83	Not Applicable	Promotion/attraction of investor interest and interchange of information.
11. BANER RE	Reinsurance	Pa. Cy.	N/A	Global	5		2,000,000	10/83	Not Applicable	Interchange of information.
Page 1 Total					353	580	15,600,000			

LISTINGS OF ICP ASSISTED INVESTMENTS (1983-85)  
 DESCRIBING INVESTOR SERVICES EFFORTS

NAME OF COMPANY	NATURE OF BUSINESS	LOCATION	ORIGIN OF INVESTMENT	MARKET	ACTUAL JOBS CREATED	TOTAL EST. JOBS	INITIAL INVESTMENT (B/.)	START DATE	CONTRACT WITH THE NATION	DESCRIPTION OF ICP EFFORT
12. REASEGUARDOS DE LATINOAMERICA	Reaseguros	Pa. Cy.	N/A	Global	4		2,000,000	11/83	N/A	Exchange of information.
13. SHARK PANAMA PRODUCTS	Shark processing	Chiriqui	U.S.	U.S.	70	70	1,200,000	11/84	Alq. MIDA contract	Financing, contract, information.
14. CANASA	Shrimp production	Vacamonte	N/A	U.S.	31		2,250,000	11/84	N/A	Information and advice with certain procedures with customs
15. DESARROLLO CAMARONERO DEL PACIFICO, S.A.	Shrimp production	Vacamonte	N/A	U.S.	5		360,000	2/84	N/A	Information and advice regarding processing with customs and Ministry of Health under Perishable Resolution.
16. LEONARDO INVERSIONES, S.A.	Tobacco planting	Chiriqui	N/A	U.S.	400		530,000	1984	N/A	Information, technical assistance, MIDA, RENARE.
17. CREACIONES ZARATI	Apparel	Cocle	Panama	U.S.	0	60	250,000	4/84	No. 154, 10/8/82	Contract, MITRAB, customs, information.
18. CHAMPION MANUFACTURE CO.	Jeans	Colon	Hong Kong & Taiwan	U.S.	0	119	300,000	4/84	No. 91, 8/31/85	Contract, utilities, telephone, telex, MITRAB, customs.
19. TRIMIZ INDUSTRIAL	Pants, shirts	Colon	Taiwan	U.S.	47	61	300,000	5/84	No. 126, 12/13/83	Contract, utilities, telephone, telex, MITRAB, customs.
20. JENNY MANUFACTURING	Apparel	Loceria	U.S.	U.S.	285	110	100,000	10/84	No. 6, 12/29/84	Contract, customs, information, Ministry of Health.
21. BASIN AGRO-EXPORT	Agricultural products	Herrera	U.S.	U.S.	1,000	700	250,000	11/84	TRAMITE	Information, transmittation with regard to CEI exportation, etc.
22. TABACOS DE COCLE, S.A.	Tabacco planting	Cocle	Panama/U.S.	Panama/U.S.	300		400,000	11/84	Not Applicable	Information, technical assistance, MIDA, BDA.
23. EMPRESA PANAMENA DE EXPORTACION DE TABACO, S.A.	Tabacco planting	Penonome	Global	Panama	750	400	640,000	11/84	Not Applicable	Information, MIGA, BDA. Put investor in contact with local banks in order to facilitate financing assistance.
Page 2 Total:					2,892	1,520	\$8,580,000			

LISTING OF ICP ASSISTED INVESTMENTS (1983-85)  
DESCRIBING INVESTOR SERVICES EFFORTS

NAME OF COMPANY	NATURE OF BUSINESS	LOCATION	ORIGIN OF INVESTMENT	MARKET	ACTUAL JOBS CREATED	TOTAL EST. JOBS	INITIAL INVESTMENT (\$/.)	START DATE	CONTRACT WITH THE NATION	DESCRIPTION OF ICP EFFORT
24. MANS - PANAMA	Software adaptation and translation	Pa. Cy.	U.S.	U.S.	9		400,000	11/84	(in process)	CPI facilitated the complex process of granting eligibility of computer-related investment under Maquila.
25. INTERNATIONAL TRADING	Fish/lobster processing	N/A	U.S.	U.S.	10		775,000	12/84	Not Applicable	N/A
26. GREENWAY OVERSEAS CO.	Apparel	Colon	Hong Kong	U.S., Eng., Ger.	620	500	400,000	1/85	Maquila	Contract, utilities, telephone, telex, customs MITRAB, INAFORP, etc.
27. PANAMA CIGARS	Cigars	Cocle	Panama, U.S.	U.S., Europe	35	150	190,000	2/85	No. 22, 3/6/85	Contract, customs, INAFORP, etc.
28. ILOR INTERNATIONAL CORP.	Apparel	Chorrera	Panama	U.S.	176	200	300,000	2/85	No. 9, 4/3/85	Contract, customs, utilities, telephone, INAFORP.
29. PANAMTEX FACTORY, INC.	Apparel	Colon	Taiwan/Panama	U.S.	15	123	300,000	3/85	(in process)	Information, local in free zone, customs, INAFORP.
30. MARINAPAC	Shrimp processing	Vacamonte	Panama	U.S., Europe, Japan	130	100	200,000	1979	No. 413 with addenda Dr. 5	Provided information and key assistance regarding Ferishable Resolution; played a key role in facilitating addenda to their Contract with the Nation.
31. MARISCOS DEL PACIFICO	Shrimp processing	Vacamonte	Panama	U.S., Europe, Japan	170	150	241,481	10/84	No. 413 with addenda Dr. 5	Provided general information concerning documentation and specific lists of relevant distributors/super markets in U.S.
32. TESORO DEL MAR	Fishing/fishery	Herrera	Panama	U.S.	50	100	200,000	1985	Tramitation & solicitation BDA	Provided necessary info regarding contract; helped in the processing of documents and assistance in local free zone for packing plant.
33. ABRD INDUSTRIA DE AZUERO	Watermelon, melon, pine-apple packing	Azuero	Panama	U.S.	40	600	300,000	1986	Local Aliq. contract MICI	Provided general information and assistance in local free zone for packing plant.
Page 3 Total					1,255	1,923	3,216,481			
TOTAL					4,500	4,023	27,396,481			



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in Panama. The general impression is that, without question, the investor services unit carries out its responsibilities diligently and effectively.

- o The reception function for prospective investors appears to have shifted back and forth between the IPO and ISO over time. This seems to reflect an organizational problem that afflicts ICP generally: ISO's functions do not appear to be well integrated within the overall organizational structure of ICP. The result has been a "gray area" in ICP operations where an important function is not clearly defined, leaving opening the possibility that cases may "fall through the cracks". This problem of a clear definition of ISO and IPO functions and responsibilities--demonstrated during the workshop--appears never to have been fully resolved and continues to plague the Council operationally in the conduct of day-to-day activities.
- o ISO need to develop its own strategy and operational plans geared to ICP's priority investment targets and to the recommended promotion strategy.
- o The training received by ISO personnel appears to have helped to inform and orient them in the area of investor services. Given the relatively low costs and level of effort expended by the ICP in providing the training, the benefits--in terms of preparing the personnel to provide effective and efficient investor services--appear to have outweighed the costs.
- o From a quantitative point of view, ISO did not conduct the number of formal seminars planned in the Project Paper. Indications are, nevertheless, that the seminar and work missions carried out by ISO staff were productive in that they contributed to an overall understanding throughout the government of ISO activities and requirements and brought important information and insights to bear on the day-to-day, operational management of ISO. The seminar that was conducted appears to have created a favorable environment within government conducive to the creation and implementation of both formal and informal documentation processing procedures.
- o From the point of view of developing new documentation processing procedures, the ISO appears to have generally lived up to original expectations as outlined in the Project Paper. That ISO efforts in this area

have had positive operational effects was confirmed in interviews with a number of investors that have been serviced by ISO.

- o The ISO appears to have done a generally effective job of developing a net of working relationships with the multiple public service entities in Panama in order to facilitate investor requirements in this area.
- o The lack of effectiveness by the Council in its efforts to enlist the support of local investors has been identified as one of ICP's major shortcomings. It has been recommended that the ICP undertake growing efforts to expand cooperative efforts with the local business community, and to provide assistance in the form of information and guidance to local investors exploring the potential of new ventures. The ISO is institutionally capable and positioned to play an increasingly constructive role in this process.
- o Local entrepreneurs have been found to have little interest in the the Council unless ICP can also provide them with useful investment and export promotion assistance. Logically, ICP--as a complement to the services already provided by ISO--could also develop export-related information and promotional assistance. Lacking this, it is unlikely that ICP/ISO initiatives to the private sector, as demonstrated by past efforts, will bear fruit. It should be noted that the Instituto Panameno de Comercio Exterior (IPCE) has recently set up a "one-stop" document processing center to obtain ministerial approvals for export incentive documentation. USAID, MICI and ICP, in recognition of local entrepreneurs' need for assistance in penetrating foreign markets, should therefore consider the feasibility of merging the fundamentally similar functions being conducted by ICP and IPCE, both agencies of MICI.

#### 6. ICP Compliance with Project Agreement and Implementation Requirements

ICP compliance with Project Agreement and implementation requirements have been less than satisfactory in several respects as follows:

a. Lack of Information on AID Assistance Project

We were surprised to learn that many key ICP staff members including managers on down had never, or in some cases only recently, read the AID Project Paper, Project Agreement, knew of its purpose, components, inputs, outputs, and implementation requirements. Apparently, past ICP managements had neglected to inform the staff on the details of the assistance arrangement with USAID. Thus, when staff members were asked to prepare work plans, budgets and reports for AID, they often were inadequately informed or knowledgeable of AID's requirements in this regard. ICP's current management is taking steps to correct this situation.

b. The AID Project Paper and Agreement - Agreed Plan of Action or an Illustrative Program?

ICP satisfactorily completed the conditions precedent to disbursement in the first quarter of 1984. Once the Agreement was signed and project implementation begun, ICP officials tended to assume that the Project Paper and Project Agreement were essentially "illustrative" and that key provisions were renegotiable with USAID as circumstances or priorities changed rather than as an agreed plan to guide implementation. While many AID projects undergo adjustments during implementation, it appears that this factor occasioned a series of deviations from project plans which affected ICP performance and schedules. For example, the first ICP Director in 1983 decided not to recruit the long-term industrial advisor to assist in ICP's institutional development, as prescribed in the Project Paper Agreement. This strategic decision appears to have prevented the early installation of essential administration and

management systems to the serious detriment of ICP performance. USAID accepted this deviation from the original project plan without protest.

There was also a tendency for ICP to pick and choose which elements of the project plan they wanted to implement and in what sequence. In addition, ICP occasionally requested USAID to finance activities not originally included in the Project Agreement (e.g., contracts with FANTUS and Ms. Angel, salaries for people on training, salaries for certain ICP staff members). USAID did not authorize payment for the Fantus and Angel contracts. It did authorize payments for salaries of certain ICP staff and people on training status for short periods.

c. Failure to Define Evaluation Criteria

AID Project Implementation Letter No. 1 dated September 12, 1983 in Article 6.1 requested ICP (1) to set up an evaluation schedule for the project, (2) to establish evaluation criteria as integral components of the Work Plan, and (3) to draft a evaluation program to be submitted to USAID no later than 60 days after submission of the Annual Financial Plan. ICP did not fulfill this request. Reportedly, there were oral agreements between USAID and ICP officials on the evaluation schedule. Nothing was done about establishing evaluation criteria, which as noted above, led to major difficulty in the collection and reporting of basic information about ICP performance in meeting investment and employment generation targets. The project program for 1983 (Annex 11 B Exhibit 2 of the Project Paper) indicated that ICP would organize an external Advisory Committee to the Executive Director. A principal task of this Committee would be to work with RDC staff to establish evaluation criteria for the annual evaluation. We found no evidence that this plan was ever implemented.

d. Inadequate Fulfillment of GOP Counterpart Contributions

A major area of lack of ICP compliance with the Project Agreement relates to inadequate fulfillment of GOP counterpart contributions, a subject to be discussed in more detail in the financial analysis section below. Specifically, there was inadequate compliance with Article 3.2 and 6.2 of the Project Agreement.

e. Inadequate Compliance with the Timely Preparation of Work Plans and Financial Plans

A major irritant in USAID-ICP relation revolved around the inability of ICP to prepare annual and quarterly work plans and budgets acceptable to USAID as is required in Article 5.2 and 5.3 in the Project Agreement. The principal USAID concerns appear to relate to:

- o Lack of precision and detail in work and financial plans.
- o Lack of conformity of work plans presented to original project work and financial plans as contained in Project Paper.
- o Delayed submissions of plans/budgets and frequent need for major revisions of work plans and budgets prior to USAID approval.
- o Appropriate sequencing of project activities in relation to agreed project plan.

USAID concerns about the quality and timeliness of ICP work plan/budget submissions is a reflection of the lack of an effective planning/budgeting and financial management systems.

f. Inadequate Project Execution

Section B.2 (a) + (b) of the Standard Provisions Annex of the Project Agreement relates to a borrower commitment to exercise "due diligence and efficiency in conformity with sound technical, financial, and managerial practices and in conformity with those documents, plans, specifications, contracts and schedules or other arrangements approved by AID pursuant to this agreement." This article also commits the borrower "to provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the project...and cause the project to be operated and maintained in such a manner as to assure the continuing and successful achievement of the purpose by the project"

Our evaluation of ICP's institutional performance particularly in respect to project implementation management reflects an inadequate compliance with this article.

g. Retention of Key Personnel

Section 6.2.(b) of the Project Agreement indicates that the borrower "will make reasonable efforts to retain personnel trained under the project in positions related to investment promotion and/or employment operation." Compliance with this provision has been affected by the heavy turnover of ICP personnel in recent years.

7. Financial Analysis

The source documents for this section were provided by AID and ICP. They include Exhibit IV-18, which contains financial information provided by AID; Exhibit IV-19 contains information on AID and GOP contributions provided by ICP. The Team

ICP EVALUATION

EXHIBIT IV-18

ICP PROJECT PLANNED VS. ACTUAL EXPENDITURE

Project Components	S U M M A R Y			1 9 8 3			1 9 8 4			1 9 8 5		
	TOTAL BUDGET	Cumulative Thru 12/31/85	Percent Expenditure	Approved for Implementation	Accrued 12/31/83	Percent Expenditure	Approved for Implementation	Accrued 12/31/84	Percent Expenditure	Approved for Implementation	Accrued 12/31/85	Percent Expenditure
I Management & Institutional Development (Loan)	1,003	146	15 %	41	1	2 %	245	58	24 %	470	82	19 %
A Industrial Development Advisor (loan funded)	449	46	10 %	-	-	-	120	-	0 %	75	49	65 %
B Management training (loan funded)	114	14	12 %	7	1	14 %	91	24	26 %	41	9	15 %
C Computer (loan funded)	420	66	16 %	14	-	0 %	14	14	100 %	114	12	10 %
D Evaluation & Project Officer (Grant funded)	(200)	(119)	(59 %)	(55)	-	-	(141)	-	-	(141)	-	-
II Policy and Strategies (Loan funded)	1,416	151	9 %	127	20	16 %	759	88	12 %	951	41	7 %
A Market Identification	440	41	11 %	-	-	-	165	27	16 %	58	16	28 %
B Policy and Market Studies	1,218	76	2 %	102	-	0 %	516	1	0 %	469	23	5 %
C Research & Development Staff Training	78	82	105 %	25	20	80 %	78	58	74 %	124	4	1 %
III Investment Promotion (Loan funded)	1,079	444	41 %	157	154	98 %	586	122	22 %	542	161	30 %
A Industrial Recruitment Skills-U.S Market	121	204	64 %	131*	131*	100 %	187	40	14 %	248	11	13 %
B Asian and European Promotion Campaigns	415	89	20 %	-	-	-	90	49	54 %	108	40	37 %
C Asian and European Marketing Techniques	141	59	41 %	-	-	-	123	12	26 %	99	27	27 %
D Seminars and Forums	180	92	51 %	26	23	88 %	86	6	7 %	92	13	14 %
IV Investor Services (Loan funded)	55	23	42 %	10	-	0 %	48	16	33 %	17	7	14 %
A Workshops	28	10	36 %	10	-	0 %	28	3	11 %	12	7	58 %
B Vehicles	27	13	48 %	20	-	0 %	20	13	65 %	5	0	-0 %
GRANT FUNDED SUB TOTAL	200	119	59 %	-	-	-	20	12	60 %	38	0	-0 %
LOAN FUNDED SUB TOTAL	1,723	765	20 %	355	175	49 %	1,618	289	18 %	1,718	100	12 %
<b>G R A N D T O T A L</b>	<b>1,923</b>	<b>884</b>	<b>22 %</b>									

\* Approximately 80% of this amount consists of training salaries

AID & GOP CONTRIBUTION  
PLANNED VERSUS ACTUAL PERFORMANCE

(U.S. \$)

COMPONENT	1983								Total Budgeted	Total Expenditures
	AID				GOP					
	Planned*	Amount Budgeted	Amount Actually Received	Expenditures	Planned*	Amount Budgeted	Amount Actually Received	Expenditures		
A. Institutional Development		40,700	900	6,412	\$300,000	\$364,921	\$380,668	\$367,275	\$405,621	\$373,687
B. Policy and Strategies	195,000	127,300	20,309	14,797		121,639	126,689	122,425	\$248,939	\$137,222
C. Investment Promotion	92,000	156,800	153,264	153,862	300,000	334,509	348,396	336,669	\$491,309	\$490,531
D. Investor Services		30,000				192,596	200,592	193,840	\$222,596	\$193,840
E. Evaluation & Project Officer									\$0	\$0
F. Operational Salaries					300,000	486,335	486,335	486,335	\$486,335	\$486,335
G. Marketing									\$0	\$0
H. Administrative Services									\$0	\$0
TOTAL 1983	287,000	354,800	175,073	175,071	\$900,000	\$1,500,000	\$1,542,080	\$1,506,544	\$1,854,800	\$1,681,615

\* Planned figures based on Project Paper, Page 36, Table 4-2; all other figures provided by ICP.



AID & GOP CONTRIBUTION  
PLANNED VERSUS ACTUAL PERFORMANCE

(U.S. \$)

COMPONENT	1984								Total Budgeted	Total Expenditures
	AID				GOP					
	Planned	Amount Budgeted	Amount Actually Received	Expenditures	Planned	Amount Budgeted	Amount Actually Received	Expenditures		
A. Institutional Development	479,000	204,900	60,477	63,733	520,000	242,305	139,259	179,218	447,205	242,951
B. Policy and Strategies	682,000	734,325	98,689	112,304		80,768	46,419	59,739	815,093	172,043
C. Investment Promotion	655,000	433,450	142,664	161,970	632,000	222,113	127,654	164,283	655,563	326,253
D. Investor Services	55,000	28,000	20,129	21,827		127,883	73,498	94,587	155,883	116,414
E. Evaluation & Project Officer	70,000								0	0
F. Operational Salaries					930,000	726,931	726,931	726,931	726,931	726,931
G. Marketing									0	0
H. Administrative Services									0	0
TOTAL 1984	1,941,000	1,400,675	321,959	359,874	2,082,000	1,400,000	1,113,761	1,224,759	2,600,178	1,502,529

AID & GOP CONTRIBUTION  
 PLANNED VERSUS ACTUAL PERFORMANCE

(U.S. \$)

COMPONENT	1985								Total Budgeted	Total Expenditures
	AID				GOP					
	Planned *	Amount Budgeted	Amount Actually Received	Expenditures	Planned *	Amount Budgeted	Amount Actually Received	Expenditures		
A. Institutional Development	59,000	405,000	49,621	86,210	480,000	59,382	68,273	72,874	464,382	159,084
B. Policy and Strategies	638,000	561,000	21,547	21,510		19,794	22,758	24,291	580,794	45,801
C. Investment Promotion	203,000	177,000	94,343	105,991	907,000	54,434	62,583	66,301	231,434	172,792
D. Investor Services		30,000	1,374	1,452		31,341	36,032	38,461	61,341	39,913
E. Evaluation & Project Officer	70,000								0	0
F. Operational Salaries					1,070,000	805,549	755,549	755,549	805,549	755,549
G. Marketing									0	0
H. Administrative Services									0	0
TOTAL 1985	970,000	1,173,000	166,885	215,163	2,457,000	970,500	945,195	957,976	2,143,500	1,173,139

\* Planned figures based on Project Paper, Page 35, Table 4-2; all other figures provided by ICP.

AID & GDP CONTRIBUTION  
 PLANNED VERSUS ACTUAL PERFORMANCE

(U.S. \$)

COMPONENT	1986 (as of 3/20)								Total Budgeted	Total Expenditures
	AID				GDP					
	Planned	Amount Budgeted	Amount Actually Received	Expenditures	Planned	Amount Budgeted	Amount Actually Received	Expenditures		
A. Institutional Development	15,000	544,067			509,000	170,606			714,673	0
B. Policy and Strategies	570,000	1,119,000				56,868			1,175,868	0
C. Investment Promotion	130,000	360,000			932,000	156,389			516,389	0
D. Investor Services		5,000				90,042			95,042	0
E. Evaluation & Project Officer	60,000								0	0
F. Operational Salaries		60,933			1,230,000	820,325			881,258	0
G. Marketing									0	0
H. Administrative Services									0	0
TOTAL 1986	775,000	2,089,000	0	0	2,671,000	1,294,230	0	0	3,383,230	0

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encountered considerable difficulty in gathering and reconciling AID and ICP financial information. The causes for these deviations reportedly include:

- o ICP and USAID use fundamentally dissimilar accounting systems, and define and categorize accounts differently.
- o The way in which USAID classifies information was reportedly modified during the course of the project.

Full reconciliation of AID and ICP financial information is not likely to alter the basic findings and conclusions of this section.

a. Contributions

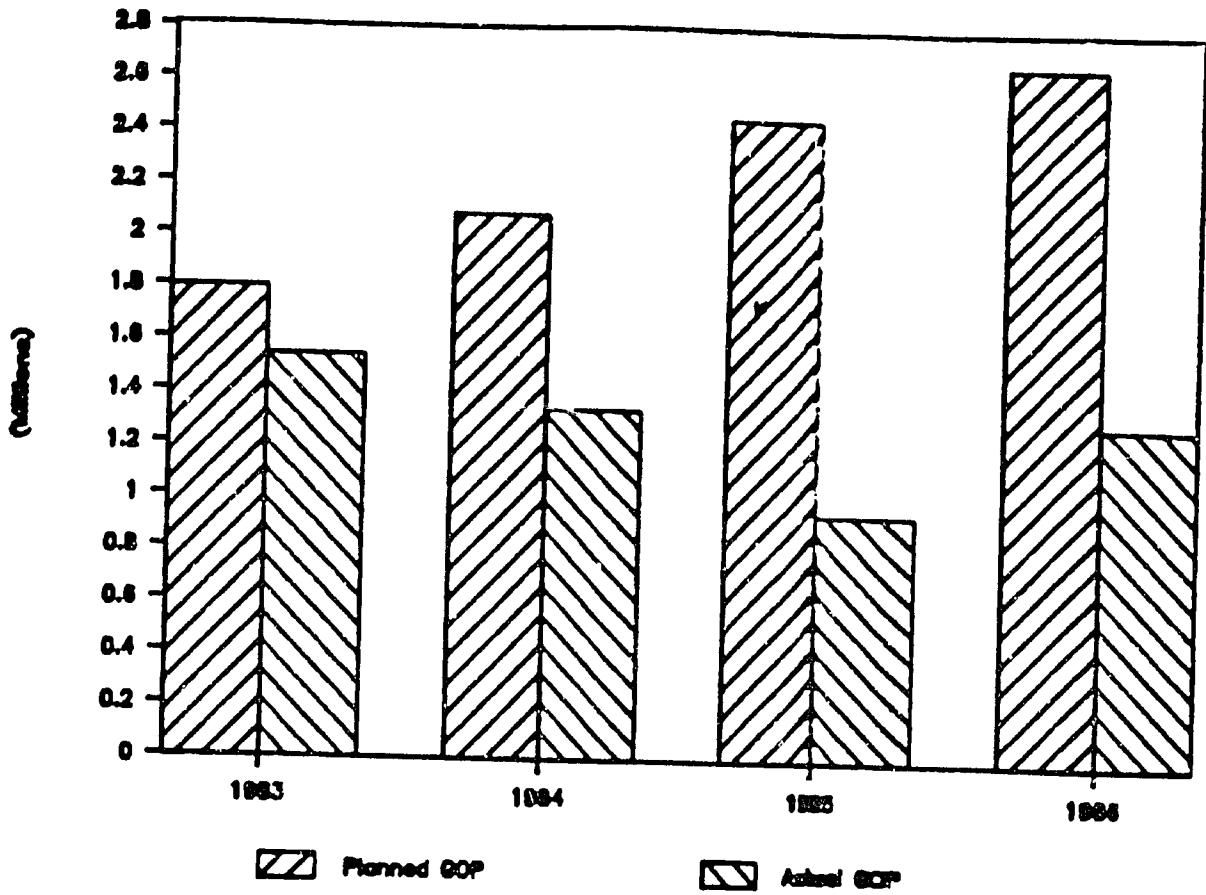
(1) GOP Counterpart

GOP contributions to the project were planned to increase annually. Actual GOP contributions, however, have fallen steadily, although an increase has been budgeted for 1986 (see top portion of Figure 1). Despite the fact that in 1983 GOP contributions were only slightly below Project Paper projections, at the end of 1985 the gap between planned and actual contributions had expanded to approximately \$1.5 million. To date, the project has received 66% of planned GOP counterpart contributions; the actual GOP percentage of total project funding is 84% versus a planned 68%.

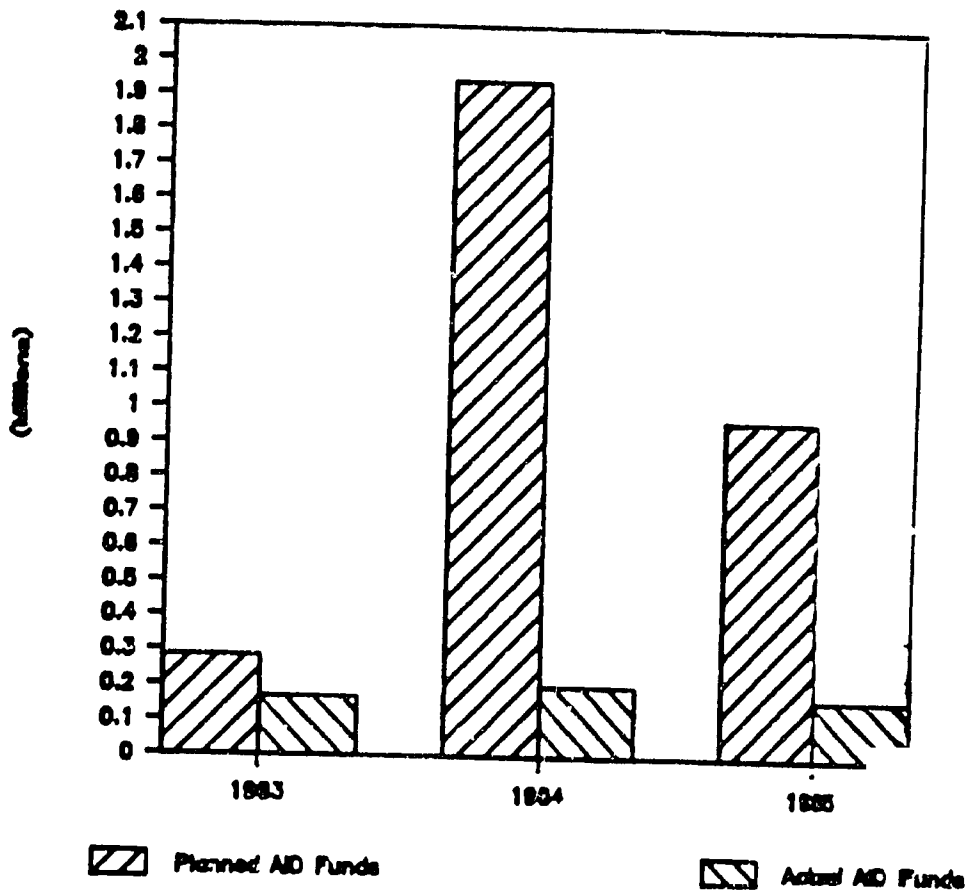
The GOP funding shortfall appears to have resulted from a combination of fiscal and political difficulties. The economic recession which impacted all of Central America over the last several years has reduced GOP revenues and introduced tight fiscal controls which have affected its ability to meet its counterpart commitment.

# GOP Contributions

FIGURE 1



# AID CONTRIBUTIONS



Source: Planned Contributions: Project Paper pp. 36 Actual: ICP Data

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The contribution shortfall may also reflect wavering government support for the project. This has been a serious, ongoing concern for USAID, since GOP support for the project has been deemed essential to project success. As noted in Figure 1, the GOP counterpart contribution will reportedly increase in 1986. Source documents provided by ICP indicate that the GOP has budgeted approximately \$1.3 million for 1986, with roughly 27 to 30 percent going to nonpersonnel items (Exhibit IV-19, p. 4). This amount is still well below that planned contributions for 1986 (\$2.67 million), but since the utilization of project funds has been slow to date, ICP could not be reasonably be expected to absorb much more. Importantly, however, this seems to represent increased GOP support for the Council, particularly in light of the original MIPPE recommendation that ICP be funded at only \$.894 million in 1986.

## (2) AID Contributions

Figure 1 (bottom) compares planned AID contributions with actual expenditures of AID funds over time. The figure highlights the differences both in the amount of AID funds expended (amounting to only 22 percent of planned contributions) as well as the planned timing of those expenditures (the largest portions of this funding were to be made available in the early developmental stages of the project).

For all components, AID has approved large sums of money for implementation which ICP has not utilized (see Figure 2). Specifically, approximately 77 percent of funds approved by AID have not been utilized. A review of the evidence indicates that the principal reasons for this include the following:

# AID FUNDS APPROVED BUT NOT USED BY ICP

1983-1985

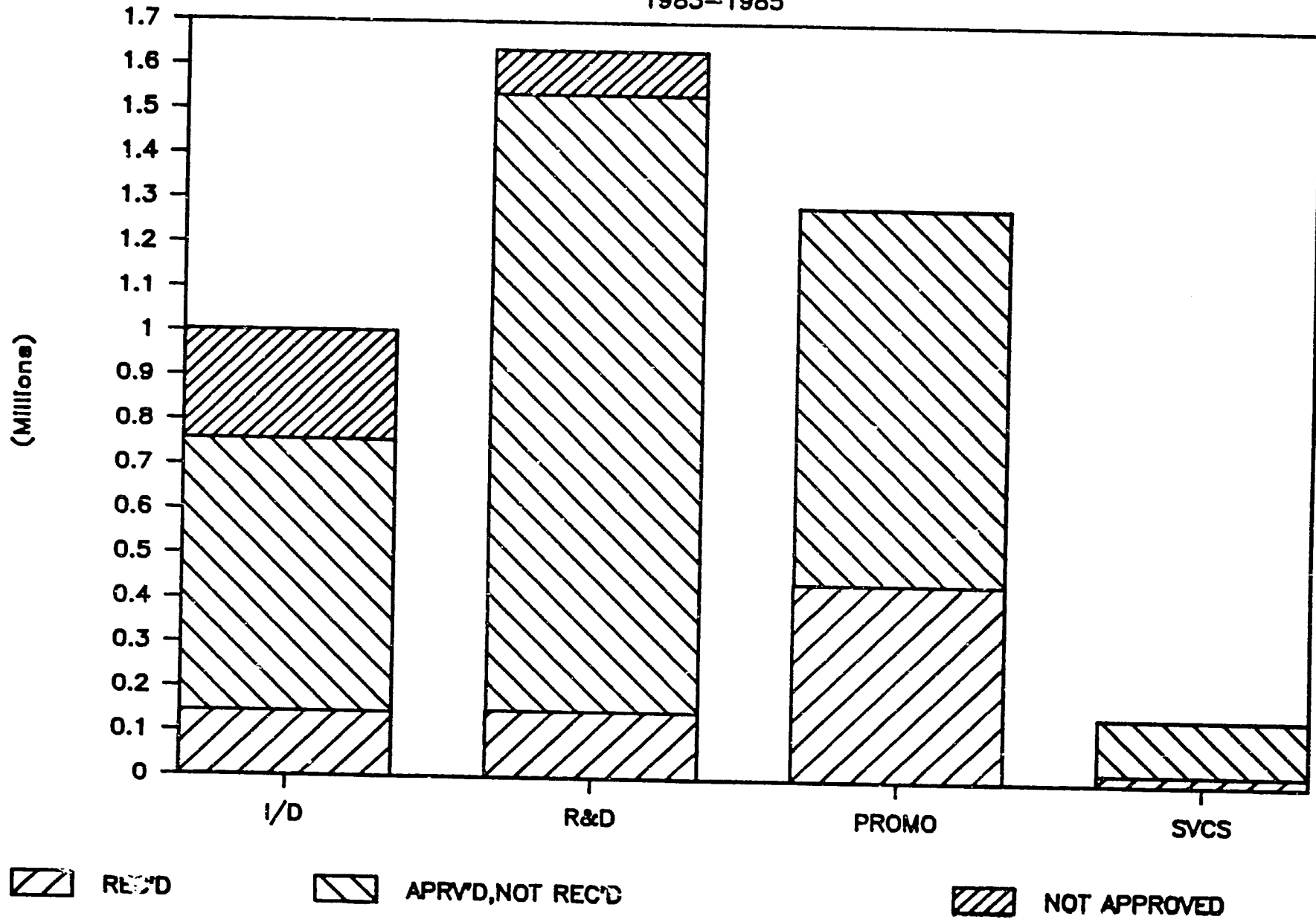


FIGURE 2

- o Funds for market identification, policy/market studies and promotion campaigns (amounting to \$1.84 million, or 60 percent of the total USAID funding) were not utilized. They were to have been used under the IQC contracts to produce the market studies to target promotion efforts.
- o The funds for a long-term advisor were not utilized (\$420,000, or 13 percent of the total). ICP apparently felt it did not need this assistance.
- o The computer has not been purchased (amounting to a planned \$377,000, or 12 percent of the total).

Notably, these funds should have been expended at the initial stages of the project, representing "capital" expenditures to develop the Council institutionally and to target its subsequent promotion efforts effectively.

The fact that the funds were available for use and not utilized by ICP points to problems in project implementation, such as administrative problems in obtaining AID approval of annual and/or quarterly plans have led to funding delays. Furthermore, the nonutilization of available AID contributions is a reflection of ICP's serious internal management problems and the specific problems related to procurement of technical assistance and the computer. In a word, it reflects limited ICP absorbtive capacity for external assistance.

### (3) Project Component Funding

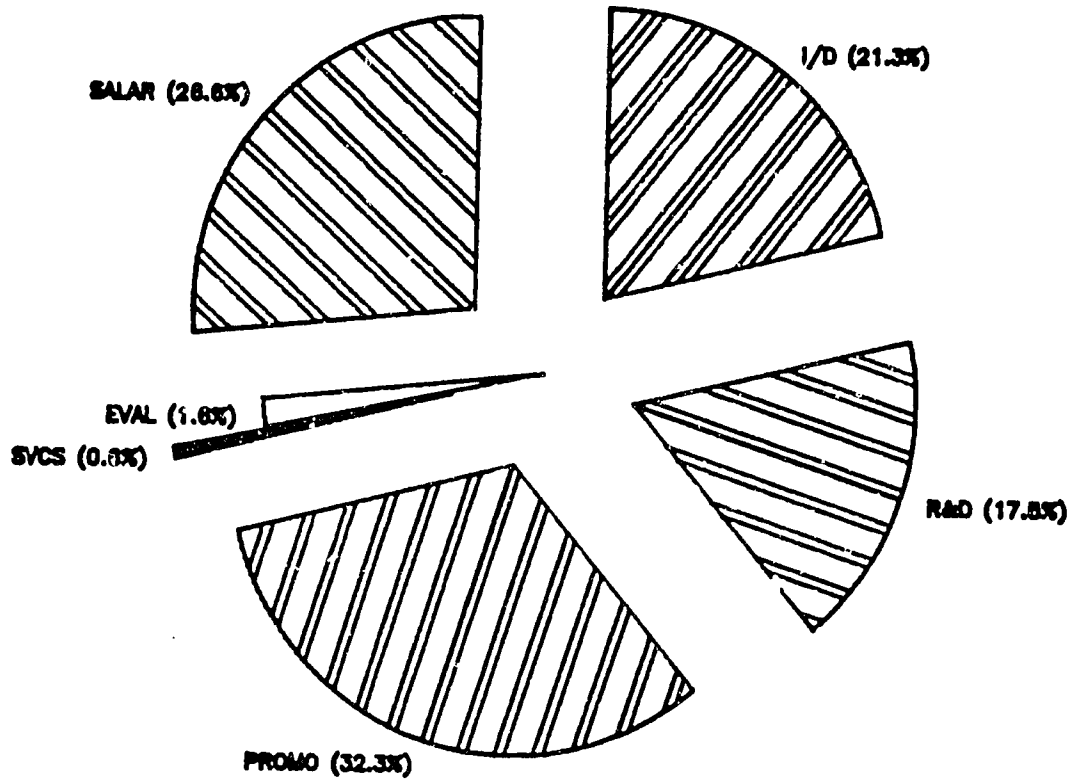
Figure 3 shows relative planned versus actual utilization of funding by project component. Not only has available funding (particularly AID funding) not been utilized generally (total funding of the project through the third year has reached only 49 percent of planned contributions), actual funding was unequally distributed across project components and activities and differed significantly in percentage terms from plan.



FIGURE 3

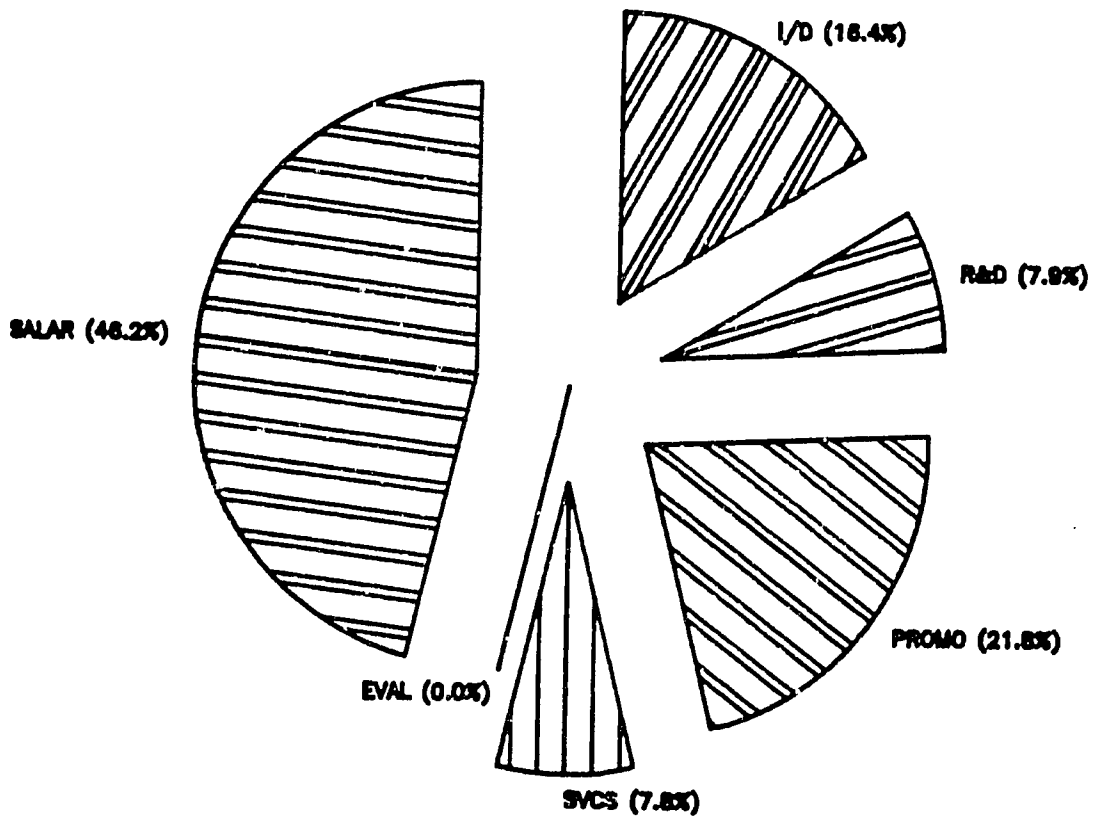
### PLANNED FUNDING SALARES & COMPONENTS

83-85



### ACTUAL FUNDING SALARES & COMPONENTS

83-85



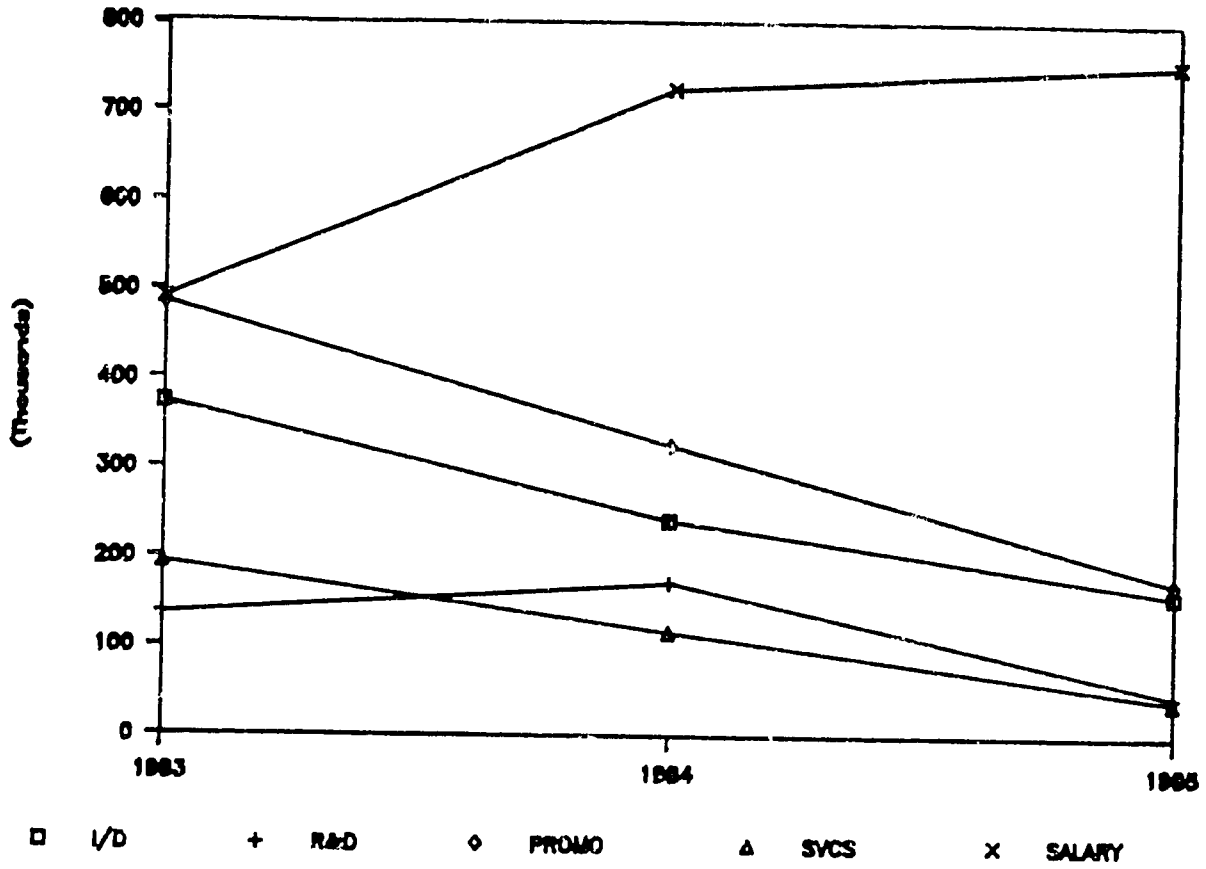
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Specifically, institutional development activities and, especially, R&D activities, have received low levels of funding in comparison with the project plan. Furthermore, through 1985, investment promotion activities have received almost twice as much funding as institutional development and R&D activities combined, though actual investment promotion expenditures are still at only 67 percent of planned percentage of total funding.

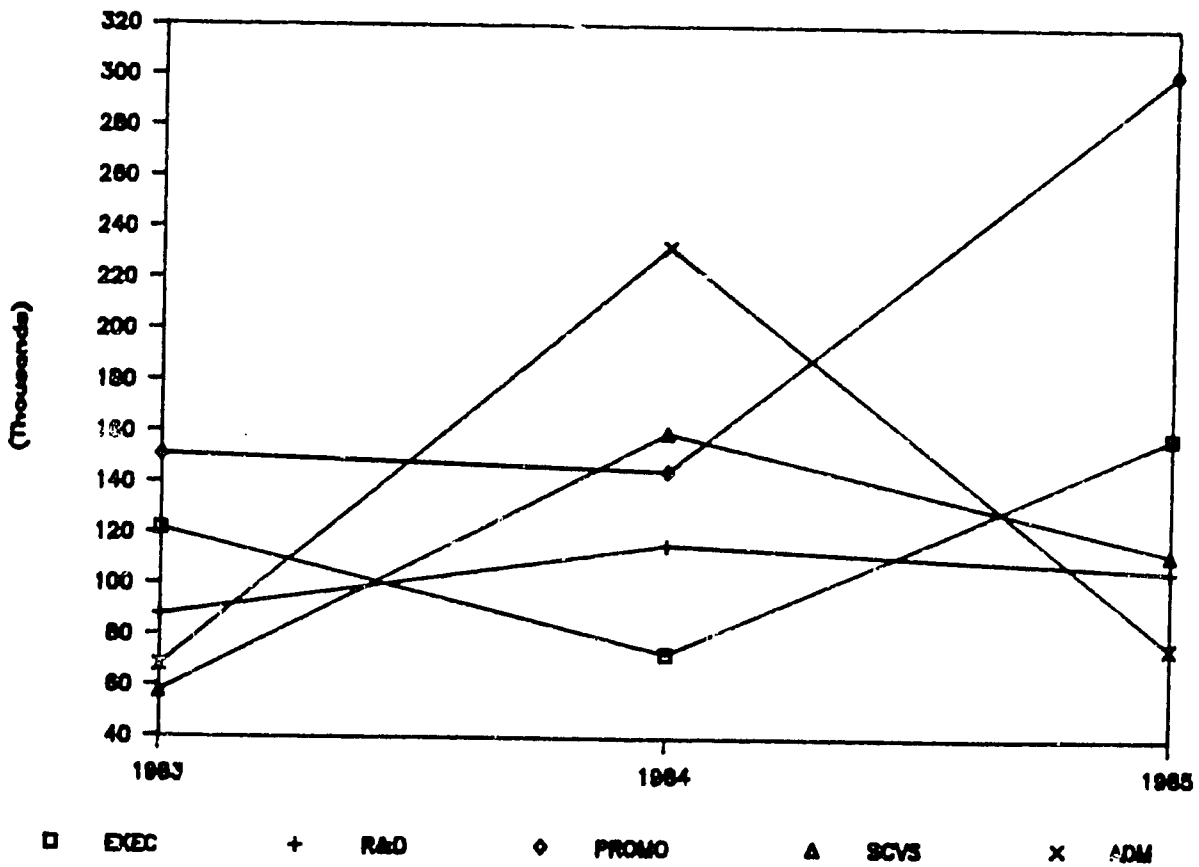
Notably, expenditures for salaries have consumed 46.2 percent of project funding to date, versus a planned level of only 26.6 percent. Contributions by the GOP in 1983 (\$1.5 million) were deemed adequate to fund all components of the project for the year. As GOP contributions fell in subsequent years, however, operating salaries nevertheless continued to rise. The combination of falling GOP contributions and rising personnel costs left little GOP funding available for institutional development, R&D, promotion and investor services activities. The expenditures for these latter activities, exclusive of salaries, fell as salaries rose (see Figure 4). For example, in absolute terms, operating salaries have risen to over \$700,000 while nonpersonnel costs for all components is under \$200,000. In relative terms, operating salaries have risen from 29 percent of component expenditures to 64 percent. AID funding, which has amounted to only 20 percent of plan, did not offset the shortfall in GOP contributions. Thus, while ICP activities have utilized very little of actual component funding to carry out planned project activities, the Council nevertheless has the personnel to operate at nearly 100 percent of planned capacity. This is reinforced in Figure 5, which shows that, of the total funding shortfall through 1985 (\$4.3 million), operating salaries suffered only an 8 percent cut while all other activities exclusive of salaries had to absorb 92 percent of the funding deficit.

FIGURE 4

### SALARY & COMPONENTS EXCLUSIVE OF SALARY



### SALARY BY DEPARTMENT



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# FUNDING SHORTFALL: SALARY & OTHER

83-85

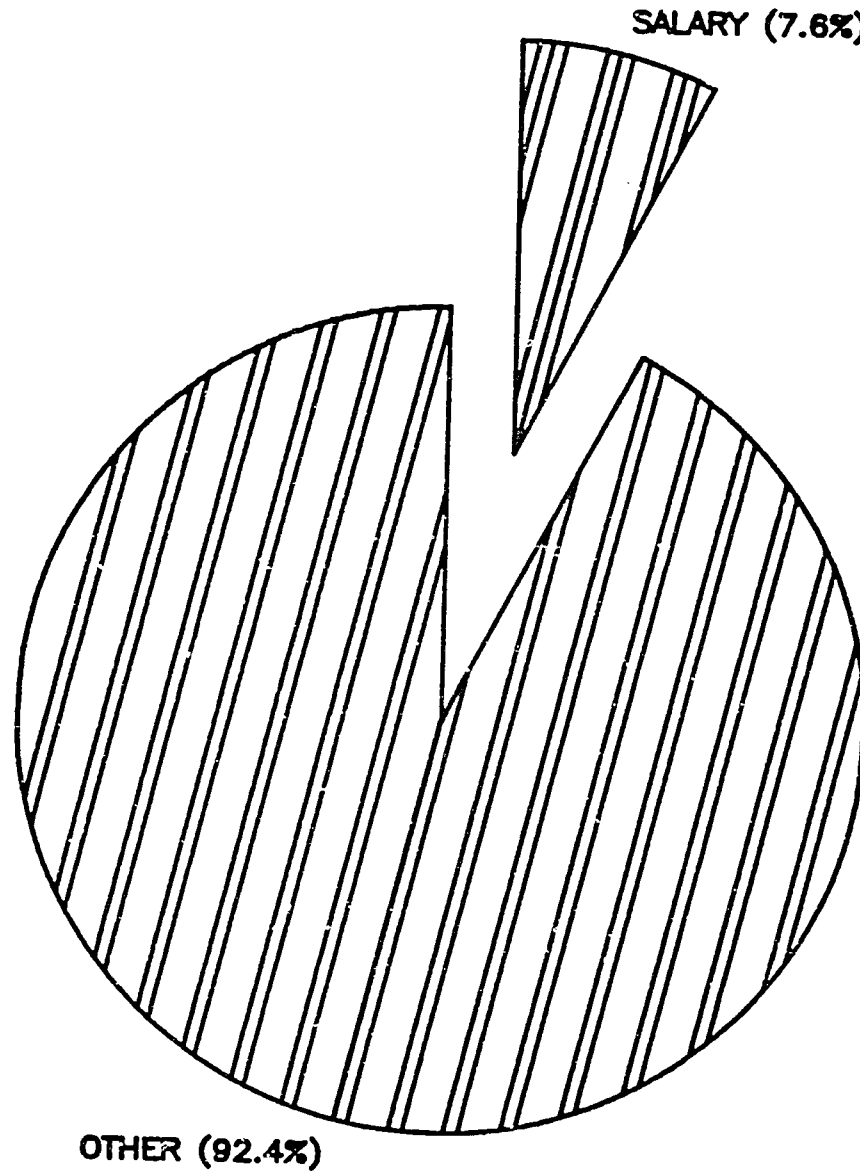


FIGURE 5

1.12

As indicated in Figure 4, salary costs by ICP offices show a dramatic increase in IPO salary costs since 1984 with declines in ISO and Administrative Office. RDO and Executive Director's Office salary costs have remained stable over the period (1983-85). Given the meager results attained by IPO in promoting investment as shown in Exhibit IV-4, it would appear that a disproportionate percentage of salary costs are being directed to an office whose performance has been less than satisfactory.

It is apparent that the ICP is operating at activity levels well below where it is staffed to operate. Providing the plan did not seriously miscalculate the staffing level required for planned activities, it would seem that ICP personnel are significantly underutilized.

b. ICP Planned versus Actual Financial Performance by Project Component

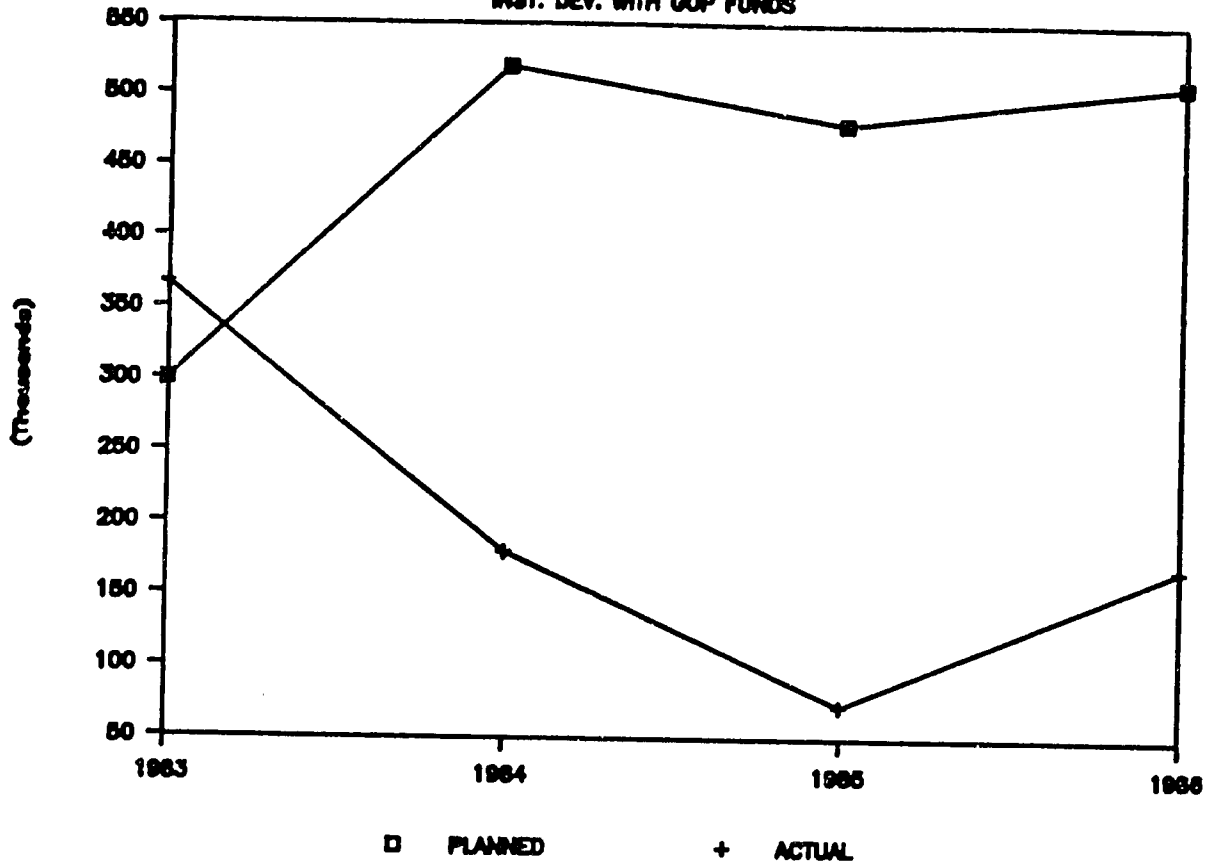
(1) Institutional Development

Planned AID funding for this component was to finance training activities and the purchase of equipment and materials (computer). Planned GOP expenditures were to have been used to purchase equipment and material and to pay for operational expenses related to institutional development activities. These expenditures were to have been made in the earlier stages of the project (see Figure 6).

Except for 1983, actual ICP expenditures of institutional development funding never approximated planned amounts, in part due to the fact that the computer was never purchased as planned. Furthermore, the timing of the expenditures has been

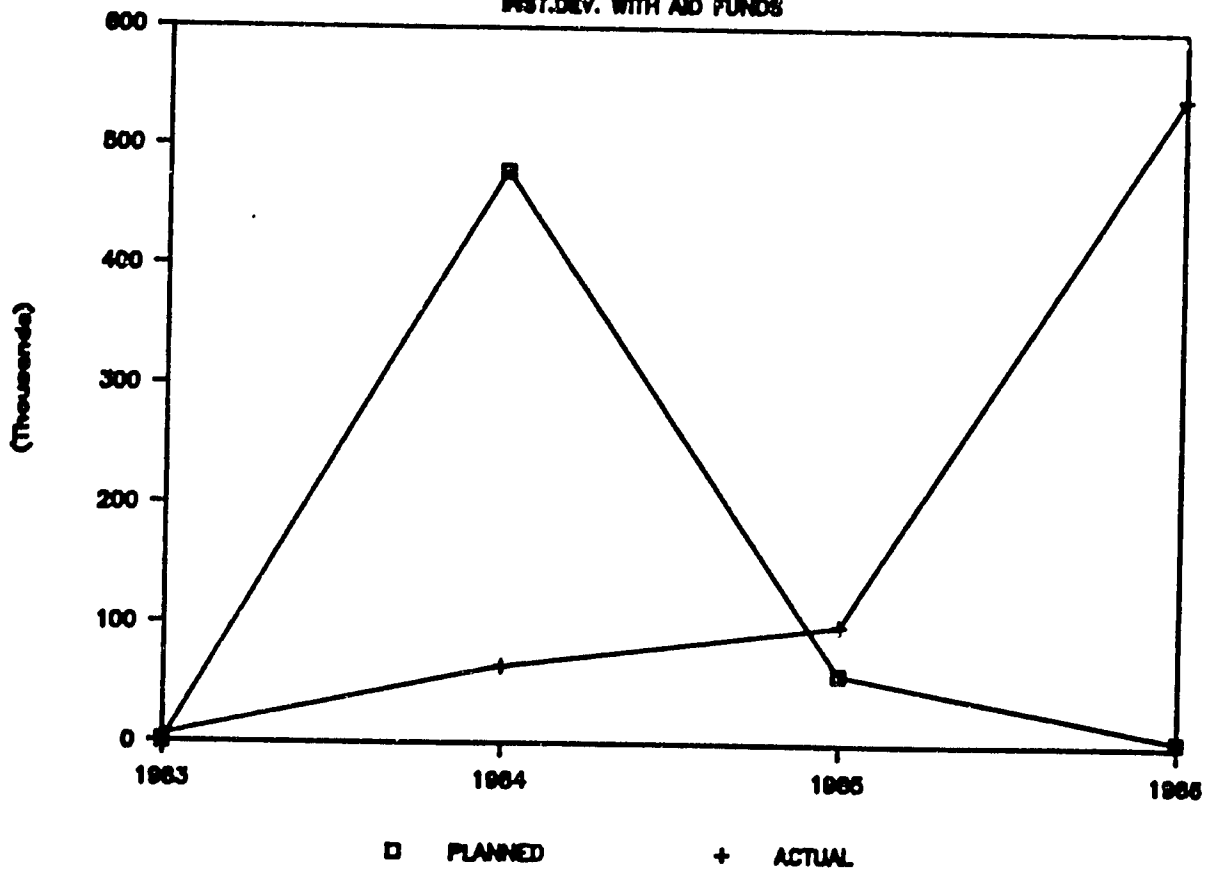
### ACTUAL VS PLANNED EXPENDITURES

INST. DEV. WITH GOP FUNDS



### ACTUAL VS PLANNED EXPENDITURES

INST. DEV. WITH AID FUNDS



the reverse of that planned in the project paper. The result is wide deviations from the plan in all years except 1983 and a pattern of delaying these base-building expenditures.

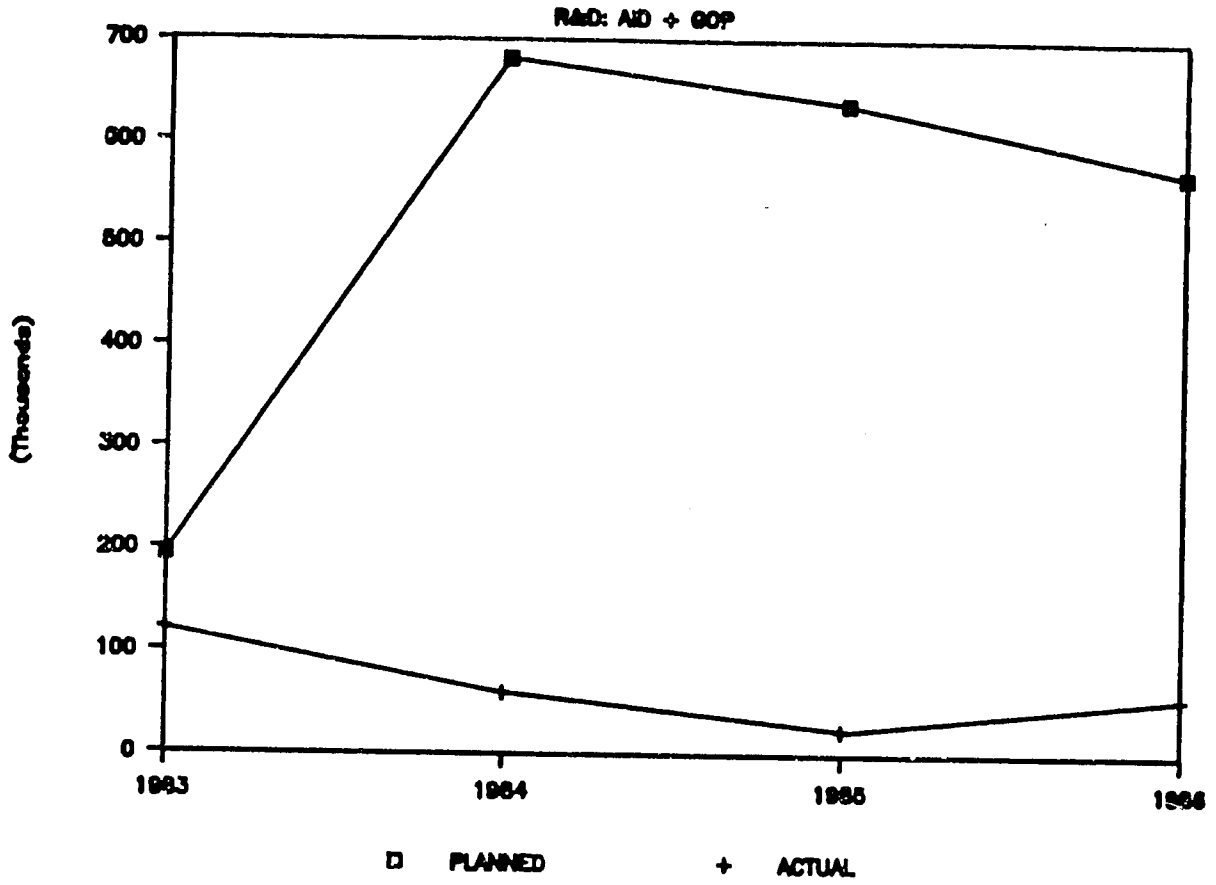
This represents a significant deviation from the Project Paper. The lack of program and operational policies, management guidelines, an established and functioning computerized MIS and data base, etc. are all reflected in inadequate expenditure performance in the Institutional Development component of the project. This suggests that the problems ICP has experienced in project implementation are due to excessive emphasis on promotional activities before a sound institutional base had been established.

(2) Policy and Strategies (R&D)

Planned AID funding for this component included the financing of policy, market, competitive and product studies as well as training, which including funding of the long-term industrial development advisor. The project financial plan included the proposed industrial development advisor under Policy and Strategies, as opposed to Institutional Development, despite the fact that the advisor's activities overlapped both components. The project financial plan foresaw no GOP expenditures in this area. These expenditures were to have been made in the earlier stages of the project in order to develop the institutional base of the ICP and to target its subsequent promotion activities (see of Figure 7).

Actual total expenditures for this component have been exceptionally low. Similar to the Institutional Development component above, the timing of expenditures has been the reverse of that proposed in the project paper; actual expenditures for the Policy and Strategies component began a

# ACTUAL VS PLANNED EXPENDITURES





pattern of decline when planned projections called for sharp increases in funding. The result is a lack of conformity with the plan and, again, a pattern of delaying base-building expenditures for promotional activities.

This represents another significant deviation from the project financial plan. The RDO's poor track record in developing market strategies and carrying out operational planning is reflected in the significant shortfall in expenditures for the Policy and Strategies component of the project as well as to the reversal of the proposed timing of those expenditures actually made. The Council's inadequate performance in meeting project targets can, in turn, be attributed to the absence of a well-targeted market strategy upon which to base promotional efforts. It is highly unlikely that the project could be continued with any measure of success unless the remaining available funding is used to develop an appropriate marketing strategy upon which to base future promotional efforts.

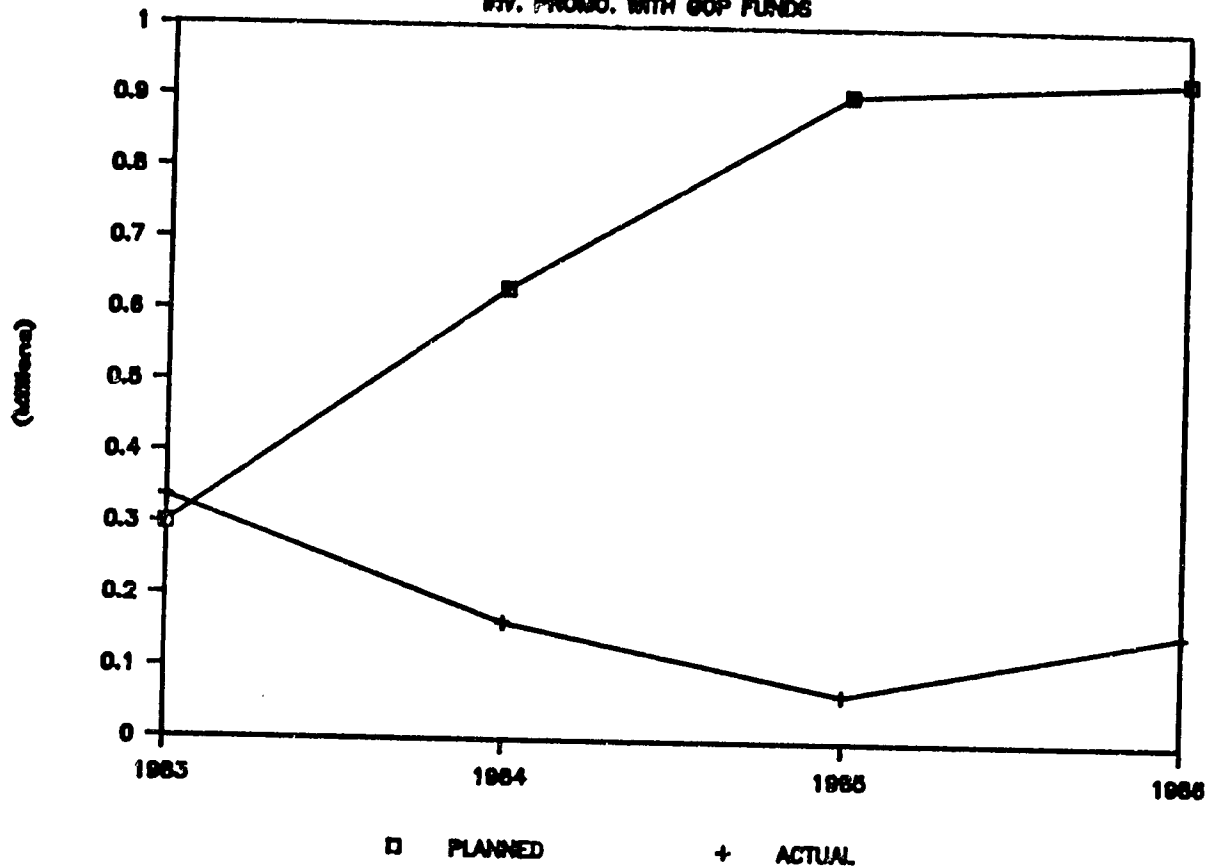
### (3) Marketing (Promotion)

Planned funding for the Marketing (Promotion) component of the project included AID financing of investor forums, technical assistance and GOP financing of a host of items under the rubric of "promotion activities" (publicity, promotional materials, travel, per diem, representation). The project financial plan also specified a gradual phasing in of GOP funding for the Marketing component over time, and a relatively quick and intense infusion of AID technical assistance and training funding in 1984, tailing off rapidly until the end of the project (see Figure 8).

FIGURE 8

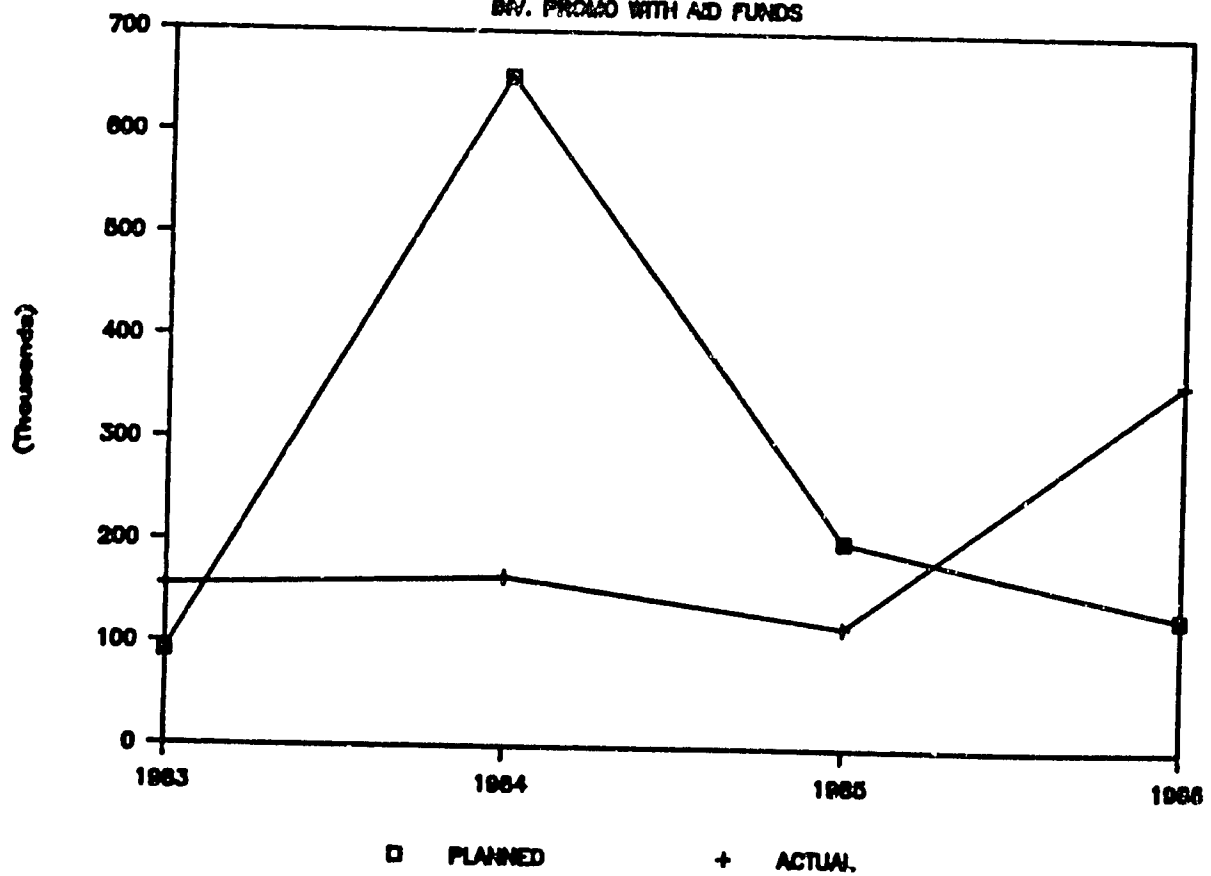
### ACTUAL VS PLANNED EXPENDITURES

BY. PROMO. WITH GOP FUNDS



### ACTUAL VS PLANNED EXPENDITURES

BY. PROMO WITH AID FUNDS



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Actual expenditures did not conform those planned and, in the case of actual expenditure of GOP funding, they were the opposite of that specified in the project financial plan after an initial period of relative conformance to plan in 1983. After a similar initial period of conformity in 1983, the actual expenditure of AID funding remained relatively flat, thereby never approaching planned levels.

The timing of actual expenditures reveals that initial ICP expenditures of GOP funds, primarily intended for conducting promotional activities, preceded and/or were carried out in conjunction with the expenditure of AID funds, which were intended to train and lend technical assistance to promotion personnel before they began carrying out promotional activities in earnest. The indication is that ICP began to conduct promotional activities before developing the proper promotional materials, promoting skills, etc. necessary to carry them out, as prescribed in the Project Paper. For example, ICP did not attempt to set up a so-called turn-key promotion system--using a private consulting firm to set up an overseas promotion system and provide on-the-job training to ICP personnel who would then take over the investor search operations.

#### (4) Investor Services

The project financial plan stipulated AID funding for technical assistance and the purchase of vehicles; no GOP component funding was allocated to Investor Services in the plan. The funds were to be used to provide short-term technical assistance to improve document flow within other ministries and agencies; funding for vehicles was intended to improve the logistical support provided to investors.

Contrary to the pattern established in the three components above, actual expenditures for investor services in 1983 were higher than planned and have remained higher over the life of the project (see Figure 9).

As noted in a prior section on Investor Services, ISO has been the most successful in carrying out its original mandate as spelled out in the Project Paper, a fact confirmed in the survey carried out by the Team. ISO's relative success may arise from the higher than planned expenditures or, alternatively, that the Project Paper underestimated the costs involved for implementing this component of the project. Another possibility is that the project plan underestimated the level of activity that would be demanded of this component.

The latter would appear to be true. Generally, the financial planning for this component does not appear to be adequately refined. In light of the fact that this component appears to be yielding the highest practical benefits at the lowest cost, more consideration should be given to further developing the capabilities of this component as demand warrants.

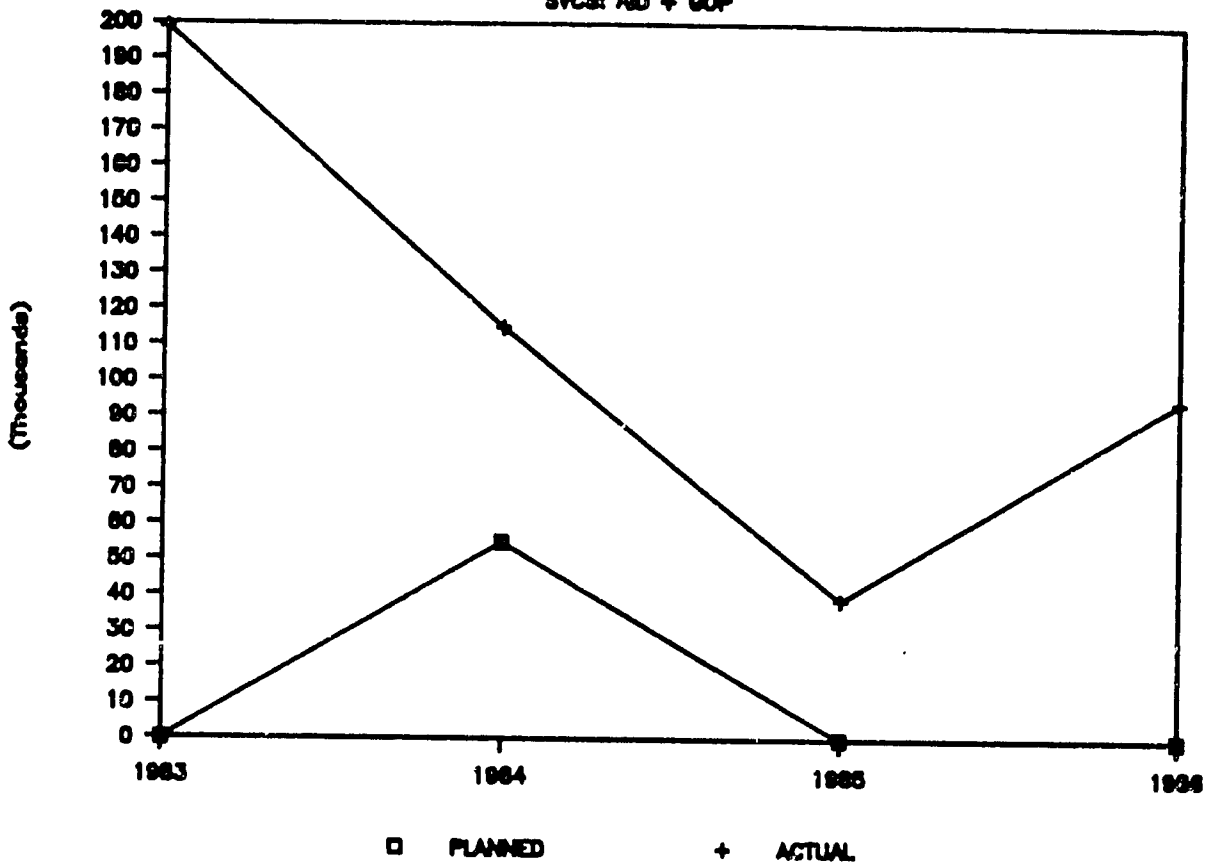
c. Findings

- o GOP actual contributions lag planned contributions because of fiscal and political problems and may represent dwindling GOP support for the Project. This judgment is evidenced by the fact that GOP contributions show a downward trend in 1984 and 1985 on the one hand, and an increasing gap between planned and actual counterpart contributions on the other. However, the increase in ICP's budget proposed in 1986 may represent an indication of increased GOP support in the future.

FIGURE 9

# ACTUAL VS PLANNED EXPENDITURES

SVCS: AD + GOP



- o The fact that AID funds were available for use and not utilized by ICP points to problems in project management of implementation, such as problems in obtaining AID approval of annual and/or quarterly plans and budgets which led to funding delays. Furthermore, the nonutilization of AID contributions reflects, to some degree, an explanation for the Council's poor track record in attaining the project purpose and goals (i.e. ICP operational capacity and related investment and employment targets).
- o AID's actual expenditures on the project are low (roughly 20 percent of plan) due to, in large part, ICP deviations from Plan in the areas of contracting an industrial development advisor, contracting market identification studies and the procurement of computer equipment and related support. Difficulty in obtaining AID approval for disbursements due to inadequate GOP counterpart contributions was another relevant factor.
- o Personnel costs have risen dramatically while other nonpersonnel costs have fallen. The result is that personnel costs make up a disproportionate percentage of project costs. There has been a dramatic increase in IPO's proportionate share of total salary costs since 1984 relative to those of other offices. It also points to apparent serious underutilization of current staff. This suggests that staffing levels must be rationalized in accordance with more realistic projections of ICP activities.
- o Actual ICP expenditures on principal project components--Institutional Development, Policy and Strategies, Investment Promotion--have fallen considerably short of planned expenditures. Additionally, the timing of actual expenditures has been reversed (major expenditures for technical assistance and training were planned for the first 15 months of the project), highlighting a pattern of serious delays in base-building activities. The evidence indicates that the problems ICP has experienced in project implementation are the result of stepping-up promotional activities before a sound institutional base had been established and a well-targeted marketing strategy developed.

C. Evaluation of AID Project Strategy and Design as it Relates to Project Implementation

1. Sector Goal/Assumption

The sector goal, as stated in the Project Paper, is "marshall public and private investment resources to increase employment opportunities." Important assumptions are:

- o Panama is competitively positioned to compete in international markets.
- o The investment climate is adequate to attract investment.

In respect to the assumption on Panama's competitive position in international markets, the Project Paper (in Annex II.E) Technical Considerations defends this assumption based on the Advisory Group's Report and on consultant studies of garment and electronic industry locational prospects for investment in Panama. We appreciate that, at the time of Project Paper preparation, USAID had limited analyses as a basis for making this assumption. Subsequently, after the Project was approved and in process of early implementation, the Arthur D. Little Inc. Study on the Industrial Sector Strategy (1984) and the World Bank's Study on Structural Change and Growth Prospects (1985) were published. These and other studies raised serious questions about the competitiveness of Panama manufactured exports in international markets in the absence of major economic policy reforms to reduce factor costs of labor, electricity and transport. The need for such reforms were likewise given priority in the Advisory Committee Report of 1980. Indeed, USAID clearly recognized the problem of competitiveness of Panamanian exports in international markets

in its Recommended Private Sector Strategy and Program (October 1985, pp. 7-8). The document proposes a strategy to reduce factor costs and improve industrial productivity.

With respect to the assumption on Panama's investment climate, there are anecdotal indications, based on our interviews, that it may have deteriorated since the ICP project was launched in 1982. The key factors relate to:

- o The impact of the continuing Latin American regional recession and particularly the effects of the debt crisis on Panama's economy.
- o The frequent changes in the Presidency and Cabinet which projects an image of institutional instability particularly to the new/inexperienced investor who forms the majority of ICP's clientele.
- o A perception of political uncertainty which preceded the 1984 election and now following the presidential change in November 1985. Some investors are reportedly delaying their investment plans until the political situation clarifies.
- o A perceived lack of coherence in economic/development policies (e.g., uncertainty over the GOP commitment to free markets and an export orientation).

The GOP's commitment to free enterprise/market orientation is perceived by some as lacking credibility given doubts that stated policies will be applied equitably and consistently.

Despite this perceived deterioration, it is a fact that the investment climate since 1983 has been sufficient to have attracted a modest amount of direct investment.



## 2. Project Purpose Assumptions

The project purpose is to develop the operational capability of the ICP to promote and service new export-oriented foreign and domestic investment. Key assumptions underlying this project purpose are:

- o The then current worldwide recession does not deepen or continue through the life of the project.
- o The Government and private sector commitment to the ICP concept continues.

The continued validity of these assumptions is questionable. The 1983 worldwide recession has now changed to a growth trend for the developed countries; nevertheless, continued economic stagnation in the Latin American region and particularly in Central America had some negative impact on Panama's economy.

There are, however, some recent estimates that indicate modest economic growth in Panama during 1985 which could signal an improved environment for attracting investments in the years to come.

In respect to the assumption that the GOP and private sector commitment to the ICP concept continues, our assessment is as follows:

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- o GOP Support

The GOP officially supports ICP and continues to finance its operations. Despite shortfalls in GOP promised counterpart contributions in 1984 and 1985 under the project financial plan, there are indications of an improved level of funding in 1986. Key GOP authorities with responsibilities for ICP are highly critical of its past performance and management but

they appear to have made a political decision to continue to support it for the time being to permit the recently appointed Executive Director time to carry out program and management reforms.

o Private Sector Support

It is unclear that there ever was a "private sector commitment" to support the ICP concept. Our interviews indicate divergent private sector attitudes ranging from positive, in a few cases, neutral in most cases to highly critical in a few cases. AMCHAM has consistently maintained close relations with ICP and supported it. After years of estrangement, SIP has now a close working relationship with ICP. Some organizations would be willing to support joint programs with ICP if asked. Among private sector leaders interviewed, some profess to know little about ICP activities, some resent ICP preferential attention to the foreign rather than the local investor. In general, private sector attitudes toward ICP can be characterized as ranging from neutral to negative. Most are disappointed with ICP's past performance.

3. Other Project Strategy/Design Issues

There are certain aspects of the Project Strategy/Design that may have affected ICP performance that are commented on below:

a. Relationship between Project Purpose and Performance Indicators

We are concerned with the logical relationship between the project purpose on the one hand (e.g., the institutional development of an investment promotion agency) and the performance indicators particularly those relating to meeting investment and employment targets.

It is conceivable that AID project assistance could have contributed to the institutional development of ICP as a well functioning investment promotion agency, without succeeding in meeting the annual investment and employment targets due to factors beyond its control.

We appreciate the desirability of setting reasonable quantitative investment and employment targets as general indicators of institutional performance but these must be reasonably related to attainment of the project purpose--which is that of ICP institutional development.

We appreciate the AID requirement for quantitative project performance criteria for evaluation purposes. In the case of a project whose purpose is the institutional development of a new investment promotion agency, these targets must take into account the very complex and tenuous relationship between the agency's promotion efforts and the investments and employment results.

We understand that the investment and employment targets for the ICP project were determined on the basis of the results of the economic analysis which projected the amount of investment needed to generate employment which would produce a positive cost/benefit ratio. While the hypothetical economic model reflected historical trends relating to export oriented assembly industries in Panama and similar countries, it failed to factor in the impact of the ongoing world economic recession which was then having devastating effects on new investment in the U.S. other industrialized countries not to mention its impact on the Latin American region which was also reeling from the debt crisis.

We consider the investment and employment targets to have been too ambitious and not reflective of economic reality internationally or in Panama.

The setting of unrealistic quantitative targets for investment and employment, while based on a hypothetical model, had very practical consequences in shaping other design aspects of ICP project. The employment generation targets were used to derive workload and manpower/staffing levels described in the Institutional Analysis (Annex II.D Exhibit 1).

The pressure to meet the investment and employment targets led ICP to adopt a questionable investment promotion strategy geared to mass mailings to 25,000 prospective investors which were expected to yield 2,500 positive responses and inquiries, 250 major corporate expressions of interest and 25 actual investments. As indicated in Section IV-B (1), the results of ICP promotion strategy were disappointing.

b. Institutional Analysis

The project's institutional analysis (Annex II-D) while quite comprehensive and detailed in regard to ICP organization, functions etc., was deficient in certain respects:

- o It did not provide adequate background information on USAID prior experience in institutional development projects in Panama which might have shed light on some of the political/bureaucratic problems that might be expected in setting up a new agency to promote private sector investment. For example, it didn't provide information on USAID's experience in implementing the Development Administration Loan (No. 525-0209) which could have provided insights on Panama's public administration environment.

- o It did not provide an adequate in-depth analysis of the degree of public or private sector support for the ICP which could have given indications of its longer term institutional viability after its initial sponsors had passed from the scene.
- o While it did identify areas of actual and potential problems, (e.g., turf problems with MICI and MIPPE, role and functions of the Board, overlapping functions regarding policy formulation,) it indicated that these were normal to a new institution, indicated actions then underway or planned to resolve them and confidently assessed them as manageable and resolvable in time. The Project Paper optimistically assessed the problems identified in the institutional analysis as follows:

"The administrative problems of the ICP are to be expected in a new and in this case a uniquely different government organization. Given the attention of senior management, successful resolution of the problems are expected in due course; and no serious impediments to successful operations are foreseen." (p. 40).

The point here is that although the institutional analysis did identify actual and potential institutional problems for ICP, they were given insufficient attention by the USAID Project Team in arriving at the Project Paper's conclusion that the ICP is "institutionally capable of administering the project in the coordinated fashion discussed in the paper." (page 11).

d. Procurement

The Project Paper indicates that AID guidelines require that borrowers under AID loans be charged with responsibility for procurement of goods and services unless there were mitigating circumstances. Apparently, USAID considered that mitigating circumstances existed in the case of procurement of vehicles and a computer which items USAID agreed to procure directly. USAID assigned to ICP responsibility for procuring all technical assistance inputs through host country contracting procedures.

Since a significant amount of AID project funds were allocated to technical assistance the timely arrival of which was crucial to early project implementation, it is puzzling that the Project Paper paid relatively little attention to analyzing ICP's managerial capacity to procure and contract this significant amount of technical assistance. The Project Paper did indicate that the AID Project Officer would assist ICP in developing the procurement documentation in accordance with AID procedures. Given the sheer number of technical assistance elements (16) that had to be contracted for, the USAID judgment that a new organization with untested management could, even with the assistance of the USAID project officer, organize and carry out the procurement in a timely manner is questionable.

Our evaluation of ICP performance indicates that the complexity of having to deal with both AID and GOP procurement procedures for technical assistance was quite beyond its fragile administrative capacities. The long delay in procuring the IQC technical assistance contracts is a case in point. Despite active assistance of the USAID project officer in developing the RFP and conducting the selection and award process, ICP got caught up in a complicated governmental bureaucratic approval process that delayed contract signature a year and one half. This delay in obtaining desperately needed technical assistance for ICP on a timely basis was one of the critical negative factors affecting ICP performance.

This problem had its origins in an inadequate project design analysis of the administrative procurement mechanism, combined with an unfortunate strategic decision in USAID to entrust procurement responsibility to ICP. It should be noted that AID procurement guidelines were sufficiently flexible when the project paper was prepared to have permitted direct AID

procurement rather than host country procurement. (The AID procurement guidelines issued in December 1983 removed the previous preference for host country procurement.)

It should be noted that there were reasons other than complicated procurement procedures for delays in procurement in technical assistance and equipment (e.g., frequent changes in ICP interest in computer procurement and ICP reluctance to contract the long term industrial development advisor).

e. Phasing In of Implementation Activities

There are many institutional development challenges to establishing an autonomous investment promotion agency within a complex bureaucratic environment. Since the project purpose was to develop an operational capacity to attract and service investment, a logical and essential first step for USAID was to provide assistance to ICP in the essential managerial and administrative systems, controls and procedures, while the research and promotion programs were being planned. We note that from the outset of the project, USAID agreed to assist a wide range of ICP activities being carried out before necessary administrative/management support systems were in place and functioning. For example, the management information system so vital to effective management and research was never put in place, the lack of which has been a major contributor to unsatisfactory performance. In addition, promoters were hired, trained and set out on promotion missions before the research needed to target priority sectors/markets/services or products was carried out.

We conclude that the original project design could have been improved if it provided for a gradual phasing in of AID assistance by stages of key program components. Specifically:

- o Phase 1 could have concentrated on assistance for organizational, administrative, informational and development components
- o Phase 2 could have concentrated on research and development and the elaboration of an promotion strategy and training
- o Phase 3 could have focused on assistance in targeted investor search, reception and provision of services.

We conclude that the original project design attempted to do too much too soon without the essential planning and administrative support in place prior to full scale implementation of all project components.

D. USAID Performance in Project Implementation

USAID's performance in project implementation has been evaluated in respect to:

- o Provision of project inputs in a timely and effective manner
- o Project monitoring and management

1. Provision of Project Inputs

After meeting conditions precedent to disbursement in early 1984, USAID set up a revolving fund for ICP. ICP presented annual work plans and financial plans for USAID review and approval. Once the annual plans were approved by USAID, ICP presented quarterly financial plans based on the approved annual work plans requesting project funding to carry out the activities programmed for that quarter. It presented also financial documentation/information related to authorized expenses incurred during the previous quarter to obtain new inputs into the revolving fund.



USAID appears to have provided project financial inputs on a satisfactory and timely basis once ICP had satisfied USAID's requirements regarding annual and quarterly work plans, budgets, reimbursement requests as were spelled out in Project Implementation Letter (PILs).

As indicated above, USAID has experienced serious problems in approving ICP work plans and budgets due to delayed submissions, quality, inadequate detail and particularly their consistency with the project plan. The need to return the work plan and budgets to ICP for revision occasioned frequent delays in USAID disbursements. In addition, failure of the GOP to provide an acceptable counterpart contribution for 1985 caused USAID to delay approval of work plans and budgets for several months.

The principal cause of a low level of USAID funding for project inputs has been related to problems within the GOP in contracting for technical assistance and the procurement of commodities.

## 2. Project Monitoring and Management

USAID performance in ICP project monitoring and management has been less than satisfactory in several respects:

- o USAID was remiss in not pressing ICP to fulfill a request in Implementation Letter No. 1. (Sect. 6.1) for submission of an evaluation plan, schedule and the establishment of evaluation criteria as integral components of the work plan. The lack of such agreed evaluation criteria and a related methodology for collecting and reporting performance data have complicated the formative evaluation process. Specifically, the failure to define at the outset the criteria for measuring ICP performance in attracting/promoting vs. assisting new investments has

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caused some confusion and uncertainty about the validity of ICP's claims for meeting the projects investment and employment targets.

- o Until recently, there appears to have been inadequate USAID recognition (and subsequent application of necessary corrective measures) of the fundamental organization and management problems that have afflicted ICP from the beginning.
- o USAID's failure to insist at the outset of the project that ICP use the assigned technical assistance funds to contract the long term advisor to assist the Executive Director in institutional development and investment promotion strategy. Likewise, after ICP decided not to use these assigned funds for the intended purpose, USAID failed to press ICP to contract outside consultants (either directly or through USAID) to design and install critically needed planning, management and internal control systems to prepare operational manuals and to train staff. This strategic decision by USAID contributed importantly to ICP's continuing management problems and to unsatisfactory progress in attaining the project purpose.
- o Inadequate USAID concern and action to obtain GOP agreement that the ICP Board plays a directive rather than simply advisory role in ICP management and program areas.
- o Failure to press at the highest levels of the GOP for the selection of well-qualified professional managers for senior positions at ICP and to maintain them in place during changes in administrations.
- o USAID toleration or acceptance of numerous ICP-requested deviations from the original project plan (e.g., decision not to contract long-term advisor, agreement to pay salaries of ICP people on training, agreement to use AID funds for publicity in 1984). In addition, there has been a continuing erosion of GOP commitments to the maintenance of key assumptions of the original Project Agreement and Paper. (e.g. role of the Board, transfer of ICP to MICI).
- o Failure to impress on ICP management that the USAID project agreement/paper is a clear guide to agreed action rather than an "illustrative" program that may be routinely subject to renegotiation.

- o Tendency to react to an isolated manner to specific project management problems (inadequate work plans, counterpart shortfalls) rather than identifying and making efforts to deal with fundamental issues such as persistent management weaknesses, fall-off in GOP support, etc.
- o Inadequate USAID project monitoring and tracking system during 1983 and 1984 to alert project and senior management to implementation delays, lags in meeting targets, GOP counterpart contributions or other key performance indicators.
- o Less than satisfactory arrangements for the effective use of the USAID contract project liaison officer in ensuring better communications and coordination with and administrative support to ICP officials at senior and operating levels. Specifically, once ICP decided not to contract the long-term advisor, consideration might have been given to locate the USAID project officer within ICP. This move might have facilitated greater ICP understanding of the AID project and implementation requirements.
- o Inadequate USAID monitoring of ICP project implementation particularly in respect to diagnosing fundamental management/implementation problems and mapping out a strategy to deal with them effectively. USAID was generally kept well informed about project status through quarterly implementation and other reports. However, it tended to react slowly in taking action to resolve issues. Occasionally, when it planned such action, turnover in key GOP and ICP officials frustrated effective implementation of its plans. Also improved communications/coordination between USAID, ICP and key Ministries could have alerted USAID in advance of key developments (e.g., decision to transfer ICP to MICI and delays in signing IQC contracts). USAID assistance to ICP in procurement and in preparing work plans was less productive due to ICP's weak management situation and lack of basic planning, budgeting systems.
- o When initial delays and problems became evident in ICP procurement, particularly in respect to the delayed signing of the IQC contracts, USAID should have pressed for direct AID procurement rather than ICP procurement to obtain critically needed technical assistance in a timely manner.

E. Overall Evaluation of Project Progress Problems and Impact

The previous sections of this report, we have analyzed ICP project implementation performance in relation to specific project components, inputs and outputs. In this section, we shall provide a broader, overall evaluation of the projects progress, problems and impact.

1. Progress

In terms of the project purpose of the institutional development of an effective investment promotion and investor service agency, the principal element of progress is that ICP exists and is attempting to inform, attract and service the investor. In that sense, it is filling a need and providing a useful public service. The institutional development of ICP has made little progress to date for reasons discussed below. In terms of the attainment of the quantitative targets for investment and employment, its accomplishments in attracting/promoting new investment has been very modest. In respect to providing investor services, it has established a solid reputation for courteous, timely and competent attention to the investor.

During its early years, ICP was initially perceived quite positively with high expectations as to its potential for attracting investments. The ICP's image since 1984 has declined steadily as its perceived accomplishments have been quite modest.

In summary, ICP is attempting to carry out an important public service for the country's development under difficult circumstances including continued recession abroad and continuing economic and political problems at home. It employs

many dedicated, well trained and motivated people fully committed to ICP's institutional success. It is endeavoring to carry out a highly complex function to use public funds in ways to promote a positive investment response from private entrepreneurs that react to market conditions over which ICP and the GOP has little control. Investment promotion is a difficult business in the best of circumstances. By its nature, positive results are not easy to identify, Investments may take time to mature. The investment promoter must be a person of a great deal of patience and persistence for the rewards are rarely immediate.

## 2. Problems

The less than satisfactory performance of ICP is due to both external and internal factors. Externally, the economic recession of recent years continues in the region which combined with the political problems of Central America, has had some negative impact on Panama's investment promotion efforts.

In respect to those internal factors affecting performance, ICP has more than its share of institutional development problems. It was launched as an autonomous entity in the Presidency sponsored by President de la Espriella and headed by an Executive Director with strong political support. In late December 1983, ICP's political support was dramatically reduced and it was transferred to MICI, whose bureaucracy long resented ICP's independent incursions into what it considered its "turf". Having "fallen from grace" with the loss of its cherished autonomy, ICP also became victim of the general institutional instability afflicting all GOP institutions as a result of four changes in the Presidency over a five-year period. (1982-1985).

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ICP has had four Executive Directors since its inception and frequent changes in its middle level management. The Board of Directors, a majority of whom came from the private sector, has essentially served in an advisory rather than a truly directive capacity.

As a consequence of this institutional instability, ICP has never been able to develop a stable, competent professional management team essential to the requirements of its highly complex business. It has simply not been able to carry out effectively the essential functions of management, to plan, to organize, to execute and direct, to control, to report and to evaluate. ICP is today in institutional disarray and suffers from a lack of a clear conception of its role and functions, and a coherent strategy for accomplishing its goals and objectives. Above all, it needs effective management with sufficient authority, style and skill to impose internal discipline and order while inspiring in the staff a spirit of dedication, diligence and responsibility for producing high quality service.

ICP's performance to date is not only due to a heritage of inadequate organization and management capacity but also due to inappropriate programmatic approaches to investment promotion. Essentially, ICP rushed into a costly, scattershot, promotional strategy before it had carried out the essential research and studies to target a refined selection of the promising markets, sectors and products with greatest potential comparative advantage for investment in Panama. In a word, it launched a generalized advertising campaign before it had defined the product it was trying to sell. In a rush to produce spectacular investment results to prove itself to its political sponsors, ICP's promotion approach put quantity before quality and ended up with very costly, if modest, results for its efforts.

Despite its inadequate performance in respect to research and promotion, it was able to develop a high quality capability to receive and service foreign investors.

### 3. Impact

ICP's impact on investment in Panama and on employment generation has regrettably been quite marginal. There is no evidence that ICP made any major difference in the amount or type of new investment that has located in Panama since 1983. It cannot be said to have impacted on many specific investment decisions but it did provide useful services after the decisions were made or the companies had been set up.

### 4. Update of SRI Investment Promotional Principles

In September 1984, the SRI-International conducted an evaluation of ICP. In its final chapter, it related a number of fundamental principles that should underly all investment promotion efforts to ICP activities.

In our evaluation, we reviewed these SRI "fundamental principles" and present for each our current assessment of how ICP measures up in adhering to these principles:

1. Before promotional programs are developed, a honest examination of the host country's investment promotion climate assets and liabilities should be undertaken.

ICP has done few policy studies since 1984 to identify and analyze investment climate problems and ways to overcome them. Since ICP came under MICI jurisdiction, it has tried to sell Panama's investment climate as characterized by MICI. In view

of recent reforms of the Labor Code, Industrial Incentives and Agricultural Laws, it should start to study the implications of recent changes in these laws to the investment climate in Panama.

2. Investment Promotion Agencies should be involved in the development and review of investment policy.

Since 1984, ICP has had little role in the development and review of investment aspects of economic policy which is dominated by MIPPE and MICI.

3. Investment promotion activities should be tailored to a host country's national character and objectives

The SRI comment on this principle is still valid. ICP's major promotion effort and resource commitment related to export of manufactured goods--an area where Panama has had only modest success. ICP has devoted meager resources to research and promotion in the identification and study of the comparative advantages of service sector investment opportunities.

4. Investment promotion activities should be staffed by highly motivated, private enterprise oriented individuals with business experience and excellent communications skills.

Many ICP staff members meet this criteria. However, in the highly competitive business of international investment promotion--they need sometimes more--a knowledge of the specific business and market of the potential investor they are trying to promote. We are convinced that generalized promotion presentations are of limited value. The key ingredient is market, sector or product knowledge.



5. Promotion program goals should be as specific as possible in order to increase the likelihood of effective design and execution.

ICP has not adequately defined specific promotion goals or targets. The major ICP shortcoming observed was its lack of clearly defined objectives, targets and a coherent strategy to accomplish them.

6. Initially, investment promotion activities should be characterized by modest programs and expectations.

Initial promotion expectations as reflected in the investment and employment generation targets were excessively optimistic. The pressure put on ICP to produce results led them into a generalized, scattershot promotion approach that was unproductive. They now have to go back and do the careful planning and research to define the "product" which they have to sell to foreign investors. USAID's project design was deficient in that it didn't apply its assistance in a phased gradual approach to build solid foundations in each successive component of the investment promotion process.

7. The promotion of indigeneous investment should be a fundamental objective of the investment promotion process.

ICP has generally neglected the local investment community. It did, however, prepare a number of investment profiles of small industries which it tried to promote with local investors without much luck to date. It is now surveying local investors to ascertain unused capacity and interest in joint ventures with foreigners.

8. Promotion Agencies should develop and nurture domestic constitutencies in support of private sector initiatives.

With few exceptions, (SIP and AMCHAM), ICP has failed since its creation to develop strong support among the major private sector organizations. There are recent indications that some of these organizations would welcome a closer working relationship with ICP in the future. The degree of private sector support for ICP will depend in large measure, on ICP performance and the overall relations between the GOP and the private sector.

9. Promotion programs should be tested, reviewed and adjusted regularly as changes in the marketplace and the host country environment warrant.

SRI's comment that ICP's promotional effort has become excessively oriented toward direct "cold" contacts with potential investors is still valid. ICP is gradually understanding the need for adjusting its promotional approach.

10. Investment promotion programs should be allowed sufficient time to work.

Investment promotion is a highly complex business and one in which external factors condition the quality of the product being promoted. There are no easy, quick ways to produce promotion success. The sponsors and the financiers of investment promotion programs must have a long term approach and great patience.

The SRI recommendations for improvements in ICP management and promotion activities (on page 31 of its report) were right on target. Unfortunately, ICP appears to have taken inadequate action to give effect to these recommendations.

F. Key Factors Contributing to Evaluation Results

1. Investment Climate

The investment climate, the balance between Panama's investment assets and liabilities, appears to have deteriorated somewhat since 1983 when the AID project began.

The regional economic situation, which impacts on Panama, has been adversely affected by the continuing Latin American recession, the effects of the debt crisis and the political instability in Central America. The current reluctance of U.S. banks to increase their exposure in Latin America has generally had a negative effect on foreign investor attitudes. Within Panama, while political stability has been maintained under the National Guard, institutional stability has been severely impaired by the installation of four presidents in five years, with serious effects on public administration and business confidence, a vital factor in investment decision making. Certain Panamanian economic policies, such as the labor code, the industrial law and perceived incoherence in development policies, are frequently cited as disincentives to investors, both foreign and domestic. The Government has recently reformed certain provisions of these laws but it is unclear whether the reforms are sufficient to improve the investment climate. Finally, Panama's relatively high cost of labor, electricity and transport reportedly tend to reduce its export competitiveness vis-a-vis its neighbors in penetrating the U.S. market.

Given Panama's positive investment assets (e.g., monetary freedom, traditional free enterprise orientation, sound human resource base, advantageous geographical location, relatively good communications and generally hospitable environment for international business), further policy reforms and an upturn in

the regional economy could readily change the current investment image. Experienced investors in Latin America could readily adapt to Panama's investment climate if economically viable projects were identified. Less experienced, smaller investors, the natural clientele of ICP, might be discouraged by the present investment climate as compared to those existing in other CBI countries.

## 2. Project Strategy and Design

The project strategy and design as indicated above was, in our opinion, deficient in certain respects. However, given a more favorable institutional climate, an effective, stable management team in ICP and timely application of carefully planned technical assistance, deficiencies in the project's strategy/design could have been readily overcome.

## 3. Organization and Management

ICP's transfer in 1983 from the Ministry of the Presidency to MICI and its consequent loss of autonomy was a serious setback to the early momentum that ICP had developed and a change in a key institutional assumption of the original project design. However, subsequent administrations have reconfirmed ICP institutional location in MICI and there appears to be little realistic prospect that ICP will ever regain its previous institutional autonomy outside of MICI. The best it can realistically hope for is a greater degree of autonomy within MICI. We consider that ICP's current location within MICI, although there are some disadvantages in respect to operational flexibility, is adequate to attain the project purpose.

A key organizational issue related to the role of the ICP Board of Directors. Contrary to the clear intent of the Project Paper and the provisions of the Presidential decree no. 79 establishing the ICP, the Board has not functioned as a directive but only as an advisory body. Moreover, since late 1985, when President Del Valle took office, a new ICP Board has not yet been designated. The role of the private sector dominated Board in functioning as a directive body to set ICP policies, approve programs, plans and budgets and participate in selection of key ICP officials is essential not only to the effective management of ICP but also to obtaining private sector support for the institution.

The major failure of ICP to date has been the lack of effective management team to plan, to organize, to execute, to coordinate and to evaluate its activities. The lack of professional day to day management has been the critical factor in ICP's current institutional disarray.

#### 4. Support from the Public and Private Sectors

At its inception, ICP had strong political support from President de la Espriella and key officers of the National Guard. With the succeeding changes in the Presidency, over the past three years, ICP's political support has seriously eroded. In interviews with the Evaluation Team, senior GOP officials were critical of ICP's past performance and management, expressed strong support for a reformed investment promotion function and reflected a political decision to continue financing ICP for the time being to permit its recently appointed Executive Director to carry out a restructuring.

In respect to the private sector support for ICP, given the wide range of private sector interest groups, it is not possible to define a "private sector" attitude toward ICP. On the basis of extensive interviews with private sector leaders, a small group are supportive and have maintained cooperative relations with ICP. The majority of those interviewed reflect a neutral to negative attitude toward ICP performance. Many knew little about its activities and had little contact with its staff. Among some private sector organizations, there was frequent interest expressed in having an institutional representation on the ICP Board which it was claimed would significantly enhance private sector support. Some organizations, the Bankers Association and the Chamber of Commerce, expressed interest in developing a closer collaborative relationship. AMCHAM and SIP currently have close working relations with ICP which could serve as models for similar arrangements with other organizations. Relations with the private sector appear to appear to have improved significantly since the designation of of the present Executive Director. Much more effort is needed to develop private sector support.

#### 5. Project Implementation

Project implementation has been unsatisfactory in key respects. ICP declined to contract a long term industrial development advisor as included in the project plan. The failure to contract such an advisor adversely impacted on program management and project implementation. The year and one half delay in contracting technical assistance under the IQC contracts deprived ICP of vital advisory services in the critical formative stages of its institutional development. The result was that the RDC failed to develop a coherent program of studies and research geared to targeting markets, sectors and

products where Panama has comparative advantage vis-a-vis its CBI neighbors. Unfortunately, lacking the research need to target and define Panama's investment "products," ICP promoted costly promotion campaigns in the U.S., Asia and Latin America with meager results to show. The Investor Services Office, working with a modest budget and with dedicated staff, established a merited reputation for timely, courteous services to local and foreign potential investors.

#### 6. ICP Image

In its early days, ICP had a positive image as an institution with strong political support, adequate founding with a well defined mission to sell Panama to investors around the world. It had a glamorous image as its bright, young private sector promoters, with special salary arrangements well above civil service levels, traveled abroad and operated freely out of the Presidency cutting through bureaucratic red tape to attract, nurture and service foreign investors. It was during this period that criticism developed about ICP's "autonomy," failure to take into account the interests of the key sectoral ministries, about its well paid staff, and about its costly overseas travels with little new investment to show for its efforts.

After ICP was transferred to MICI, its public image changed dramatically. Lacking high level political support and located institutionally within the slow moving MICI bureaucracy, ICP had to adapt its operating style in accordance with MICI policy and program guidelines. The change over has effected staff morale to some degree and is reportedly responsible for the high turnover in staff in recent years.

Today, ICP appears to be somewhat isolated, without significant political support, in a hostile bureaucratic environment, criticized widely for its shortcomings, and without a clear concept of its goals, functions, objectives and a strategy for attaining them.

G. The Joint ICP-USAID Evaluation Workshop

On March 4, 1986, the Project Team delivered the Draft Preliminary Evaluation Report and a proposed Workshop Agenda. On March 6 and 7, 1986, the Evaluation Workshop was held in the Hilton Hotel and was attended by members of the Joint Evaluation Committee, the Evaluation Team and other ICP and USAID officials. In addition, the Vice Minister of Commerce and Industry, Mrs. Singh, attended the Friday morning session. Mr. Larry Berger, as Acting Chairman of the Board of Directors, attended the final work session.

In Annex F, we include the Workshop Agenda, as well as outlines of key evaluation areas on which the initial discussions were centered.

It is not possible in this report to record all the key points, judgments and comments of all the participants. Suffice it to say that, in the opinion of the Evaluation Team, it was a very worthwhile learning experience for all. We particularly gained an understanding of the background and rationale for past actions and decisions and their consequences. It was a very useful opportunity to hear how ICP started, its recent history, its progress and problems. Most significant were the views of ICP and USAID officials on the draft preliminary report.

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Unfortunately, we did not receive from ICP all the promised written summaries of key points and results of the workshop sessions. We did, however, receive on April 10th copies of the recorded tapes of the workshop sessions but these were barely audible or comprehensible. The key points recorded below are based on notes taken by the Evaluation Team Members.

1. Key Points in Discussion

In the following few pages, we will attempt to record a selection of key points which emerged from the discussion.

1. Meeting Project Investment and Employment Targets

- o Relation between project purpose and targets not clear.
- o Targets in project paper were overambitious and unrealistic.
- o Lack of clear criteria and methodology for differentiating different types of ICP intervention in the investment process. There are some informal understandings in ICP of classification of promoted versus assisted clients.

2. Institutional Development

- o Negative effects of institutional instability
- o Lack of technical assistance to implement management systems
- o Succeeding Executive Directors each had their own ideas on organization and management together with differing personalities and management styles
- o Failure of Board of Directors to have meaningful impact on ICP operations or interaction with staff and with staff
- o ICP has neglected private sector organizations in Panama

- o Transfer to MICI a serious blow to ICP
- o Great concern among some ICP participants over loss of autonomy
- o MICI bureaucracy seriously impedes operational flexibility needed to promote and service investors

### 3. Policy and Strategies

- o Improvement in RDO's capacity to focus on key priority sectors.
- o Problem of promoters using highly technical output of RDO in their promotional activities. Problem of generalist promoter and need for technical information.
- o Problem cited of poor coordination between RDO and other ICP offices--RDO claims it makes extensive efforts to interact with all ICP units.
- o Pressures on ICP at outset to show quick results put priority management attention, resources on investment promotion office activities
- o Promoters were told their performance would be measured by number of investor visits to Panama and not number of actual investments promoted. At present, there is no personnel evaluation system.
- o Lack of mix of qualified staff in RDO including macro and industrial economists, industrial specialists
- o RDO had been neglected area for long time. It has three different managers. It lacked clear focus in past.

### 4. Investment Promotion

- o Discussion about adequacy of data presented by ICP on investments assisted vs. investments promoted. That ICP would rework information presented to the Team to clarify that distinction
- o Evaluation team agreed to make telephone contacts with ICP clients in USA, Asia, Latin America to assess promotion efforts

- o Initial attempts were made to promote services sector and Panamanian investors but without much luck
- o Little early interest and support from private sector organizations
- o Extensive discussion on quality of data respecting promotion activities

5. Investor Services

- o Problem of follow up is crucial to gaining good image among clients
- o Preferential treatment to foreign vs. local investors-- pros and cons
- o "Grey area" exists between Investor Services Office and Investment Promotion Office (Reception Unit)--responsibilities roles, and functions not clearly defined-- workshop debate on issue was clear evidence of problem.
- o Investor Services Office is best situated to maintain contact with local private sector

6. ICP Compliance with Project Agreement and Implementation Requirements

- o Project paper not well known to ICP staff--bears little reality to actual work of staff
- o USAID changes formats and types of information requested it is hard for ICP to know what USAID wants
- o Delays in USAID responses to ICP work plan submissions
- o Problem of GOP counterpart contributions--Reasons for decline
- o Internal management changes in USAID cause changes in information requested from ICP
- o No sure way ICP can retain qualified staff--people leave when something better comes along. Discussion of reason why ICP professional leave--internal office environment

7. USAID Performance in Project Implementation

- o Explanation of why USAID chose host country contracting procedure
- o Need for USAID project officer to have full time presence in ICP offices to guide staff in meeting USAID requirements
- o Explanation on ICP relations with FANTUS and reasons for not contracting long term advisor as planned
- o GOP action in 1984 to tighten procurement approval process basic reason for delays in signing IQC contacts. Not USAID's fault.
- o When IQC contacts delayed, ICP knew they had other options to procure services but they didn't want to use them.
- o USAID agreed to support an ongoing organization ICP and therefore did not design project in way to gradually phase in USAID assistance.
- o Project design did not necessarily call for Florida State promotion approach involving mass mailing and cold calling campaigns. That was implementation rather than design question. Discussion of "cold calling" promotion approach. Claim made that USAID pressed the Florida promotion approach on ICP.

8. General Discussions

- o Institutional setting of ICP--general exchange of viewpoints--question of "autonomy" debated
- o Political support comes with performance; if there is success, then funds and support follow.
- o Increasing private sector support--note ICP-SIP agreement. Critical to ICP success
- o USAID reaction when ICP was transferred to MICI
- o Popularity of ICP is at low point
- o Role of the Board--issue has to be discussed with GOP to get approval for strengthened functions, authority for Board.

9. Minimal Environmental Conditions

PW Evaluation Team prepared a checklist of minimal environmental conditions for project success. These are included in Section V below. There was considerable discussion as to whether such minimal conditions exist for ICP project success. No conclusions were reached.

10. Alternative Solutions Considered

1. Terminate the AID project
2. Restructure the project
3. Continue project implementation according to current project design and improve implementation

The Joint Evaluation Committee Recommended that Alternative 3 be Followed in Final Report

11. Final Comments

- o Discussion of the implications of the different options in respect to to USAID project design requirement. What would be required to restructure project?
- o ICP officials indicated reasons why project should continue as planned but first correct problems.
- o Discussion of consequences of USAID termination of support to ICP--probably would gradually disappear with different functions distributed to different agencies or if may be maintained at reduced level of operations.
- o Question of prospects for institutional stability in GOP and at ICP--need good performance to keep stability.
- o Need for Panama to define a competitive niche to promote investment.
- o Private Sector Support
  - Little past ICP effort to nurture private sector support
  - Need to attract support of banking center

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- o Need to give priority to service sector investments-- unrealistic to think there is much prospects for significant expansion of industrial exports
- o Board is a good vehicle to promote private sector support if given some authority.
- o Little prospect of ICP having impact on GOP economic policies affecting investments
- o Data bank available to private sector organization would help bring in private sector support.
- o Basic issue is the distrust between public and private sectors
- o Key to future of ICP--What do Ministers of MICI and MIPPE want?

## V. ALTERNATIVE SOLUTIONS CONSIDERED

### A. Minimum Environmental Conditions for Project Success

In view of the evaluation results set forth above, a key question is whether or not the AID strategy and project design is still valid and specifically, whether the minimal environmental conditions are likely to exist over the remaining life of the project to give reasonable assurance that the project purpose can be attained.

We consider the minimum environmental conditions for project success to include the following:

1. Reasonable expectations of an investment climate in Panama that is capable of attracting both foreign and domestic investment.

We consider that this expectation is appropriate.

2. Reasonable expectations of present and future political and institutional stability

We have no present basis for confidence about this expectation.

3. Reasonable expectation that the GOP remains committed to the ICP concept and is prepared to support it politically and financially as needed to attain project purposes.

We have been told that the President and the Government support the ICP concept. Although critical of past performance, key GOP officials indicate a political decision to support it financially while its new Executive Director carries out a restructuring.

4. Reasonable expectations respecting USAID's ability to negotiate with the GOP certain agreements for ensuring that key management and financial issues will be satisfactory resolved.

This remains to be seen.

5. Reasonable expectations of enhanced private sector support for ICP.

We consider this a reasonable prospect.

6. Reasonable expectations that ICP senior management and operating offices can, with appropriate technical assistance and training, be brought up to satisfactory levels of efficiency and effectiveness.

We consider this a reasonable expectation.

7. Reasonable expectations that ICP's Board and senior management will have continuity, authority and the competence to attain its institutional objectives.

We consider this a reasonable expectation only if USAID can negotiate satisfactory arrangements with the GOP on key institutional, management and financial issues.

B. Alternative Solutions to Key Issues

On the basis of the evaluation results and taking into account the above minimum environmental conditions for project success, we have identified four alternative solutions to deal with the key issues.

The four alternative solutions are:

1. Terminate AID Support to the Project.

To conclude that minimum essential environmental conditions do not now exist, and are unlikely to exist over the remaining life of the project, that will permit the attainment of the project purpose. Under such circumstances, USAID should consider de-obligating project funds.

2. Restructure the Project

This alternative is based on the assumption that prospects for minimal environmental conditions appear favorable but that major restructuring of the project components, assumptions, inputs and outputs are necessary to attain the project purpose over a redefined life of the project.



3. Continue with normal Project Implementation as Planned under Original Project Design.

This alternative assumes that project can proceed with normal implementation within original project design as in ICP's proposed 1986 Project Work Plan and Budget.

4. Place Project Under "Review" While Carrying Out Institutional Reorganization And Essential Market Research and Promotion Strategy Studies.

This option recognizes that ICP is a troubled organization and it needs therapy. The existing project would be put under "review" for one year. USAID would negotiate with the GOP agreements on key institutional, management and financial issues. The GOP would be asked to order an institutional reorganization of ICP to be carried out by the Executive Director working with the Executive Committee of a new Board of Directors. USAID would provide an organization and management advisor to assist the reorganization process. While the reorganization process is underway, USAID would agree to finance certain technical assistance and training activities on a selective basis. Specifically, technical assistance would be provided to carry out critically needed market research studies to target the most promising market/sector/product areas. An essential element of the market research will be the definition of an investment promotion strategy together with recommended promotion approaches for selected targets.

During the review period, USAID funding would be suspended for promotion activities whose past results have proven unsatisfactory, except in cases where specific USAID authorization is given. When the market research and investment promotion strategy studies are completed, USAID will review the results and make a decision whether to provide funding for recommended promotion activities.

At the end of the review year, USAID will arrange for a final project evaluation of ICP performance in carrying out the reorganization, market research and investment promotion strategy studies. This option assumes continuation of the original project design components and project termination dates. It assumes reduced inputs and outputs in attaining the basic project purpose.

## VI. RECOMMENDATIONS

In this section, we provide our principal recommendations regarding:

- o The AID project with ICP
- o A possible merger of ICP and IPCE.

### A. AID Project with ICP

#### 1. The Recommendation

In the above section, we listed four alternative solutions to the key issues identified in the project evaluation. They include:

- (1) Terminate AID support to the project
- (2) Restructure the project
- (3) Continue normal project implementation
- (4) Place project under review while carrying out institutional reorganization, essential market research and investment promotion market strategy studies.

We recommend that the Joint Committee select Alternative 4. Placing a troubled project under "review" is a standard AID procedure. The review period would begin June 1, 1986 and end a year later. During the review period, the project design and purpose would remain valid and the project assistance completion date (PACD) would remain as originally planned (August 31, 1987). The project inputs and outputs would be modified to reflect a reduced level of assistance and reduced expectations of ICP performance. The end of project status would be a reorganized ICP, perhaps smaller in size and with a less

ambitious scope of activities, with improved management and operational capacity to attract and service foreign and domestic investment. The reorganized ICP will also have completed essential market research and investment promotion strategy studies to provide it with well-defined targets and cost effective promotion approaches with which to guide its activities.

During the review period, the following would take place:

- o USAID would attempt to negotiate with the GOP satisfactory agreements on key institutional, management and financial issues which were identified in the evaluation. A significantly strengthened commitment of GOP support to this project should be a sine qua non for the continuation of AID support. In essence, the negotiation would have as its objective to reconfirm and reinforce the original commitments the GOP assumed when the project agreement was signed in 1983.
- o ICP should be subject to a comprehensive institutional reorganization to be carried out under the direction of qualified members of the Executive Committee of the Board of Director, working together with the Executive Director and assisted by a long-term organizational/management advisor to be financed by USAID. The reorganization would involve a redefinition of ICP's role and functions, an assessment of its organizational structure, a review of the functions, qualifications and performance of all ICP professional staff, a determination of appropriate staffing levels, the definition of management policies, procedures and the design and installation of key management systems and controls.
- o USAID and ICP will agree on a restricted program of technical assistance and training to attain specific short-term project objectives relating to improved management, market research to better target and define Panama's array of investment "products," and to define an investment promotion strategy to guide ICP efforts in this area. While the investment promotion strategy study is being carried out, AID support for ICP promotion activities (e.g. foreign promotional campaigns) would be suspended except for specific, justified

activities approved by USAID. Once the market research and investment promotion strategy studies are completed, USAID may agree to renew funding recommended investment promotion activities.

- o In June 1987, at the end of the review period, USAID would arrange for a scheduled final project evaluation to be conducted during July 1987. The evaluation would focus on ICP performance in meeting the overall project purpose and particularly those short-term objectives set for the review period. On the basis of final evaluation results, USAID can then decide to terminate the project on schedule or extend it if justified.

## 2. The Rationale

The basic rationale for this recommendation involves the following considerations:

- o We consider that while Panama's current investment climate may be less than desirable, it is still adequate to attract investors in certain industrial or service areas. As Panama proceeds to reform further its economic policies, the quality of its investment "product" should improve and make it easier to promote.
- o We reject Alternative 1--to recommend termination of AID support to ICP. To do so would most likely mean the dissolution of ICP in time and that Panama would cease to have an official investment promotion and service agency.

We firmly believe that developing countries need some official investment information and promotion service. Such an official entity is desirable even if private sector entities exist capable of carrying out active investment promotion activities. Many cities and states of the U.S.A., as well as most of Panama's neighbors in the region are, with AID assistance, actively competing for foreign investment. Investment promotion is an increasingly sophisticated and competitive art form all over the world. Panama should not walk away from that competition. If ICP disappears, it will probably be some time before a similar institution will take its place whether in the public or private sector. Panama must come up with some effective mechanism to perform this essential function.

The development of an investment promotion capability is inherently a long-term, complex proposition. Investments take two to five years or more to mature from inception to execution. Investment promotion does not generally yield quick results. It is a business that requires patience, diligence and persistence. We consider the ills that have afflicted ICP to date to be susceptible to remedial action. We do not consider ICP to be beyond treatment or recovery.

- o We also reject Alternative 2--to restructure the project and its components since the therapy needed to assist in ICP's recovery is readily available within the project's current design and structure. Assuming enhanced GOP and private sector support, the essential elements of therapy, technical assistance, training and some modest equipment are readily available within the existing project. The principal change recommended under this alternative is a reprogramming and sequencing of AID inputs to meet specific priority objectives of the review year program. These changes can be readily effected through USAID issuance of Project Implementation Letters (PILs) within the framework of the existing project. We see no useful purpose to be served by restructuring this project.
- o We reject Alternative 3 which provides for a normal continuation of project implementation according to the original project plan and in accordance with ICP's proposed 1986 work plan. ICP is an institution in trouble and it needs special therapy to cure its ills. Business-as-usual will not provide that therapy.
- o Finally, we have carefully assessed both the SRI "fundamental principles" for investment promotion programs, as well as our own "minimum environmental conditions for project success" as they apply to ICP's current situation. We consider that, on balance, the minimal environmental conditions for attaining the project purpose have a reasonable possibility to exist assuming:
  - satisfactory agreements between USAID and the GOP to resolve key institutional, managerial and financial issues affecting ICP
  - that a comprehensive reorganization of ICP is carried out

- efforts are made to significantly enhance private sector organizational support
- that the specific project activities proposed for the review year program are effectively implemented.

This judgment is based on our experience working with investment promotion agencies in a number of countries which, in varying degrees, have similar problems to those of ICP. We have made frequent references in our evaluation to the damaging effects of past institutional instability on ICP's functioning. Despite the unsettling impact of a proposed new reorganization, we see no feasible alternative if ICP is to overcome its serious institutional problems and merit continued USAID support.

3. Negotiations Between USAID and GOP on Key Project Issues

USAID and the GOP should enter into negotiations to arrive at satisfactory agreements on certain key institutional, managerial and financial issues identified in the evaluation. The conclusion of satisfactory agreements on these key issues should be a basic condition to continued USAID support of the project. The key issues relate to the following:

a. GOP Agreement to Carry Out an Institutional Reorganization of ICP

The Minister of MICI should be requested to approve the idea of an institutional reorganization of ICP. He should approve the scope of such a reorganization process, authorize the Executive Committee of the ICP Board of Directors and the

Executive Director to conduct the reorganization process. A well qualified long-term (one-year) organization and management advisor should be contracted to assist in the reorganization.

b. Role and Function of the ICP Board of Directors

- o USAID should press the Minister of MICI to get the President to designate a Board of Directors for ICP. ICP has been without a Board since late 1985 following the change in the Presidency.
- o USAID should negotiate with the Minister of MICI to define precisely the role and functions of the Board.

The purpose of this negotiation would be to permit the Board to function, to the maximum extent possible, as a directive rather than a purely advisory body as it has in the past.

The 1982 enabling decree as well as the Project Paper clearly envisioned the Board playing a directive role in formulating plans, policies, approving programs, work plans and draft budgets (subject to MICI and MIPPE approval).

The Board should function as closely as legally possible to a Board of Directors in a private corporation or foundation.

It should also play a key role in appointment of all senior ICP management officials and monitor program and financial performance.

We recommend that a senior USAID official, preferably at the Director or Deputy Director level, should serve as a nonvoting member of the Board. Such USAID participation would permit the Board to have the benefit of its consideration of policy, program and management issues and to inform the USAID officials of Board concerns on project implementation.

The agreed definition of the role and functions of the ICP Board of Directors should be documented in a new decree or in a special agreement between the GOP and USAID.

c. Establishment of a Private Sector Advisory Council to the ICP

There is a need for ICP to gain increased private sector organizational support if it is to attain its project purpose. During our interviews, officers of several private sector organizations indicated an interest in playing a more active role in assisting ICP development. The recent ICP-SIP agreement on information exchange is illustrative of the possibilities in this area. USAID should consider with the Minister of MICI the idea of establishing a Private Sector Advisory Council to the ICP. This suggestion assumes that the GOP agrees to permit ICP's Board of Directors to perform a directive function. The council would be composed of representatives of a selection of the major private sector organizations concerned with investment and trade. Possible organizational participation could include SIP, Camara de Comercio, Asociacion Bancaria, AMCHAM, Asociacion de Exportadores and CONEP. The Advisory Council would meet with the ICP Board and/or staff to exchange views on investment promotion matters of common interest and plan collaborative programs between their respective organizations and ICP. Such a council would be strictly advisory and would not have a role in policy or management of ICP. The establishment of such a Council would, in our opinion, contribute to strengthening private sector support for ICP and give it a constituency it has lacked in the past.

d. GOP Counterpart Contributions

A major source of concern to USAID has been serious shortfalls in planned GOP contributions to ICP during 1984 and 1985. There are indications that the GOP may increase its 1986 contribution to \$1.3 million against a planned contribution of \$2.67



million in the Project Paper. It is understandable that in periods of fiscal stringency, the GOP may have to cut back on its planned contribution to AID projects. But such reductions should be continually discussed and negotiated between the parties to ensure that for any GOP reduction, there would be corresponding reductions in USAID inputs, as well as a modification of projected outputs. Most important, whenever there is a GOP reduction in its contribution, agreement must be reached that a minimum percentage be allocated to nonsalary costs which will be applied to priority program activities. We estimate that at least 35 to 40 percent of GOP counterpart contributions should be provided for nonsalary costs.

e. Selection of Senior ICP Management Staff

The key problem for ICP recuperation is improved management. USAID should attempt to negotiate with MICI or ICP an agreed procedure for recruitment and selection of senior ICP management staff beneath the position of Executive Director. The object of the negotiation would be to ensure that position descriptions and qualification statements are carefully drawn, that a professional executive search is undertaken, that intensive screening by the Executive Director and the Board is completed. The purpose of this negotiation is to ensure that the ICP senior management staff is of highest professional quality and is insulated, to the extent possible, from political pressures and from institutional instability within the GOP.

4. Specific Project Recommendations

a. Institutional Development

(1) Contracting an Organization/Management Advisor

We recommend that ICP contract a long-term (one-year) expatriate organization/management advisor whose primary responsibility would be to advise on organization and management problems, assist in the design and installation of management systems and controls, and develop an in-house capability for organization/ methods analysis. The advisor would also focus on personnel and administrative functions. The advisor should report to the Executive Director. In addition to the advisor, ICP should consider contracting with a qualified consulting firm for short-term assistance to design and install essential management systems and to train staff in their operation.

(2) Carrying out a Comprehensive  
Institutional Reorganization of ICP

As indicated above, the GOP and USAID should agree that ICP will carry out an institutional reorganization. The reorganization should be directed by the Executive Committee of the ICP Board in close cooperation with the Executive Director. The scope of the reorganization should include a definition of ICP's role and functions, its organizational structure, an analysis of its appropriate staffing requirements and levels, a definition of management policies, practices to be documented in manuals and the design, installation of key management and control systems.

(3) Review of Qualifications/Performance of  
Professional Staff

We recommend that, as part of the reorganization exercise, the Executive Director and the Executive Committee of the Board of Directors undertake a review of the qualifications, background, competence and performance of all professional staff

including key managers. The review should focus on updated job descriptions, on experience and qualifications statements and written reports on personnel performance. The organization/management advisor will assist in this review.

(4) Establishment of Planning and Management Office

We recommend that ICP consider establishing a Planning and Management Office reporting to the Executive Director or his Deputy which would consolidate all staff functions which support line operations. The manager of this office, appropriately qualified, would have functional responsibilities for the following:

- o operational planning
- o accounting/budgeting
- o organization/methods analysis
- o management information systems, including data base information
- o personnel and training
- o general administration and services
- o ICP coordinator for the AID technical assistance project

A major cause of ICP's past management problems has been the dispersal of staff management functions among several offices. The consolidation of these functions into a single staff office should contribute to improved ICP operations.

(5) Organizational/Functional Relationship  
Between RDO and IPO

We recommend that the proposed management advisor give priority attention to the current organizational structure of the Research and Development Office and the Investment Promotion Office. The key issue here is the relationship between market research which will define the investment product and investment promotion which will attempt to sell the product. Since selling the product requires promoters with industrial/service sector specializations, the issue arises as to the appropriate division of labor between the offices and the desired qualifications and experience of staff in both offices. In addition, the advisor should review the appropriateness of the existing regional breakdown of responsibilities within the Investment Promotion Office.

(6) Computer Acquisition

ICP needs for a computer relate to internal management and establishing a publicly accessed data bank for disseminating and retrieving information for investors. We strongly recommend against the acquisition of the proposed super-mini/small main-frame computer, the specifications of which were communicated to USAID by ICP on September 26, 1986. Our reasons for this recommendation are:

- o ICP has not to date been able to develop and implement a basic management information system for its internal management needs with the microcomputer it now has.
- o There is considerable uncertainty about the true level of demand for a publicly accessed data bank, as well as an updated definition of information requirements related to such a data base. Above all, there are doubts about how the computer will meaningfully relate to ICP priority research and promotion needs.

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- o We question whether ICP currently has the management/technical capacity to effectively operate the proposed data base system.
- o It is important to note that AID documentation on the computer projects a procurement, installation and full implementation period of 18 to 25 months for the proposed super-mini/small mainframe computer. While the computer itself can be probably procured in 120 days, the effective development of the data base will involve an extended period of time with only limited benefits accruing during the remaining life of the project.
- o Since the Cocklin studies were conducted in 1983 and 1984, data base management technology has advanced considerably. It is now possible to develop a modest data base from a micro or personal computer, with appropriate investment promotion software packages or even subscribe to specialized data base services (e.g., Caribbean Basin Information Network operated by C/CAA, Dun & Bradstreet, Citibank, OPIC's Opportunity Bank etc).
- o Our research indicates that many investment promotion agencies in the CBI region use micro-computers to interconnect with specialized investment and export promotion data bases. By so doing, these agencies avoid the high costs of building and maintaining up-to-date their own data bases and pay only for their actual use of the outside data base services.
- o We are not satisfied that there exists an adequate feasibility study or plan which justifies the acquisition of the proposed computer.

We recommend that ICP obtain the services of a qualified systems analyst who can work together with ICP computer specialist--in defining its management information requirements. Such a systems analyst should also be familiar with specialized regional trade and investment data base services already available.

(7) Agreement between USAID and ICP on Project Evaluation Criteria and Methodology

We recommend that USAID and ICP on an urgent basis establish specific evaluation criteria and related methodology for measuring performance in meeting investment and employment targets.

b. Policy and Strategies

Aside from improved management, the most critical need for ICP is to initiate a carefully planned program of policy, as well as market/sectoral/product studies needed to assess Panama's comparative advantage in attracting potential investors and more precisely defining the country's investment product(s). Once such studies are completed, ICP should be able to identify a limited number of promising markets/sectors/products where it has proven comparative advantage and it can begin to devise a marketing strategy to guide promotion efforts. The targeted market/sector/product studies will generate sufficient information and analysis to permit the development of tailor-made market/sector/product-specific promotion strategies.

These targeting studies with their associated product-specific marketing strategies will provide input into a separate study to formulate an overall ICP investment promotion strategy. The study should be carefully designed to analyze the requirements, costs and benefits of alternative promotion approaches, but should also assess the respective capabilities of ICP, as well as private sector organizations (actual or prospective) to undertake specific types of investment promotion efforts. The purpose of this study should be to design an investment promotion strategy for the country indicating the best promotion approach for each sector/product to be carried out by ICP, a private organization or a combination of both.

The market research targeting studies and the overall investment promotion study could be two separate phases of a single contract or divided between two contractors. What is important is that the sector/product-specific targeting studies contain recommended promotion approaches that will provide input for the overall investment promotion strategy study. USAID and ICP have already developed general scopes of work for these studies.

Under the IQC contracts, ICP has the capability of contracting quickly for these studies. USAID funding for such studies is also available. Consideration should be given to undertaking the investment promotion strategy study after the sector/product targeting studies are well advanced in order to incorporate the promotion approaches tailor made to promising markets, sectors or products.

The targeting and investment promotion strategy studies should be collaborative efforts between the consultant and RDO staff. However, if the learning experience (on-the-job training) of IPC staff is to be maximized, then care must be taken to select RDO staff with the requisite training and qualifications to take advantage of the study process.

c. Investment Promotion

We recommend that during the review year, AID support for ICP promotional campaigns, missions, overseas offices be suspended. We specifically refer to untargeted, cold calling visits to potential investors with general presentations of Panama's investment advantages. During this period, AID should consider funding, on a case-by-case basis, ICP requests for attendance at investment forums, seminars, or specific promotional activities in pursuit of "hot" prospects or where there exists solid

technical justification. USAID and ICP should work out agreed criteria for eligible types of promotion activities that will be funded by AID during the early part of the review period when the technical studies are underway.

Once the consultants have completed their targeting and investment promotion strategy studies, USAID may agree with ICP to fund recommended promotion activities including training. During the period (we estimate about three to four months) when the targeting and investment promotion strategy studies are underway, the work load of the Investment Promotion Office will be significantly reduced. ICP promoters may be usefully occupied in working with the consultants in carrying out research tasks related to the studies.

d. Investor Services

We recommend that USAID funding for investor services activities be maintained at planned levels. Action should also be taken, in consultation with the proposed management advisor, to resolve the long-standing uncertainty over the division of labor between Investor Services and the Reception Unit, presently located in the Investment Promotion Office.

We recommend that the Investor Services Office prepare its own operational plans geared to the priority investment targets selected and the recommended investment promotion strategy.

We also recommend that the staff of ISO be actively involved in the information requirements definition of the proposed new study on ICP's management information requirements, as well as the targeting studies are being carried out by RDO. This suggestion takes into account ISO's need to have access to a wide



range of data to serve its clients and highlights the point that RDO informational output can be as relevant to Investor Services needs as to those of Investment Promotion in the conduct of their respective functions.

5. Project Description of Proposed ICP Activities for the Review Year 1986/87

a. Project Purpose

The project purpose would remain the same. Since activity during the review year will be primarily devoted to institutional reorganization and carrying out market research and an investment promotion strategy, there will be a reduction of overseas investment promotion activities. These studies should take up some three to five months to complete. Accordingly, we consider it unrealistic to try to quantify investment or employment targets for the review year.

The end of project status will be a reorganized ICP, smaller in size with revised priorities and a more modest scope of activities but with better organized and managed investment research, information, promotion and service capabilities. Priorities will shift more to market research, improved investor services and a reduced level of highly targeted, selective investment promotion activities, some of which will possibly be carried on in conjunction with private sector organizations.

In Exhibit VI-1, we include a proposed implementation plan and schedule for ICP activities under the project during the review year starting June 1, 1986.

b. Project Components/Outputs

EXHIBIT VI-1  
 SUMMARY OF  
 PROPOSED IMPLEMENTATION PLAN  
 FOR REVIEW PERIOD

Elapsed Time in Months

Task No.	TASK DESCRIPTION	TASK PURPOSE	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
1.0	NEGOTIATE WITH GOP (MICI AND MIPPE) ON KEY ISSUES FOR PROJECT CONTINUATION (Pg. VI-5)	Establish agreed basis for continuation of the project	-----																
	PHASE A																		
2.0	INSTITUTIONAL DEVELOPMENT TASKS (Pg. VI-8)	Define specific ICP activities to be supported by AID in review period.		-----															
3.0	DESIGNATION OF BOARD OF DIRECTORS AND PRIVATE SECTOR ADVISORY COUNCIL (Pg. VI-6)	Establish ICP Directive and Advisory Groups.	-----																
4.0	IMPLEMENT ICP REORGANIZATION (Pg. VI-9)	Carry out ICP reorganization.			-----														
5.0	MANAGEMENT SYSTEM DESIGN AND INSTALLATION (Pg. VI-11)	Design, install key management policies, systems; train staff; prepare manuals.			-----														
	PHASE B																		
6.0	MARKET RESEARCH PROGRAM: CONDUCT MARKET RESEARCH AND POLICY STUDIES (Pg. VI-13)	Determine research plan; define as specifically as possible Panama's priority investment product(s) & services. Conduct policy studies.			-----														
	PHASE C																		
7.0	INVESTMENT PROMOTION STRATEGY DEVELOPMENT (Pg. VI-14)	Define strategy for promotion of targeted products/services identified in Task 6.0.				-----													
	PHASE D																		
8.0	INVESTOR SERVICES STRATEGY (Pg. VI-15)	Prepare ICP strategy for providing investor services and information adapted to targeted products/services and approved promotion strategy as in Tasks 6 & 7.				-----													
9.0	CONDUCT FINAL PROJECT EVALUATION OF ICP PERFORMANCE (Pg. VI-3)	Evaluate ICP performance in attaining original and modified project targets and determine future purpose of USAID-ICP relationship.																-----	

----- Indicates periods of planning and design of reorganization process.

----- Indicates ongoing, implementation actions.

DETAIL OF  
 PROPOSED IMPLEMENTATION PLAN  
 FOR REVIEW PERIOD

Elapsed Time in Months

Task No.	TASK DESCRIPTION	TASK PURPOSE	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
PHASE A																		
1.0	NEGOTIATE WITH GOP (RICI AND MIPEE) ON KEY ISSUES FOR PROJECT CONTINUATION	Establish agreed basis for continuation of the project the review year.	-----															
.1	Successful negotiation: Obtain written agreements on basis for continuing projects.																	
.2	Unsuccessful negotiation: Take steps to terminate project.																	
2.0	INSTITUTIONAL DEVELOPMENT TASKS	To define specific ICP activities to be supported by AID in review period.	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
.1	Contract ORG/MGT consultant.		-----															
.2	ICP prepares work plan and budget in accordance with review year programs.			-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
.3	USAID approves review year work plans and budget.				-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
.4	ICP executes approved workplan.				-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
3.0	GOP DESIGNATES BOARD OF DIRECTORS AND PRIVATE SECTOR ADVISORY COUNCIL	To establish ICP Directive and Advisory Groups	-----															
.1	Designate Board of Directors and Executive Committee defines new functions.		-----															
.2	Designate Private Sector Advisory Council to ICP.			-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

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DETAIL OF  
 PROPOSED IMPLEMENTATION PLAN  
 FOR REVIEW PERIOD

Elapsed Time in Months

Task No.	TASK DESCRIPTION	TASK PURPOSE	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
5.0	MANAGEMENT DESIGN SYSTEM AND INSTALLATION	To design, install key management policies, systems; train staff; prepare manuals.																	
.1	Design, install management information system for internal management and for data base information requirements; train staff; select procure computers.																		
.2	Design, install planning/budgeting system; train staff; prepare manuals.																		
.3	Design, install accounting system, including cost accounting system; train staff; prepare manuals.																		
.4	Design procurement/contracting system; train staff; prepare manuals.																		
.5	Design, install personnel management and evaluation system; train staff; prepare manuals.																		
.6	Design, install project activity monitoring system; train staff.																		

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DETAIL OF  
 PROPOSED IMPLEMENTATION PLAN  
 FOR REVIEW PERIOD

Elapsed Time in Months

Task No.	TASK DESCRIPTION	TASK PURPOSE	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
<b>PHASE B</b>																			
6.0	MARKET RESEARCH PROGRAM CONDUCT MARKET RESEARCH & POLICY STUDIES	Determine research plan; define as specifically as possible Panama's priority investment product(s) & services. Conduct policy studies.																	
.1	Prepare research plan for review period with consultants.																		
.2	Execute research plan with priority to market research in target priorities for investment.																		
<b>PHASE C</b>																			
7.0	INVESTMENT PROMOTION STRATEGY DEVELOPMENT	To define strategy for promoting the targeted products/services identified in Task 6.0.																	
.1	Define investment promotion strategy.																		
.2	Define specific tailor-made promotion strategy for priority markets/sectors/products targeted in Task 6.2.																		
.3	Prepare investment promotion work plan in accordance with approved strategy.																		
.4	Execute work plan.																		

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EXHIBIT VI-1  
 DETAIL OF  
 PROPOSED IMPLEMENTATION PLAN  
 FOR REVIEW PERIOD

Elapsed Time in Months

Task No.	TASK DESCRIPTION	TASK PURPOSE	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	
			1	2	3	4	5	6	7	6	9	10	11	12	13	14	15	16	
PHASE D																			
8.0	INVESTOR SERVICES STRATEGY	To prepare an ICP strategy for providing investor services and information adapted to targeted products/services and approved promotion strategy as in Tasks 6.0 & 7.0.																	
.1	Define improved and information services strategy, roles and functions.																		
.2	Adapt and revise investor services strategy in accordance with results in Tasks 6.0 & 7.0.																		
.3	Prepare investor services and information work plan for review period.																		
.4	Execute work plan.																		
9.0	CONDUCT FINAL PROJECT EVALUATION OF ICP PERFORMANCE	Evaluate ICP performance in attaining original and modified project targets and determine future purpose of USAID-ICP relationship.																	
.1	Contract consultants.																		
.2	Conduct evaluation.																		
.3	On basis of evaluation results, USAID-ICP determine project future.																		

11/1

The objective is a reorganized, revitalized ICP with a qualified management team, with proven capability in planning, executing, coordinating, reporting and evaluating its activities.

Proposed activities during the review year include:

- o Reorganization. An institutional reorganization will be carried out by the Executive Committee of the Board and the Executive Director assisted by the Organization/Management Advisor.
- o Contract Organization/Management Advisor. ICP should use AID funds to contract an organization/management advisor for one year to assist in the reorganization process, to establish basic organization/management policies, practices and procedures. ICP may also require more specialized short term consultants to design and install planning and budgeting, personnel, accounting and procurement systems.

Estimated Cost: \$250,000

- o Information Management. ICP should contract with an experienced management information consultant, with strong systems analysis background, to work with ICP computer specialists in carrying out an information requirements definition, designing an appropriate management information system for internal management and data base needs, recommend software/hardware configuration, help ICP in equipment procurement, installation and training. The consultant should also have information on existing investment/export promotion data bases, software and related subscription services accessible on a micro-computer.

Estimated Cost: \$50,000

- o Procure two micro-(personal) computers.

Estimated Cost: \$15,000

- o Training: To be determined by ICP organizational/management advisor basis of new training needs assessment for the entire institution.

Estimated Cost: To be determined



(2) Policy and Strategy

During the review year, increased management attention and resources will be focused on the Research and Development Office (RDO).

The principal activities for the year will be:

- a. Prepare a program of studies to be undertaken during the year.
- b. Initiate a series of market/sector/product studies to identify and target promising areas in which Panama has comparative advantage in attracting investments. Such market, sector and product studies should also determine and recommend tailor-made promotion techniques for each.
- c. Develop a systematic program of data collection to input into ICP data bank and to serve RDO in providing information to other ICP offices, other GOP agencies and responding to private sector inquiries.

Under existing IQC contracts, the contracting means and USAID funds are available to finance these activities. USAID and ICP have already prepared general plans and scope of work for these studies. The IQC contractor(s) should participate with ICP/RDO staff in defining the detailed scopes of work before they are set forth in work orders.

Estimated Costs: \$250,000

(3) Investment Promotion Office (IPO)

During the review year, the principal activity proposed for IPO will be the formulation of an investment promotion strategy and a related action plan. Based on the results of the market research and targeting studies, IPO, with the assistance of the

consultants, will develop a tailor-made promotion plans for each of the targeted markets/sectors/products selected. The investment promotion strategy study should not begin until the market research targeting studies are well advanced so that the promotion strategy study will be able to incorporate tailor-made promotion techniques for the most promising sectors/projects identified. The study will also include a detailed action plan for implementing the general strategy and sector/product specific promotion activities. The study should also recommend the most appropriate manner in which private sector organizations (existing or prospective) can arrange a division of labor with ICP in carrying out a portion of the promotion efforts. Key areas for examination would be to determine to what extent ICP should get involved in trying to promote specific investor deals on a company by company basis or confine its promotion activities to serving as a catalyst in bringing together potential investors and letting them privately self-select their proposed investments. In other words, should ICP promoters try to promote specific investment deals or should they simply try to serve as a catalyst in connecting and assisting investors who would do their own deals. Once the investment promotion strategy study is completed, USAID will review it and consider which, if any, part of the recommended strategy and action plan it wishes to finance during the remainder of the review year or beyond.

Estimated Costs: \$100,000

In addition to the investment promotion strategy study, a special study should be made of promising investment project opportunities in Panama, whose sponsors are interested in joint venture arrangements in either manufacturing or services export activities.

Estimated Costs: \$50,000

During the review year, USAID support for overseas promotion missions will be curtailed. USAID and ICP should develop criteria to determine what type of specialized promotion activities (e.g., seminars) will be funded during the review year.

(4) Investor Services (ISO)

The planned program of USAID support for Investor Services Office activities will be carried on in accordance with the project plan. To the extent that demand for its services or a redefinition of its functions merit more USAID support, these requests should be incorporated in quarterly work plans and be approved by USAID.

Summary of Estimated USAID Costs For 1986/87 "Review  
Year Activities Total in \$

1. Institutional Development

a)	Long Term (1 year) Organization/Management Advisor and Related Consultant Services	\$250,000
b)	Management Information Systems (MIS) Consultant	50,000
c)	Computers (micro, personal)	15,000
d)	Training (to be determined)	N.A.
e)	AID Project Liaison Officer	100,000
f)	Final Project Evaluation	60,000
		<u>\$475,000</u>

2. Policies and Strategies

a)	Market Research/Targeting Studies	\$250,000
		<u>\$250,000</u>

3. Investment Promotion

a)	Investment Promotion Strategy Study	\$100,000
b)	Panama Investment Opportunities Study	50,000
		<u>\$150,000</u>

4. Investor Services

(in accordance with original planned program)	<u>\$ 32,000</u>
--	------------------

Total USAID Estimated Review Year Costs, Exclusive of Training.	<u>\$907,000</u>
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B. Possible Merger of ICP with IPCE (Panamanian Institute of Foreign Commerce)

In the course of our evaluation, we heard repeated recommendations from a number of GOP and private sources about the possibility and desirability of merging ICP and IPCE into a single autonomous entity within MICI dedicated to export and investment promotion. IPCE is an autonomous entity within MICI responsible for export promotion and administering export incentive programs.

The rationale behind this recommendation appears to be that most new investment is export oriented; the data base and market research needed to promote exports and investments are basically the same and the marketing/promotion strategies for exports and investments are quite similar. In addition, the interaction and feedback between the clientele of ICP and IPCE could be mutually reinforcing. Finally, in these days of budgetary stringency, there are economies of scale to be achieved in merging these two fundamentally complementary functions within MICI.

The Team's analysis of the available market research, from the Arthur D. Little Industrial Strategy Study, as well as other studies, together with our review of the the data base information requirements that had been developed for ICP indicates that similar data could prove useful for IPCE in its promotion activities.

The Team had one interview with the Director of IPCE to inquire as to the scope of its functions. Otherwise, we made no special effort to study IPCE's organization, management or operations since it was beyond our scope of work. Nevertheless, we know from experience that many other developing countries combine effectively their investment and export promotion activities.

While the promotion techniques relevant to exports and investment vary occasionally according to sector and product, there are, in large measure, more similarities than differences. We therefore recommend that USAID initiate high level discussions with GOP officials to determine the feasibility of an ICP-IPCE merger from a political, legal and operational viewpoint.

We understand that this proposed merger has been considered in the past, most recently in 1985 by the former President of the Republic. Depending on the GOP reaction to this idea, USAID may find a way to serve both investment and export promotion in a cost-effective manner and at the same time advance Panama's investment and employment goals.

LIST OF PEOPLE INTERVIEWED\*

ICP:

A. Alvarado -- Investor Services  
M. Arosomena -- Special Events  
E. Botello -- Administration  
C. Carbonel -- U.S.A.  
J. Carrasco -- Research and Development  
R. Carrillo -- Marketing  
S. Cohen -- Legal Advisor  
J. Garcia -- Marketing  
M. Harrington -- Investment Promotion  
J. Illueca -- Europe  
L. Ng -- Case Officer  
L. Ortega -- Research and Development  
T. Paredes -- Research and Development  
G. Pelaez -- Deputy Director  
M. Solis -- Case Officer  
E. Sollas -- Investment Promotion  
J. Sosa -- Executive Director  
J. Unamuno -- Investor Services  
H. Villamil -- UNIDO Advisor

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\*Does not include the face-to-face and phone interviews conducted in the survey. These are included in Annex D.

AID:

- A. Broehl -- Deputy Director, Private Sector Development Division  
USAID
- W. Campbell -- ICP Project Office, USAID
- C. Carbonell -- Capital Development Assistant, USAID
- R. Gomez -- Former USAID/Panama Director
- M. Hacker -- Capital Development Officer, USAID
- R. Levin -- Mission Director, USAID
- J. Lovaas -- Deputy Mission Director, USAID
- B. Masters -- Development Planning Officer, USAID
- K. Neva -- Former ICP Project Officer, USAID
- F. Pope -- Evaluation Officer, USAID
- S. Ryner -- Former Private Sector Development Officer, USAID  
now in AID/W
- C. Samii -- Consultant who participated in preparation of ICP  
Project Paper
- F. Skowronski -- Director, Private Sector Development Division,  
USAID

AMERICAN EMBASSY:

- W. Pryce -- DCM
- S. Starret -- Commercial Attache
- P. Trivelli -- Economic Officer

GOP OFFICIALS

- J. Cardenas -- Minister of Commerce and Industry
- R. Vasquez -- Minister of Planning and Economic Policy
- P. Leighnadier -- IPCE Director



PRIVATE SECTOR

R. Aleman -- Lawyer, Former Ambassador to U.S.  
R. Barraza -- SIP  
L. Berger -- SUPRO - Acting ICP Board Chairman  
G. Chapman -- Economist  
R. Cooney -- Citibank  
F. Denton -- AMCHAM  
D. Gonzales -- CONEP  
F. Humbert -- Banco General  
R. Icaza -- AMCHAM  
F. Kardonski -- (Former Executive Director)  
H. Linero -- DELANCO  
W. Luthi -- Union Suisse Bank  
F. Maduro -- Camara De Comercio  
F. Manfredo -- Panama Canal Commission, Deputy Administrator  
G. Martin -- ICP Board member  
L. Moreno -- Chase Manhattan Bank, (ICP Board Member)  
A. Navarro -- Former ICP Executive Director  
J. de la Ossa -- Citibank/New York, Former Finance Minister  
W. Riley -- AMCHAM  
D. Selles -- Asociacion de Exportadores (APEX)  
J. Sosa -- AMCHAM  
J. Salterio -- Marine Midland Bank  
P. Smith -- Asociacion Bancaria  
M. Typaldos -- Caja de Ahorros, Former ICP Executive Director

OTHERS

- E. Abello -- IFC/World Bank
- A. Abdel-Ety -- World Bank Loan Officer for Panama
- C. Fisher -- OPIC Officer for Panama
- L. Jackson & F. Sanchez -- CONATO
- F. Tower -- Office in Charge of Panama, U.S. Department of  
Commerce
- M. Reyes Vidal -- Industrial Programs Officer for Panama  
World Bank

ANNEX B:  
SELECTED DECREES

DECRETO NUMERO 79  
(de 12 de Agosto de 1982)



Por medio del cual se crea un Organismo para la Promoción de las Inversiones Nacionales y Extranjeras en Panamá, denominado CONSEJO NACIONAL DE INVERSIONES.

EL PRESIDENTE DE LA REPUBLICA  
en uso de sus facultades legales,

DECRETA :

ARTICULO 1o. : Créase un Organismo denominado CONSEJO NACIONAL DE INVERSIONES, adscrito al Ministerio de la Presidencia, con el propósito de promover las inversiones privadas nacionales y extranjeras en Panamá, de acuerdo con los planes, estrategias y políticas de desarrollo establecidos por el Organo Ejecutivo.

ARTICULO 2o. : Este Organismo estará administrado por un Comité y una Dirección Ejecutiva. El Comité estará integrado por trece miembros que tendrán derecho a voz y voto a saber:

- A. Ocho Consejeros y un Director Ejecutivo escogido dentro del Sector Privado.
- B. El Ministro de Comercio e Industrias
- C. El Gerente General de la Corporación Financiera Nacional.
- CH. El Gerente General del Instituto Panameño de Turismo.
- D. El Gerente General de la Zona Libre de Colón.

El Presidente del Comité será escogido por el Presidente de la República de entre los miembros del Sector Privado.

El Director Ejecutivo no podrá ser Presidente del Comité.

ARTICULO 3o. : El Comité tendrá las siguientes funciones:

- A. Formular los programas de inversiones privadas nacionales y extranjeras y recomendar las acciones que deberá seguir el Organo Ejecutivo en materia de inversiones.
- B. Efectuar recomendaciones al Organo Ejecutivo sobre las leyes de incentivos a las inversiones privadas o cualquier otro tipo de legislación que pueda incidir en la promoción de inversiones.
- C. Cumplir y hacer cumplir cualquiera otra tarea que le asigne el Organo Ejecutivo.

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ARTICULO 4o: El Comité deberá aprobar el ante-proyecto de Presupuesto para el adecuado funcionamiento del Consejo Nacional de Inversiones. Los fondos para el funcionamiento serán administrados por la Dirección Ejecutiva del Programa y sus desembolsos serán refrendados por el Auditor de la Contraloría General de la República asignado.

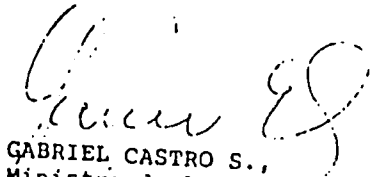
ARTICULO 5o: La Dirección Ejecutiva ejecutará las políticas dictadas por el Comité y tendrá a su cargo la administración de la coordinación de los programas. Esta Dirección estará a cargo de un Director Ejecutivo, y el personal que se estime necesario para el buen funcionamiento del Organismo.

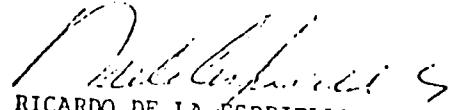
ARTICULO 6o: Para el propósito de garantizar la realización de los programas, la Dirección Ejecutiva tendrá las siguientes funciones:

- A. Fomentar planes de inversiones que coadyuven a la creación de empleos.
- B. Identificar aquellos sectores específicos del sector económico que ofrezcan oportunidades, particularmente atractivos a los inversionistas tomando en consideración las necesidades y ventajas de cada región del país.
- C. Determinar aquellas industrias que ayuden a ampliar la base industrial de Panamá.
- D. Identificar y analizar las oportunidades de inversiones específicas y proponerlas a los inversionistas potenciales.
- E. Organizar actividades de promoción de inversiones en Panamá y en el extranjero.
- F. Asesorar a los inversionistas en sus planes de desarrollo de nuevos proyectos o ampliar los ya existentes, facilitándoles la ejecución de dichos planes.
- G. Administrar y determinar los programas de incentivos a la inversión que puedan ejecutarse en Panamá, efectuando además recomendaciones y revisiones de dichos programas.

COMUNIQUESE Y PUBLIQUESE

Dado en la ciudad de Panamá, a los 12 días del mes de agosto de mil novecientos ochenta y dos.

  
GABRIEL CASTRO S.,  
Ministro de la Presidencia

  
RICARDO DE LA ESPRIELLA T.,  
Presidente de la República

Decreto No. 114

(de 16da dic de 1982)

Por medio del cual se modifica el Decreto No. 79 de 12 de agosto de 1982, mediante el cual se creó un organismo para la Promoción de las Inversiones Nacionales y Extranjeras en Panamá, denominado Consejo Nacional de Inversiones.

El Presidente de la República  
en uso de sus facultades legales.

D E C R E T A :

Artículo 1o.: El Artículo 1o. del Decreto No. 79 de 12 de agosto de 1982, quedará así:

"Artículo 1o. Créase un Organismo denominado Consejo Nacional de Inversiones, adscrito al Ministerio de Comercio e Industrias, con el propósito de promover las inversiones privadas nacionales y extranjeras en Panamá, de acuerdo a los planes, estrategias y políticas de desarrollo establecidas por el Órgano Ejecutivo".

COMUNIQUESE Y PUBLIQUESE,

Dado en la ciudad de Panamá a los 16 días del mes de dic  
de mil novecientos ochenta y tres

RICARDO DE LA ESPRIELLA T.,  
Presidente de la República

MARIO DE DIEGO JR.,  
Ministro de la Presidencia

*[Handwritten signature]*

DECRETO N° 9

(de 28 de septiembre de 1985)



"Por el cual se dictan algunas disposiciones relativas al Consejo Nacional de Inversiones"

EL PRESIDENTE DE LA REPUBLICA  
en uso de sus facultades legales,

D E C R E T A :

ARTICULO PRIMERO : El Consejo Nacional de Inversiones, creado mediante Decreto Ejecutivo N° 79 de 12 de agosto de 1982, se regirá en lo sucesivo por las disposiciones del presente Decreto.

ARTICULO SEGUNDO : El Consejo Nacional de Inversiones estará adscrito al Ministerio de Comercio e Industrias y tendrá como objetivo fundamental la promoción de la inversión privada, nacional o extranjera, en la República de Panamá.

ARTICULO TERCERO : El Consejo Nacional de Inversiones será dirigido por un Comité Ejecutivo y administrado por un Director Ejecutivo.

ARTICULO CUARTO : El Comité Ejecutivo establecerá las políticas del Consejo Nacional de Inversiones, las cuales deberán ser consistentes con la política, planes y estrategias de desarrollo económico del Organismo Ejecutivo, formuladas a través del Ministerio de Comercio e Industrias; y estará integrado de la siguiente manera:

- a) El Ministro de Comercio e Industrias;
- b) El Ministro de Planificación y Política Económica;
- c) El Gerente General del Instituto Panameño de Turismo;
- d) El Gerente General de la Corporación Financiera Nacional;
- e) El Gerente General de la Zona Libre de Colón;
- f) Nueve (9) representantes del Sector Privado.

PARAGRAFO 1º : El Comité Ejecutivo tendrá un Presidente y un Secretario. El Presidente del Comité será designado por el Presidente de la República, de entre los Miembros del mismo. El Secretario del Comité será el Director Ejecutivo del Consejo.

Es copia auténtica de su Original

Fecha: 28 de Septiembre de 1985

DIRECCION ADMINISTRATIVA

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PARAGRAFO 2º : Cada Miembro del Comité Ejecutivo tendrá su respectivo Suplente, quien lo reemplazará en sus ausencias temporales o accidentales. Los Suplentes de los Ministros de Estado y Gerentes de las entidades autónomas, serán los Viceministros y Sub-Gerentes, respectivamente. Los Suplentes de los representantes del Sector Privado serán designados por el Organó Ejecutivo, en la misma forma que sus principales.

PARAGRAFO TRANSITORIO : Ratificanse los nombramientos de los representantes del Sector Privado ante el Comité Ejecutivo del Consejo Nacional de Inversiones y del Director Ejecutivo, realizados mediante Decretos N.º.2 de 10 de enero de 1985 y N.º.168 de 21 de diciembre de 1984, respectivamente.

ARTICULO QUINTO : El Comité Ejecutivo tendrá las siguientes funciones:

- a) Formular los programas de promoción de inversiones privadas, por parte de empresas nacionales o extranjeras, y recomendar al Organó Ejecutivo las acciones a seguir en materia de promoción de inversiones.
- b) Formular recomendaciones al Organó Ejecutivo sobre legislación de incentivos a las inversiones privadas o cualquier otra materia legislativa que pueda incidir en la promoción de inversiones.
- c) Aprobar la organización interna del Consejo y, en general, adoptar las medidas que estime convenientes o necesarias para el adecuado funcionamiento del mismo.
- d) Aprobar el Ante-Proyecto de Presupuesto y someterlo a la consideración de las autoridades competentes.
- e) Dictar el Reglamento Interno.
- f) Cualesquiera otras funciones que le asigne el Organó Ejecutivo, por conducto del Ministerio de Comercio e Industrias.

ARTICULO SEXTO : La dirección ejecutiva y la administración del Consejo estarán a cargo del Director Ejecutivo, quien coordinará y velará por la ejecución de las políticas, planes y proyectos establecidos por el Comité Ejecutivo, y contará con las unidades administrativas necesarias para tales fines.

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ARTICULO SEPTIMO : El Director Ejecutivo del Consejo tendrá las siguientes funciones:

- a) Ejecutar las políticas determinadas por el Comité Ejecutivo.
- b) Fomentar planes de inversiones que conduzcan a la creación de empleos.
- c) Identificar áreas especiales del Sector Económico, que ofrezcan oportunidades especialmente atractivas a los inversionistas, tomando en consideración las necesidades y ventajas de cada región del País.
- d) Determinar aquellas empresas que ayudan a ampliar la base industrial del País.
- e) Identificar y analizar las oportunidades de inversiones específicas y proponerlas a los inversionistas potenciales.
- f) Organizar actividades de promoción de inversiones en Panamá y en el extranjero.
- g) Asesorar a inversionistas en la puesta en marcha de nuevos proyectos y en la ampliación de los existentes y conducir con éstos, en forma activa y eficiente, ante las autoridades públicas, a fin de que sus peticiones relacionadas con el desarrollo de los proyectos se lleven a cabo en forma ágil y eficiente.
- h) Promover los programas de incentivos a la inversión que puedan ejecutarse en Panamá y recomendar de tiempo en tiempo, las revisiones que se estimen convenientes.

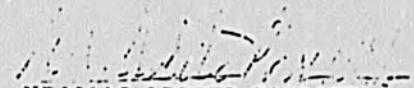
✓ { ARTICULO OCTAVO : El personal, bienes y asignaciones presupuestarias del Consejo Nacional de Inversiones se transfieren al Ministerio de Comercio e Industrias. El manejo de las asignaciones presupuestarias y la utilización de los recursos asignados al Consejo Nacional de Inversiones estará a cargo de la Dirección Ejecutiva y la fiscalización de la Contraloría General de la República.

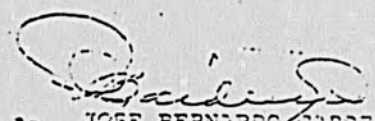
ARTICULO NOVENO : El presente Decreto entrará en vigencia a partir de su promulgación y se aplicarán las disposiciones que le sean contrarias.

COMUNIQUESE Y PUBLIQUESE.

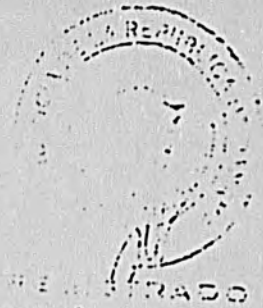
257

Dado en la ciudad de Panamá, a los 28 días del mes de ~~junio~~ de mil novecientos ochenta y cinco.

  
NICOLÁS ARDITO BARLETTA  
Presidente de la República

  
JOSE BERNARDO CARDENAS  
Ministro de Comercio e  
Industrias

DECRETO N<sup>o</sup> 9  
(de 28 de febrero de 1985)



"Por el cual se dictan algunas disposiciones relativas al Consejo Nacional de Inversiones".

EL PRESIDENTE DE LA REPUBLICA  
en uso de sus facultades legales,

DECRETA:

ARTICULO PRIMERO : El Consejo Nacional de Inversiones, creado mediante Decreto Ejecutivo N<sup>o</sup> 79 de 12 de agosto de 1982, se regirá en lo sucesivo por las disposiciones del presente Decreto.

ARTICULO SEGUNDO : El Consejo Nacional de Inversiones estará adscrito al Ministerio de Comercio e Industrias y tendrá como objetivo fundamental la promoción de la inversión privada, nacional o extranjera, en la República de Panamá.

ARTICULO TERCERO : El Consejo Nacional de Inversiones será dirigido por un Comité Ejecutivo y administrado por un Director Ejecutivo.

ARTICULO CUARTO : El Comité Ejecutivo establecerá las políticas del Consejo Nacional de Inversiones, las cuales deberán ser consistentes con la política, planes y estrategias de desarrollo económico del Organismo Ejecutivo, formuladas a través del Ministerio de Comercio e Industrias; y estará integrado de la siguiente manera:

- a) El Ministro de Comercio e Industrias;
- b) El Ministro de Planificación y Política Económica;
- c) El Gerente General del Instituto Panameño de Turismo;
- d) El Gerente General de la Corporación Financiera Nacional;
- e) El Gerente General de la Zona Libre de Colón;
- f) Nueve (9) representantes del Sector Privado.

PARAGRAFO 1<sup>o</sup> : El Comité Ejecutivo tendrá un Presidente y un Secretario. El Presidente del Comité será designado por el Presidente de la República. Se entre los Miembros del mismo. El Secretario del Comité será el Director Ejecutivo del Consejo.

Es copia auténtica de su Original  
Panamá, Panamá, Panamá, 19 de febrero de 1985  
  
DIRECCION ADMINISTRATIVA

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PARAGRAFO 2º : Cada Miembro del Comité Ejecutivo tendrá su respectivo Suplente, -quien lo reemplazará en sus ausencias temporales o accidentales. Los Suplentes de los Ministros de Estado y Gerentes de las entidades autónomas, serán los Viceministros y Sub-Gerentes, respectivamente. Los Suplentes de los representantes del Sector Privado serán designados por el Órgano Ejecutivo, en la misma forma que sus principales. ..

PARAGRAFO TRANSITORIO : Ratifíquense los nombramientos de los representantes del Sector Privado ante el Comité Ejecutivo del Consejo Nacional de Inversiones y del Director Ejecutivo, realizados mediante Decretos Nº.2 de 10 de enero de 1985 y Nº.152 de 21 de diciembre de 1984, respectivamente.

ARTICULO QUINTO : El Comité Ejecutivo tendrá las siguientes funciones:

- a) Formular los programas de promoción de inversiones privadas, por parte de empresas nacionales o extranjeras, y recomendar al Órgano Ejecutivo las acciones a seguir en materia de promoción de inversiones.
- b) Formular recomendaciones al Órgano Ejecutivo sobre legislación de incentivos a las inversiones privadas o cualquier otra materia legislativa que pueda incidir en la promoción de inversiones.
- c) Aprobar la organización interna del Consejo y, en general, adoptar las medidas que estime convenientes o necesarias para el adecuado funcionamiento del mismo.
- d) Aprobar el Ante-Proyecto de Presupuesto y someterlo a la consideración de las autoridades competentes.
- e) Dictar el Reglamento Interno.
- f) Cualesquiera otras funciones que le asigne el Órgano Ejecutivo, por conducto del Ministerio de Comercio e Industrias.

ARTICULO SEXTO : La dirección ejecutiva y la administración del Consejo recaerá a cargo del Director Ejecutivo, quien coordinará y velará por la ejecución de las políticas, planes y proyectos establecidos por el Comité Ejecutivo, y contará con las unidades administrativas necesarias para tales fines.

ARTICULO SEPTIMO : El Director Ejecutivo del Consejo tendrá a su cargo las siguientes funciones:

- a) Ejecutar las políticas establecidas por el Comité Ejecutivo.
- b) Fomentar planes de inversiones que conduzcan a la creación de empleos.
- c) Identificar áreas especiales del Sector Económico, que ofrezcan oportunidades especialmente atractivas a los inversionistas, tomando en consideración las condiciones y ventajas de cada región del País.
- d) Determinar aquellas actividades que ayuden a ampliar la base industrial del País.
- e) Identificar y analizar las oportunidades de inversiones específicas, y proporcionar a los inversionistas potenciales toda la información necesaria.
- f) Organizar actividades de promoción de inversiones en Panamá y en el extranjero.
- g) Asesorar a inversionistas en la puesta en marcha de nuevos proyectos, en la asesoría de los inversionistas y en la coordinación, en forma activa y eficiente, con las autoridades públicas, a fin de que las actividades relacionadas con el desarrollo de los proyectos se lleven a cabo en forma rápida y eficiente.
- h) Promover los programas de incentivos a la inversión que puedan aplicarse en Panamá y recomendar de tiempo en tiempo, las revisiones que se estimen convenientes.

✓✓ { ARTICULO OCTAVO : El personal, bienes y asignaciones presupuestarias del Departamento de Inversiones se transfieren al Ministerio de Comercio e Industrias. El manejo de las asignaciones presupuestarias y la utilización de los recursos asignados al Consejo de Inversiones estará a cargo de la Sección Ejecutiva de la Dirección de la Contraloría General de la República.

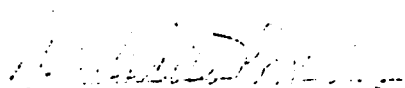
ARTICULO NOVENO : El presente Decreto entrará en vigencia a partir de su publicación en el Boletín Oficial. Las disposiciones que se le opongan quedan derogadas.

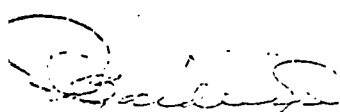
COMUNIQUESE Y PUBLIQUESE.

Best Available Document

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Dado en la ciudad de Panamá, a los <sup>28</sup> días del mes de ~~febrero~~ de mil novecientos veinte y cinco.

  
TOMÁS ARDITO BARLETTA  
Presidente de la República.

  
JOSE BERNARDO CERDAS  
Ministro de Comercio e  
Industrias

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ANNEX C:  
DETAILED ICP STAFFING PATTERN BY YEAR

**DESGLOCE DE GERENTES EN LOS DISTINTOS DEPARTAMENTOS  
DEL CNI**

A continuación detallamos los nombres de las personas que han ocupado las diferentes gerencias del Consejo Nacional de Inversiones desde el inicio de sus funciones hasta la fecha.

<u>Departamento</u>	<u>Gerente</u>	<u>Fecha</u>	
<u>Dirección Ejecutiva</u>	Frank Kardonski	Agos. 82 - Oct. 83	
	Mario Typaldos	Oct. 83 - Nov. 84	
	Alberto Navarro	Oct. 85 - Feb. 86	
	Julio E. Sosa	Oct. 85 - Feb. 86	
<u>Sud - Dirección Ejecutiva</u> *Posición Temporal	* Humberto Lineros	Marzo 84 -	
<u>Asesora A la Dirección Ejecutiva</u>	Ivonne Ruíz	Agos. 84 - Nov. 84	
<u>Dirección Administrativa</u>	Balbino Caldito	Agos. 82 - Dic. 82	
	Roberto Degracia	Dic. 82 - Abril 83	
	Guillermina de Chanis	Abril 83 - Abril 85	
	Elia E. de Botello	Abril 85 - Feb. 86	
<u>Mercadeo</u> *Fecha de Creación del Departamento	José Juan García	*Marzo 85 - Feb. 86	
<u>Promoción</u>	Ricardo Ortega	Agos. 82 - Feb. 83	(4)
	Ivonne Ruíz	Feb. 83 - Jul. 83	(5)
	Ricardo Ortega	Jul. 83 - Marzo 84	(6)
	José Juan García	Marzo 84 - Marzo 85	(11)
	Gerardo Pelaez	Marzo 85 - Dic. 85	(9)
<u>Departamento de Promoción</u> *Posición Ocupada Interinamente.	*Eduardo Sollas	Enero 86 - Feb. 86	(2)
<u>Departamento Servicio al Inversionista</u>	Ivonne Ruíz	Agos. 82 - Ene. 83	
	Ricardo Fernández	Ene. 83 - Nov. 84	
	Armando Alvarado	Nov. 84 - Feb. 86	



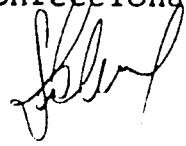
Investigación y  
Desarrollo

Ivonne Ruíz	Jul.	83 - Oct.	83
Alvaro de la Guardia	Oct.	83 - Marzo	84
Ivonne Ruíz	Nov.	84 - Jun.	85
Tomás Paredes	Jun.	85 - Feb.	86

\*Posición que estuvo vacante en 1984.

Información obtenida de archivos del departamento de la dirección administrativa.

Confeccionado por,



José Enrique Calvo

ep

Doc. 0572B

DIRECCION EJECUTIVA

Frank Kardonski - Dir. Ejecutivo      Ago. 1982 - Dic. 1983

Humberto Linero - Sub-Dir. Ejecutivo      Junio 1983 - Feb. 1984

Comité Ejecutivo

Gabriel Lewis Galindo

Gabriel De la Guardia

Jaime Arias Calderón

Fernando Cardoze

Luis H. Moreno

Gary Martin

Alberto Motta

Larry Berger

Asesor Legal

Lic. Ramón Fonseca

Secretarias Ejecutivas

María E. Deleuze      Agosto 1982 - a la fecha

Carmen Bieberach      Dic. 1982 - Dic. 1983

Celia de Gasnell      Feb. 1983 - Nov. 1984

CHOFER

Jorge Wignall

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DIRECCION EJECUTIVA

Mario L. Typaldos - Director Ejecutivo

Dic. 1983 - Oct. 198

Comité Ejecutivo

Gabriel Lewis Galindo

Gabriel De la Guardia

Fernando Cardoze

Luis H. Moreno

Gary Martin

Alberto Motta

Larry Berger

Ministro de Comercio e Industrias

Ministro de Planificación y Política Económica

Gerente de IPAT

Gerente de la Zona Libre

Gerente de Cofina

Asesor Legal

Lic. Ramón Arosemena

Secretarias Ejecutivas

María E. Deleuze

Celia de Gasnell

CHOFER

Francisco REal

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DIRECCION EJECUTIVA

Alberto Navarro B. - Director Ejecutivo

Oct. 1984 - Oct. 1985

Comité Ejecutivo

Samuel Lewis Galindo (renunció)

Gabriel De la Guardia

Larry Berge

Miguel Bettsak

Frank Kardonski

Gary Martin

Alberto Motta

Francisco Young

Emanuel González Revilla

Minsitro de Comercio e Industrias

Ministro de Planificación y Política Económica

Gerente del IPAT

Gerente de la Zona Libre

Gerente de Cofina

Secretarias Ejecutivas

María E. Deleuze

Nilka de Paz

Nov. 1984 - a la fecha

CHOFER

Alfonso Maires

César Medina

WR

DIRECCION EJECUTIVA

Julio E. Sosa - Dir. Ejecutivo

Nov. 1985 - a la fecha

Comité Ejecutivo

Larry Berger

Gabriel de la Guardia

Miguel Bettsak

Frank Kardonski

Gary Martin

Alberto Motta'

Francisco Young

Emanuel González Revilla

Ministro de Comercio e Industrias

Minsitro de Planificación y Política Económica

Gerente del IPAT

Gerente de la Zona Libre

Gerente de Cofina

Secretarias Ejecutivas

María E. Deleuze

Nilka de Paz

Gerardo Peláez - Sub-Director Ejecutivo

Dic. 1985 - a la fecha

CHOFER

César Medina

O I D

Ivonne Ruíz	Gerente	Nov. 1984	-	mayo 1985
Tomás Paredes		Mayo 1985	-	a la fecha

PERSONAL TECNICO

Armando Martínez		Ago. 1983	-	a la fecha
Rosario de Villarreal		Marzo 1984	-	a la fecha
Pedro Castillo		Feb. 1984	-	a la fecha
Lilia de Carrera		Ago. 1983	-	a la fecha
Pedro Arboleda ,		Enero 1986	-	a la fecha
Alberto González		Enero 1986	-	a la fecha
Eduardo Sánchez		Mayo 1985	-	a la fecha
Rafael Iriarte		Dic. 1985	-	a la fecha
Roberto Rodríguez		Sept. 1985	-	a la fecha
Diomedes Millares (MICI)				
Ines de Niño		Julio 1985	-	a la fecha
Luis Ortega		Ago. 1985	-	a la fecha
Marielena Porras		Ago. 1984	-	Feb. 1985

SECRETARIAS

Aracelly de Goñi		Abr. 1985	-	a la fecha
Maria del Carmen España		Dic. 1985	-	a la fecha
Soraya de la Ossa		Feb. 1986		
Raquel Loaiza (ONUDI)		Junio 1984	-	a la fecha
Mayra Desgrenger		Marzo 1984	-	Julio 1984

O I D

Ivonne Ruiz - Gerente  
Alvaro de la Guardia

Julio 1983 - Dic. 1983  
Enero 1984 - Nov. 1984

PERSONAL TECNICO

Armando Martínez  
Agná Angulo  
Rosario de Villarreal  
Pedro Castillo  
Erasmus Pérez  
Lilia de Carrera

Ago. 1983 - a la fecha  
Ago. 1983 - Enero 1984  
Marzo 1984 - a la fecha  
Feb. 1984 - a la fecha  
Julio 1984 - Junio 1984  
Ago. 1983 - a la fecha

SECRETARIAS

Raquel Loaiza (ONUUDI)  
Nacira Sierra  
Lilia Carrera  
Aracelly de Goñi  
Mariela Martíz

Junio 1984 - a la fecha  
Ago. 1983 - Ago. 1984  
Julio 1983 - Ago. 1983  
Sept. 1984 - Abr. 1985  
Marzo 1984 - Abr. 1984

PROMOCION

Ricardo Ortega	Gerente	Ago. 1982	-	marzo 1984
José Juan García		Marz.1984	-	Marzo 1985
Gerardo Pelaéz		Marz.1985	-	Enero 1986
Eduardo Sollas		Enero 1986	-	a la fecha

PERSONAL TECNICO

Eduardo Sollas		Sept. 1982	-	a la fecha
Gerardo Pelaéz		Enero 1983	-	Enero 1986
Carlos Carbonell		Mayo 1983	-	a la fecha
Eugenia de Alba		Dic. 1983	-	Oct. 1984
Ramón Carrillo		Jinio 1983	-	a la fecha
María E. Herazo'		Marz 1983		Dic. 1985
Romy Vásquez		Nov. 1983	-	Dic. 1984
Yolanda de Alvarez		Sep. 1982	-	Dic. 1985
Mercedes del Corral		Ago. 1983	-	Marzo 1985

SECRETARIAS

Eira Camacho		Ago. 1983	-	a la fecha
Darcy de Peregrina		Ago. 1983	-	a la fecha
Mayra Desgrenger		Enero 1983	-	Mayo 1983
Itzel Vásquez				
Damaris Howard				
Elga Puga		Julio 1985		a la fecha

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SERVICIO AL INVERSIONISTA

Ivonne Rufz - Gerente

Ago. 1982 - Feb. 1983

Ricardo Fernández - Gerente

Feb. 1983 - Oct. 1984

PERSONAL TECNICO

Mayda Rodríguez

Sep. 1982 - Oct. 1984

Secretarias Ejecutivas

Lilia Carrera

Ago. 1982- Feb. 1983

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"1983"

SERVICIO AL INVERSIONISTA

Ricardo Fernández - Gerente de Servicio

Personal Técnico

Mayda Rodríguez

María K. Pruna

Agna Angulo

Jeannette de Unamuno

J. Illueca

- Dic. 1983

= Julio 1983

- Julio 1983

Ago. 1983 -

Secretarías Ejecutivas

María Morellos

Enero 1983 - Abril 1983

Rosalía Torres

Mayo 1983 - Junio 1983

Mayra Desgrenger

Junio 1983 - Junio 1983

Guadalupe de Montero

Julio 1983 - a la fecha

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SERVICIO AL INVERSIONISTA

"1984"

Ricardo Fernández - Gerente - Oct. 1984  
Armando Alvarado - Gerente Nov. 1984 - a la

PERSONAL TECNICO

Mayda Rodríguez - Oct. 1984  
Juan Suárez Feb. 1984- a la fech  
Raúl Méndez Marzo 1984 - a la fec  
Lilia Ng. Marzo 1984 - a la fec  
Elizabeth Ward  
Elena Suárez Marzo 1984 - a la fec  
Carmen Bieberach Marzo 1984 -  
J. de Unamuno Marzo 1984 - a la fec  
Martín Harrington Marzo 1984 - a la fec  
Armando Alvarado Junio 1984 - Oct. 1984  
J. Illueca

Secretarias Ejecutivas

Guadalupe de Montero

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ATENCION AL INVERSIONISTA

Armando Alvarado - Gerente

Nov. 1984 - a la fecha

PERSONAL TECNICO

Juan Suárez

Raúl Méndez

Lilia Ng.

Elena Suárez

J. de Unamuno

M. Harrington

Sofía Cohen

Oct. 1985 - a la fecha

Josefina de Montenegro

Oct. 1985 - a la fecha

Menalco Solís

Nov. 1985 - a la fecha

Mariel Velardes

Nov. 1985 - a la fecha

Secretaria

Guadalupe de Montero

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MERCADEO

José Juan García - Gerente de Mercadeo

Marzo 1985 - a la fecha

Secretarias Ejecutivas

Mayra Desgrenger (junio 1983 a la fecha)

Relacionista Público

Jorge Carrasco' (Min. de Rel. Exteriores) (nov.1983- a la fecha)

Gabriela de Sousa (MOP)

Eventos Especiales

Mercedes Arosemena

Traductora

Carmen Bieberach

DIRECCION ADMINISTRATIVA

Balbino Caldito - Dir. Administrativo                      Ago. 1982 - Dic. 1982  
Roberto De Gracia-Dir. Administrativo                      Dic. 1982 - Abril 1983

Berta McInnis de Villarreal - Contadora                      Dic. 1982 - Ago. 1984  
Dany de Nicosia (BNP) - Secretaria                      Ago. 1982 - Nov. 1985

Centro de Documentación

Lilia Ng.    Dic. 1982 - Marzo 1983  
Inés de Niño    Marzo 1983 - Junio 1985  
Rosario de Villarreal    Oct. 1983 - <sup>Febrero</sup> Abril 1984

CHOFERES

César de Gracia    Enero 1983 - Marzo 1985  
Ernesto Wignall  
Delio Torres    Sept. 1982 - a la fecha  
Roberto Castillo    Junio 1984 - a la fecha  
Jorge Bennett (mensajero interno)                                      Marzo 1983 - a la fecha

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DIRECCION ADMINISTRATIVA

Guillermina de Chanis - Dir. Administrativa	Abril 1983-Marzo 198
Nacira Sierra - Contadora	Ago. 1984- Dic. 1985
Dany de Nicosia (BNP) Secretaria Ejec.	
Luisa Guerra Oficinista	Junio 1983 - a la fe
Dolores Jaén (Recepcionista)	Nov. 1984 a la fecha
Emma de Pérez (Centro de Documentos)	Feb. 1983 a la fecha

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DIRECCION ADMINISTRATIVA

Elia de Botello - Dir. Administrativa	Abril 1985-a la fecha
Nacirra Sierra - Contadora	Ago. 1984- Dic. 1985
Dany de Nicosia (BNP) Secretaria	
Luisa Guerra Oficinista Jefe de Compra	
Mélida de Pitti (Centro de Documentos)	Julio 1985 a la fecha
Emma de Pérez (Centro de Documentos)	
Berta de Villarreal	Feb. 1986 - .....

Choferes

Delio Torres	
Leopoldo Rodríguez	Julio 1985 a la fecha
Jorge Bennett (Mensajero Interno)	
Roberto Castillo	



ANNEX D:  
SURVEY RESULTS

## ANNEX D1

### INTERVIEWS WITH COMPANIES ASSISTED BY ICP

For the purposes of this evaluation, to meet our information requirements, ICP prepared a list of the companies whose investment and employment were claimed to be the result of the ICP promotion activities.

That list included 33 companies and reported a total of 4,023 jobs created and a total of \$27.4 millions of investment generated.

Since the results of interviews with officers of a few of these companies led us to believe that the scope of the intervention of ICP was not adequately reflected in the information prepared by ICP, because we found that it ranged from actually searching and attracting the investors to Panama, to providing only some limited assistance to companies already established in the country, we considered it to be indispensable to expand the scope of our work to attempt a better measurement of the effectiveness of ICP in meeting the employment and investment targets of the project.

Working with the list of the 33 companies, we tried to interview all of them, either face to face or by telephone. As it was to be expected, we did not succeed to cover the entire list but the size of the survey was adequately representative for the purposes of the evaluation. Twenty-six companies were interviewed and the remainder were not for the reasons explained in Exhibit D1.1.

The survey questionnaire and results are shown in Exhibit D-1. These results can be summarized as follows:

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	<u>Number of Companies</u>	<u>Jobs Created to date</u>	<u>Amount Invested to date</u> (millions)
Investors attracted to Panama by ICP	4	161	\$ 1.6
Investors contacted and assisted <u>in Panama</u> before they had decided to invest	2	100	0.5
Investors assisted after they had decided to invest	12	1,239	14.1
Investors assisted when company was already operating	8	392	5.0

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Clearly, only the first group can be claimed to be jobs and investments existing today in Panama as a result of the search activities of ICP. This is not to say, by any means, that the intervention of ICP in the rest of the cases was not valuable. Actually, most of the companies acknowledged a positive recognition of the services of ICP. But the distinction is important for this evaluation, as searching for investors and servicing them are two different activities the cost-effectiveness of which should be evaluated separately, especially in consideration of the big difference in spending levels that they require.

The last two of the four groups are clearly achievements related to the component of the project named investor reception and services, and not to the component related to investment promotion activities.

Even if one accepts that there may be some inaccuracies in the above figures, as it is not always easy to draw clear lines

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to define the involvement of ICP in assisting some of the companies, we believe that the evidence is sufficient to conclude that ICP is nowhere near meeting the employment and investment targets of the project. The more probable causes of this situation have been extensively discussed in the various sections of this report.

Finally, in response to the questions asked to the companies regarding the nature and quality of the assistance received, the results obtained can be summarized as follows:

- o The services normally rendered to companies contacted before they had decided to invest in Panama (6 companies of the first two groups), included: presentation of general information about doing business in Panama, assistance to organize and conduct visits to the country, and assistance to the companies while they were studying their projects.
- o The opinions were good to excellent in regards to all of the above assistance received.
- o The services normally rendered to companies contacted after they had decided to invest (18 companies of the last two groups) included assistance for: dealing with government institutions, obtention of Contratos de la Nacion, or Contratos de Maquila, obtention of visas, immigration and work permits, finding sites for the project and obtention of financing. Again, the vast majority of the opinions were good to excellent in regard to the quality of the services received and to the positive attitudes of the ICP staff.

## INVESTMENT COUNCIL OF PANAMA

## LISTING OF INTERVIEWED COMPANIES

No.	NAME OF COMPANY	NATURE OF BUSINESS	PEOPLE INTERVIEWED	POSITION	TYPE OF
1.	JENNY MANUFACTURING COMPANY	APPAREL	EDUARDO MAMIYE	MANAGER	PERSON
2.	INSTITUTO DE COSMETOLOGIA SIMONE GRIEDER	COSMETOLOGY SERVICES	SIMONE GRIEDER	PRESIDENT-OWNER	TELEPHONE
(*) 3.	PROMEDIAS, S.A.	APPAREL	RAMON ARROYAVE	PARTNER	TELEPHONE
(*) 4.	CONFECCIONES CHARLOTTE	APPAREL	CARMEN LIBIA RUA	OWNER	TELEPHONE
5.	INTERNATIONAL TRADING	FISH AND LOBSTER PROCESSING	FRANK MENA	PRESIDENT	TELEPHONE
6.	EMPRESA PANAMENA DE EXPORTACION DE TABACO	TOBACCO PLANTING	CONRADO PLACENCIA	DIRECTOR	TELEPHONE
7.	PANAMTEX GARMENT FACTORY	APPAREL	TINA WU	TREASURER-OWNER	TELEPHONE
8.	PANAMUNDO INDUSTRIAL, S.A.	REPTILE SKIN PROCESSING	OLMEDO ROSAS	PRESIDENT-LAWYER	TELEPHONE
9.	TEJIDOS Y CONFECCIONES, S.A.	APPAREL	MAYER ATTIE	MANAGER-PARTNER	TELEPHONE
10.	TABACOS DEL COCLE, S.A.	TOBACCO PLANTING	RUBEN CARLES	DIRECTOR	TELEPHONE
11.	LATINOAMERICANA DE REASEGUROS, S.A. (LARSA)	REINSURANCE	VICTORIA FIGGE	MANAGER	TELEPHONE
12.	CHAMPION MANUFACTURING COMPANY	APPAREL	GUILLERMO JOHN	VICE PRESIDENT	TELEPHONE
13.	WIDEL CORPORATION	ELECTRONICS ASSEMBLY	GIAMPAOLO QUINZIATO MAURIZIO BROTTO	MNGR. PROD. DEPT. MNGR. QTY. CTRL.	PERSON PERSON
14.	CONFECCIONES LOS ANGELES, S.A.	WOMEN'S APPAREL	ROLANDO ALVAREZ	VICE PRESIDENT	PERSON
15.	ILOR INTERNATIONAL CORPORATION	APPAREL	FERMIN TOMAS CHAN	PRESIDENT	PERSON
16.	TEXTILES LA CHORREPA, S.A.	WOMEN'S APPAREL	LUIS E. BERMUDEZ	MANAGER	PERSON
17.	WANG PANAMA-CENTRO DE TRADUCCIONES	SOFTWARE ADAPTATION AND TRANSLATION	RICARDO RAMIREZ	MANAGER OF TRANSLATION CENTER	PERSON
18.	MARINAPAC	SHRIMP PROCESSING	ROY ICAZA	PRESIDENT	PERSON
19.	MARISCOS DEL PACIFICO	SHRIMP PROCESSING	ROY ICAZA	VICE PRESIDENT	PERSON
20.	PANAMA CIGAR COMPANY, S.A.	CIGAR MANUFACTURING	AURELIO BARRIA JR.	DIRECTOR	PERSON
21.	CREACIONES ZARATI, S.A.	APPAREL	MARIO GUARDIA J. JULIA DE ARAUZ	PRESIDENT	PERSON TELEPHONE
22.	PANAMA SHARK PRODUCTS	SHARK FISHING & PROCESSING	LENIN SUCRE	VICE PRES.-SECR.	PERSON
23.	REASEGURADORA NACIONAL DE VENEZUELA	REINSURANCE	KLAUS BRUCKNER	MANAGER	PERSON
24.	REDES DE PANAMA, S.A.	ASSEMBLY OF TUNA NETS	DIANA RODRIGUEZ	ASISTANT MANAGER	PERSON
25.	TRIMIX INDUSTRIAL	APPAREL	JAIME CHEN	MANAGER	PERSON
26.	GREENBAY OVERSEAS INTERNATIONAL INCORPORATED	APPAREL	LAWRENCE C. C. SIT	GENERAL MANAGER	PERSON

(\*) THIS COMPANY WAS NOT INCLUDED IN THE LIST PREPARED BY ICP FOR THE WORKSHOP. HOWEVER, WE SELECTED THEM FOR INTERVIEW, AS WE LEARNED THAT THEY WERE GOING TO BE INCLUDED IN A REVISED LIST.

INVESTMENT COUNCIL OF PANAMA

LISTING OF COMPANIES NOT INTERVIEWED

No.	NAME OF COMPANY	NATURE OF BUSINESS	REASON FOR WHICH COMPANY WAS NOT INTERVIEWED
1.	CANASA	SHRIMP PRODUCTION	CONTACT WAS ESTABLISHED WITH MR. RODOLFO DOMINGUEZ, PRESIDENT AND GENERAL MANAGER OF THE COMPANY, BUT HE HAD NO KNOWLEDGE OF HIS COMPANY'S RELATIONSHIP WITH ICP. THE PREVIOUS MANAGER OF THE COMPANY COULD PROVIDE MORE INFORMATION ON THE SUBJECT, BUT HE NOW RESIDES IN THE UNITED STATES.
2.	BANER REINSURANCE	REINSURANCE	CONTACT WAS ESTABLISHED WITH MR. ALFREDO ALFARO, GENERAL MANAGER OF THE COMPANY, BUT HE HAD NO KNOWLEDGE OF HIS COMPANY'S RELATIONSHIP WITH ICP. ADDITIONAL INFORMATION COULD BE OBTAINED FROM THE GROUP THAT OWNS THE COMPANY AND WHICH OPERATES IN DOMINICAN REPUBLIC.
3.	AGRO INDUSTRIA DE AZUERO	PINEAPPLE, WATERMELON AND MELON PACKAGING	MR. EDUARDO VALLARINO IS THE PERSON IN THE COMPANY THAT HAS HAD DIRECT CONTACT WITH ICP, BUT HE WAS NOT AVAILABLE DUE TO HOLY WEEK VACATIONS.
4.	REASEGURADORA NACIONAL	REINSURANCE	INTENDED PHONE CONTACT WAS NOT POSSIBLE.
5.	AMERICAN BRITISH	INSURANCE	CLOSED OPERATIONS
6.	LEONARDO INVERSIONES, S.A.	TOBACCO PLANTING	IT WAS NOT POSSIBLE TO ESTABLISH CONTACT THROUGH THE TELEPHONE NUMBER GIVEN BY ICP. THIS NUMBER BELONGS TO A THIRD PARTY THAT WOULD TRANSMIT A MESSAGE TO MR. GILBERTO OLIVA, MANAGER OF THE COMPANY. THE CALL WAS NOT RETURNED, AND A DIFFERENT PHONE NUMBER WAS NOT OBTAINABLE.
7.	BASIN AGRO - EXPORT	MELON & WATERMELON PLANTING	CLOSED OPERATIONS
8.	DESARROLLO CAMARONERO DEL PACIFICO	SHRIMP PRODUCTION	INTENDED PHONE CONTACT WAS NOT POSSIBLE.
9.	TESORO DEL MAR	FISH AND FISHERY	INTENDED PHONE CONTACT WAS NOT POSSIBLE.

INVESTMENT COUNCIL OF PANAMA

CLASSIFICATION OF INTERVIEWED COMPANIES

PAGE 1 (

GROUP I: INVESTORS ATTRACTED TO PANAMA BY ICP.

No.	NAME OF COMPANY	NATURE OF BUSINESS	ORIGIN OF INVESTMENT	START DATE	JOBS	INVEST
1.	TRIMIX INDUSTRIAL, S.A.	APPAREL	TAIWAN	1984	60	\$25
(+) 2.	TEXTILES LA CHORRERA, S.A.	APPAREL	UNITED STATES	1980	55	\$18
3.	WIDEL CORPORATION	ELECTRONICS ASSEMBLY	SWITZERLAND	NA	43	\$1,20
4.	REASEGURADORA NAC. DE VENEZUELA	REINSURANCE	VENEZUELA	1983	3	
GROUP I TOTAL					161	\$1,63

(+) ATTRACTION EFFORT BY THE MAQUILA PROGRAM, THE PREDECESSOR OF ICP.

GROUP II: CONTACTED AND ASSISTED IN PANAMA BEFORE INVESTMENT DECISION HAD BEEN MADE.

No.	NAME OF COMPANY	NATURE OF BUSINESS	ORIGIN OF INVESTMENT	START DATE	JOBS	INVEST
1.	INTERNATIONAL TRADING	FISH AND LOBSTER PROC.	UNITED STATES	1984	90	\$500
2.	WANG PANAMA-CENTRO DE TRADUCCIONES	SOFTWARE ADAPTATION	UNITED STATES	1984	10	
GROUP II TOTAL					100	\$500

GROUP III: ASSISTED BY ICP PRIOR TO ESTABLISHMENT, BUT AFTER THE INVESTMENT DECISION HAD BEEN MADE.

No.	NAME OF COMPANY	NATURE OF BUSINESS	ORIGIN OF INVESTMENT	START DATE	JOBS	INVEST
1.	GREENBAY OVERSEAS INTERN. INC.	APPAREL	HONG KONG	1984	300	\$3,500,
2.	JENNY MANUFACTURING COMPANY	APPAREL	UNITED STATES	1984	350	\$1,000,
3.	ILOR INTERNATIONAL CORPORATION	APPAREL	PANAMA	NA	175	\$750,
4.	PANAMTEX GARMENT FACTORY	APPAREL	TAIWAN/PANAMA	1985	15	\$300,
5.	CONFECCIONES LOS ANGELES, S.A.	APPAREL	UNITED STATES	NA	70	
6.	PANAMA CIGAR COMPANY, S.A.	CIGAR MANUFACTURING	U. S./PANAMA	1985	40	\$400,
7.	TABACOS DEL COCLE, S.A.	TOBACCO PLANTING	US, CUBA, FRA., PAN.	1982	5	\$200,
8.	EMPRESA PANAMENA DE EXPORT. TABACO	TOBACCO PLANTING	UNITED STATES	1984	180	\$1,200,
9.	PANAMUNDO INDUSTRIAL, S.A.	REPTILE SKIN PROC.	PANAMA, ITALY, ARG.	1982	0	\$4,000,
10.	PANAMA SHARK PRODUCTS	SHARK FISHING & PROC.	UNITED STATES	1984	60	\$1,500,
11.	REDES DE PANAMA, S.A.	ASSEMBLY OF TUNA NETS	U. S./PANAMA	1980	40	\$1,000,
12.	INST. DE COSMETOLOGIA S. GRIEDER	COSMETOLOGY SERVICES	FRANCE	1983	4	\$250,
GROUP III TOTAL					1,239	\$14,100,

INVESTMENT COUNCIL OF PANAMA

CLASIFICACION OF INTERVIEWED COMPANIES

PAGE 2 OF 2

GROUP IV: ASSISTED BY ICP WHEN COMPANY WAS ALREADY OPERATING.

No.	NAME OF COMPANY	NATURE OF BUSINESS	ORIGIN OF INVESTMENT	START DATE	JOBS	INVESTMENT
1.	CREACIONES ZARATI, S.A.	APPAREL	PANAMA	1982	0	\$1,000,000
(*) 2.	CONFECCIONES CHARLOTTE	APPAREL	PANAMA	1982	37	\$60,000
(*) 3.	PROMEDIAS, S.A.	APPAREL	PANAMA	1984	15	NA
4.	TEJIDOS Y CONFECCIONES, S.A.	APPAREL	PANAMA	1964	NA	NA
5.	CHAMPION MANUFACTURING COMPANY	APPAREL	PANAMA/TAIWAN	1983	0	NA
6.	MARISCOS DEL PACIFICO	SHRIMP PROCESSING	PANAMA	1983	210	\$2,500,000
7.	MARINAPAC	SHRIMP PROCESSING	PANAMA	1979	130	\$1,500,000
8.	LATINOAMERICANA DE REASEGUROS, S.A.	REINSURANCE	PANAMA	1976	NA	NA
GROUP IV TOTAL					392	\$5,060,000

(\*) THIS COMPANY WAS NOT INCLUDED IN THE LIST PREPARED BY ICP FOR THE WORKSHOP. HOWEVER, WE SELECTED THEM FOR INTERVIEW, AS WE LEARNED THAT THEY WERE GOING TO BE INCLUDED IN A REVISED LIST.

	NUMBER OF COMPANIES	TOTAL ACTUAL JOBS CREATED	TOTAL ACTUAL INVESTMENTS
GROUP I	4	161	\$1,630,000
GROUP II	2	100	\$500,000
GROUP III	12	1,239	\$14,100,000
GROUP IV	8	392	\$5,060,000
TOTAL	26	1,892	\$21,290,000



I. INFORMACION DE LA EMPRESA Y DEL ENTREVISTADO:

Nombre de la empresa: \_\_\_\_\_  
Origen de la inversión: \_\_\_\_\_  
Nombre del entrevistado: \_\_\_\_\_  
Cargo que ocupa en la empresa: \_\_\_\_\_  
Naturaleza del negocio de la empresa: \_\_\_\_\_

II. PRIMER CONTACTO CON EL CONSEJO NACIONAL DE INVERSIONES

1. Dónde se realizó el primer contacto directo con funcionarios del Consejo?

- A. visita a sus oficinas en el exterior ( )
  - B. durante un evento organizado por el Consejo en el exterior ( )
  - C. durante un evento organizado por otra institución ( )
  - D. cuando uds. visitaron el Consejo ( )
- Comentarios: \_\_\_\_\_

III. SI EL CONTACTO FUE ANTES DE LA DECISION DE INVERTIR EN PANAMA

2. Había otras alternativas bajo consideración, además de Panamá? En caso afirmativo:

Paises considerados	Los que visitó
_____	( )
_____	( )
_____	( )

3. Qué fue lo que hizo que su empresa se decidiera a invertir en Panamá?

- A. paridad monetaria con el dólar ( )
- B. seguridad por la presencia norteamericana ( )
- C. zona libre y puerto de distribución ( )
- D. facilidades de entrada y salida de divisas ( )
- E. servicios bancarios ( )
- F. otros: \_\_\_\_\_ ( )

Comentarios: \_\_\_\_\_

4. Qué clase de servicios recibió su empresa del Consejo mientras consideraban su inversión ?

- A. información general acerca de los atractivos

- de Panamá como lugar para invertir. ( )
- B. información sobre las ventajas específicas de Panamá para su tipo de negocio en particular. ( )
- C. asistencia para organizar una visita a Panamá. ( )
- D. asistencia para realizar su visita a Panamá. ( )
- E. ayuda en realizar estudios para evaluar la inversión ( )
- F. \_\_\_\_\_ ( )

Comentarios: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

5. Comó evalua ud. el papel del Consejo en atraer a su empresa a Panamá ? (Excelente/ Buena/ Aceptable/ Pobre/ No se uso)

- A. el desempeño del promotor para vender a Panamá como sitio para invertir. ( )
- B. la calidad de los folletos y otro material escrito que ud. haya recibido. ( )
- D. ayuda durante su visita a Panamá, si se aplicara. ( )
- E. seguimiento luego de su visita a Panamá. ( )
- F. \_\_\_\_\_ ( )

Comentarios: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

IV. SI EL CONTACTO FUE DESPUES DE LA DECISION DE INVERTIR EN PANAMA:

6. Aproximadamente, cuándo comenzaron sus trámites para establecerse en Panamá ? \_\_\_\_\_

7. Qué clase de servicios recibió su empresa del Consejo durante el proceso de establecerse y/o cuando ya se habían establecido ?

- A. Trámites migratorios ( )
- B. Contactos para "joint-venture" ( )
- C. Ayuda para la localización sitio ( )
- D. Obtención contrato con la nación ( )
- E. Obtención contrato maquila ( )
- F. Otros: \_\_\_\_\_ ( )

Comentarios: \_\_\_\_\_  
 \_\_\_\_\_

8. Comó evalua ud. la ayuda recibida del Consejo referida en el punto 7 ? (Excelente/ Buena/ Aceptable/ Pobre) ( )

Comentarios: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

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9. Qué críticas podría hacerle a estos servicios ?

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V. UNA VEZ ESTABLECIDOS EN PANAMA:

10. Cuando comenzaron a operar, con cuantos empleados y cuanto de inversión ? Cual es la situacion actual en cuanto a empleados e inversion ?

Fecha inicio operacion:

Numero de empleados inicialmente/actual: \_\_\_\_\_/\_\_\_\_\_

Monto de la inversion inicial/actual: \_\_\_\_\_/\_\_\_\_\_

11. Se han satisfecho sus expectativas respecto a Panama ? ( )

Comentarios: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

12. Cuales son ahora las principales ventajas y desventajas de operar en Panama ?

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Comentarios del entrevistador: \_\_\_\_\_

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Firma: \_\_\_\_\_

ANNEX D-2

INTERVIEWS WITH OVERSEAS COMPANIES  
CONTACTED BY ICP

In order to provide additional evidence to evaluate the quality of the search activities of ICP, we conducted telephone interviews with:

- o Ten overseas companies that were approached by ICP at their offices or in events held overseas (conferences, trade fairs, etc.), who did visit Panama.
- o Nine companies that were similarly approached and who did not visit Panama.

The list of the companies and executives contacted, as well as their location, and nature of business is presented in Exhibit D-2.1. In summary, five were USA companies, nine were Asian companies and five were companies located in Latin American countries.

The selection of these companies was made by ourselves, at random, from lists prepared by ICP of the companies assisted in the different regions where most of the investor search efforts have concentrated in the past.

A sample of the questionnaire used to conduct the interviews is shown in Exhibit D-2.2. The contacts with these companies appear to have been made as follows:

- o Eleven were visited by ICP representatives at the company's office
- o Two were contacted in events such as conferences, seminars

- o Six were visited at the request of the company who called on ICP responding to letters or other stimulus that got them interested in Panama.

Their evaluative answers in regards to the information and services received from ICP can be summarized as follows:

	Percentages				
	<u>Excellent</u>	<u>Good</u>	<u>Acceptable</u>	<u>Poor</u>	<u>No Answer</u>
Performance of the ICP representative in selling Panama	21	47	16	11	5
Provision of information relevant to their specific business	--	5	16	68	11
Quality of brochures and other promotional material	5	53	20	11	11
Responsiveness to requests of additional information	26	32	5	--	37
Assistance while conducting a visit to Panama	30	50	20	--	--
Follow up after a visit to Panama	10	40	10	30	10
Average percentages	15	38	15	20	12

The main points revealed by the above figures are:

- o The search activities have relied almost exclusively on selling Panama in general, as opposed to selling the "bottom line" advantages of Panama for specific sector/products. This finding is consistent with the comments made in this report regarding the lack of strategies built around the concept of targeting the promotion efforts.

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- o The follow up effort after an investor has visited Panama was regarded as poor in 30 percent of the cases, thus pointing out to the need of putting more emphasis to this aspect of the activities.
- o Apart from the above noticeable deficiencies, all in all the ratings can be regarded as satisfactory, since the percentages for each aspect evaluated and the general average (non-weighted), show that ratings from good to excellent constitute more than 50 percent and that if the rating "acceptable" is included the total increases to about two thirds of the answers.
- o Finally, it is also to be noticed that the assistance that ICP provides to investors when conducting a visit to Panama is always well regarded.

## INVESTMENT COUNCIL OF PANAMA

## TELEPHONE INTERVIEWS WITH ICP CLIENTS

## LIST I: ICP CLIENTS WHO DID NOT VISIT PANAMA

No.	NAME OF COMPANY	NATURE OF BUSINESS	REGION	PERSON CONTACTED	POSITION	DATE INT.
1.	HARPER INDUSTRIES	SHIRT MANUFACTURING	U.S.A.	T. FRIEDLAND	PRESIDENT	3/25/86
2.	HARVEY JACOBSON GROUP	NUTS, BOLTS, SCREWS	U.S.A.	H. JACOBSON	CHAIRMAN	3/22/86
3.	INDUSTRIAS SPAR	ELECTRIC APPLIANCES	ARGENTINA	E. PEREZ	MANAGER	3/25/86
4.	INDUSTRIAS IRMAOS ZUGMAN	PLYWOOD	BRAZIL	N. ZUGMAN	DIRECTOR	3/24/86
5.	DANIEL CLAYTON LTD.	LEATHER GOODS	HONG KONG	J. TANG	GENERAL MGR.	3/25/86
6.	AUSTIN PANG LTD. GLOVE CO.	GLOVES	HONG KONG	A. PANG	MNGING. DIRECTOR	3/26/86
7.	NEW NORTHERN KNITTING CO.	GARMENTS	TAIWAN	F. CHEN	MANAGER	3/26/86
8.	CANNONTEX INDUSTRIAL CO. LTD.	GARMENTS	TAIWAN	A. HU	PRESIDENT	3/26/86
9.	DAEWOO CORP.	ELECTRONICS	KOREA	S. KUH-CHOW	MNGING. DIRECTOR REG. MKTG. DEPT.	3/25/86

## LIST II: ICP CLIENTS WHO DID VISIT PANAMA

No.	NAME OF COMPANY	NATURE OF BUSINESS	REGION	PERSON CONTACTED	POSITION	DATE INT.
10.	VANESSA KNITWEAR	SWEATERS	U.S.A.	F. VANESKY	VICE PRESIDENT	3/21/86
11.	HELENE CURTIS	COSMETICS	U.S.A.	N. SANTA MARIA	REG. DIRECTOR	3/21/86
12.	PHILLIFE VAN HEUSEN	SHIRTS	U.S.A.	C. L. MYERS	SR. VICE PRES. FOR OPERATIONS	3/21/86
13.	E.S.E.	INVESTMENT ADVISORS REPRESENTING MFCTRS.	ARGENTINA	R. DIAZ	PRESIDENT	3/21/86
14.	HAMILTON BALEO GROUP	DISTILLING - ALCOHOL	BRAZIL	H. BALEO	PRESIDENT	3/21/86
15.	HILADURAS COLOMBIA	TOWEL MANUFACTURING	COLOMBIA	J. ALRADI	GNRL. MANAGER	3/21/86
16.	NEW STANDARD GARMENT	GARMENTS - SHORTS	TAIWAN	P. YEH	MANAGER	3/25/86
17.	SAMDO TRADING CO.	GARMENTS	KOREA	B. Y. PAIK	EXECUTIVE	3/25/86
18.	WOUDEN GARMENT MANUFACTURING	GARMENTS	HONG KONG	P. SHUI	MANAGER	3/26/86
19.	CHECKMATE INDUSTRIES	GARMENTS	HONG KONG	V. KECHISHIAN	OWNER	3/26/86

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USAID/PANAMA

ICP EVALUATION

DATE \_\_\_\_\_

QUESTIONNAIRE FOR PHONE INTERVIEWS TO ICP CLIENTS

NAME OF INTERVIEWEE

POSITION

COMPANY

ADDRESS

TEL. NO

LINE OF BUSINESS

## QUESTIONS:

1. How did you just make direct contact with ICP officers  
Outside of Panama?

A. Visited in your offices?

B. Event organized by ICP (Conferences, Seminars)?

C. Event organized by another institution?

In Panama?

D. Walk-in to ICP offices?

2. What kind of services did you receive from ICP?

A. General information about advantages of doing your  
specific kind of business in Panama?



- B. Information about advantages of doing your specific kind of business in Panama?
  
- C. Arrangements for and handholding during a visit to Panama?
  
- 3. How do you rate the promotion job done by ICP as to:
  - A. Performance of promotion in selling Panama as a place for you to invest in your business?
  
  - B. Quality of brochures and other promotional material you received?
  
  - C. Responsiveness to your requests for additional information (and to arrange appointments if applicable)?
  
  - D. Assistance while conducting a visit to Panama, if applicable?
  
  - E. Follow up after your visit to Panama?

Rate above in terms of

Excellent

Good

Acceptable

Poor - include specific criticisms

4. Have you received in recent years similar visits or services from investment promoters of other countries or states? If so, which countries?.
  
5. If you have already decided not to invest in Panama, what were the main reasons?

ICP Comments on PW  
Evaluation Team  
Survey

On April 22, 1986 the PW Evaluation Team delivered the draft Final Evaluation Report to members of the Joint ICP-USAID Evaluation Committee. The draft report was extensively discussed at a day-long meeting on April 25th. The USAID member of the committee requested that corrections of any factual errors in the draft should be submitted in writing to the Team leader by close of business on April 25. The ICP Executive Director then promised to bring the ICP comments to Washington and present them to PW on Monday, April 28.

On April 30, the work order completion date for submission of the Final Evaluation Report to USAID and the Joint Committee, we received a letter dated April 29, from ICP Deputy Director, Gerardo Pelaez, containing ICP comments on the results of team field survey referred to in Pages IV-4 - IV-6. A copy of the letter is included below. In essence, the letter provides information justifying the proposed inclusion of additional firms into Group 1 of Exhibit IV-4 (Firms which ICP claims it has attracted/promoted to locate in Panama).

Given the April 30 deadline for submission of the Final Evaluation Report, the ICP letter arrived after the report was in final publication process. Accordingly, there was no time to analyze it in detail and integrate it, as appropriate, into the Final Evaluation Report.

Our review of the ICP letter, however, leads us to the firm conclusion that, even on the assumption that some of ICP's

claims of having attracted specific firms have merit, the new information provided in the letter in no way would change our basic finding as expressed in Page IV-6:

"ICP performance in promoting/attracting investment to Panama has been unsatisfactory both in terms of the planned targets and results in comparison with the efforts expended."



**CONSEJO NACIONAL DE INVERSIONES**  
**REPUBLICA DE PANAMA**

CNI-OPI-86-(115-5-01)-190

Panamá, 29 de abril de 1986

Señor  
 Leonard Horwitz  
 PRICE WATERHOUSE  
 E. U. A.

Estimado Sr. Horwitz:

Luego de revisar el documento presentado por ustedes (24 de abril de 1986), el cual fuera discutido (25 de abril de 1986) y analizado por el Comité de Gerentes del CNI (26 de abril de 1986), nos vemos en la obligación de corregir parte de la información presentada que consideramos afecta seriamente la evaluación realizada a nuestra institución.

La información aquí presentada se origina de hechos y eventos registrados en nuestros archivos los cuales no fueron incluidos en el borrador final de la evaluación. Considerando la importancia de lo aquí expuesto, le solicitamos sea incluido como parte integral del Reporte en cuestión, ya que de otra manera no reflejaría la realidad total de la situación.

Atentamente,

Gerardo G. Peláez  
 Sub-Director Ejecutivo

GGP/eac

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## GREENBAY OVERSEAS INTERNATIONAL

Patrick Gavaghan visita Panamá en diciembre de 1983, como interesado en averiguar perspectivas y áreas de interés del Gobierno. Es referido al CNI por Eduardo Ferrer.

En el CNI se le brindan informaciones generales sobre el clima y oportunidades de inversión y en virtud de un evento próximo en U.S.A. (Bobbin Show); se le recomienda considerar posibles proyectos en área de confección por incentivos especiales en U.S.A.

Posteriormente se incluyó entre las personas que fueron informadas sobre las oportunidades de Panamá en el sector confección al Sr. Vincent Fang, quien viaja a Panamá en Febrero de 1984 con el Sr. Gavaghan, donde se le atendió, se le brindó información relevante a localizaciones, aspectos legales, laborales, visitas a Zona Libre, edificios revertidos y no revertidos, visitas a fábricas.

A partir de marzo, el Sr. Fang se decide a investigar y considerar seriamente su establecimiento en Panamá e iniciar conversaciones y trámites con el CNI, Zona Libre, abogados locales y contratistas en el ramo de la construcción.

En marzo de 1984 una misión de alto nivel dirigida por el Lic. Mario Typaldos, Director del CNI, se entrevista en Hong Kong con los hermanos Fang, quienes operan plantas textileras y de confección miras a la decisión final de establecerse en Panamá.

En octubre de 1984 y posterior a la adjudicación del edificio solicitado por la empresa para sus operaciones, el Sr. Fang visita Panamá, con el objeto de concretar los pasos iniciales de su inversión e iniciar procesos de remodelación de su edificio adjudicado.

A partir de este momento se incrementa la asistencia de diferentes oficiales del CNI en materia de edificios, alojamiento, permisos, visas, contratos, entrenamiento con INAFORP, electricidad, teléfono, agua, permisos de trabajo, firmas de acuerdos interinstitucionales, Contratos Maquila, etc.

Por lo tanto es una empresa atraída por el CNI.

Personal = 700 empleos,

Inversión = \$5,000,000

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## INCONGRUENCIAS

El Cuadro de "Clasification of Interviewed Companies" IV-4 solo considera empresas establecidas actualmente. Existen otras empresas que cerraron operaciones pero que fueron logros del CNI y que no han sido computadas bajo resultados del Proyecto.

1. Confecciones Gloria de Panamá  
Empleos = 190  
Inversión = \$300,000  
Procedencia = Hong Kong
  
2. Hayward de Panamá  
Empleos = 190  
Inversión = \$300,000  
Procedencia = Hong Kong
  
2. Basin Agro-Export  
Empleos = 1,625  
Inversión = \$250,000  
Procedencia = U.S.A.



## EXPLICACION

### 1.- Gloria de Panamá:

El Sr. Máximo Chen, chino-panameño, residente en Hong Kong, visita Panamá y en el Consejo, en virtud de las oportunidades y atractivos de Panamá en el área de confección (ausencia de cuotas) se le sugiere una operación en el ramo de confecciones. Se le brindan informes legales, visitas a fábricas, Zona Libre, etc.

A su regreso a Hong Kong, promueve la idea ante diferentes grupos y el grupo "Tai Well & Garment Factory" viaja a Panamá interesados por la informaciones iniciales (Sr. Stephen Chung) y evalúa posibilidades de invertir, realizando visitas a Zona Libre, fábricas, reuniones con empresarios privados, edificios disponibles, abogados locales, y en nuestro país toman la decisión de invertir en PANAMA y comisionar a Máximo Chen como Vice-Presidente y Representante Legal para que evalúe costos del Proyecto en Colón (Edif. 1039).

Se inicia tramitación, asistencia, alquiler de locales, contratos INAFORP, remodelación edificio, Contrato Maquila, agua, luz, teléfono, telex, visas, permisos de trabajo, iniciando operaciones en diciembre 1 de 1983.

### 2.- Hayward de Panamá

En virtud de un viaje promocional a Hong Kong el grupo inversionista fue contactado por el Cónsul (Sr. Gary Martin),

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actual miembro del Comité Ejecutivo del CNI, y entrevistados por la misión de promoción. Posteriormente y en virtud del interés despertado el grupo de Hong Kong, visita Panamá en 1980, pero no es sino hasta el 17 de junio de 1981 que intensifican su interés en invertir en Panamá abriendo oficinas de comercialización en Colón y se inicia coordinación para desarrollo del proyecto de inversión en Coco Solo, Colón.

Por razón de un desmembramiento en la Casa Matriz de Hong Kong, este proyecto queda suspendido y en octubre de 1982 por gestiones de Gary Martin y del CNI, se re-inician las gestiones y trámites con miras a lograr el establecimiento de la inversión en Panamá que se concretiza en diciembre de 1982 mediante la formulación de los contratos, permisos de trabajo trámites de servicios, viviendas, etc.

Por lo tanto, fue una empresa atraída por el antiguo programa Maquila y posteriormente, revivido el interés por el CNI y el Consulado en Hong Kong.

### 3.- Basin Agro-Export

La casa matriz de esta empresa, tiene explotaciones agrícolas en Costa Rica y como resultado de un Workshop de Agricultura celebrado por el AID en San José, Costa Rica, donde participaron los grupos productores de melones de Panamá en abril de 1984 y el CNI, se enteraron de la potencialidad de Panamá en esta área productiva. El grupo panameño dió defusión entre los participantes en cultivo de melones anteriores para

exportación y como resultado de ello, se informó a Florida ya que se tenía el fantasma de la suspensión de importaciones de México por vencimiento del SGP en diciembre de 1984 y las heladas. El Sr. Jerry Gilpen viajó a Panamá en junio de 1984 y fue referido a nosotros por AID, donde se organizó todo un programa de visitas e investigaciones en melones, sandías, pepinos, tomates, piñas, pimentones, plátanos.

Se le puso en contacto con productores de diferentes áreas, autoridades gubernamentales, cooperativas, bancos, etc.

A finales de junio de 1984, los interesados viajaron a Panamá nuevamente con sus técnicos agrícolas, el Sr. Gilpen y el Presidente de la compañía, que después de reunirse con productores, socios potenciales, autoridades MIDA, CNI, BDA, decidieron invertir en Azuero y Natá.

Aunque ésta empresa compraba en la empacadora, por acción de su inversión, se generó en el campo 1,625 empleos temporales de 6 meses por la extensión de terrero que se cultivaba en melones, sandías y pepinos.

Por lo tanto, aunque desaparecida, esta empresa fue prospectada, atraída por una promoción externa, atendida y asistida en toda su extensión.

**INDUSTRIAL AZUERO S. A.**

Con la proliferación de proyectos de exportación a U.S.A. de frutas y vegetales en el Caribe, y en virtud de la calidad y aceptación del producto panameño provenientes de las exportaciones de Basin Agro-Export en 1985 y en virtud de la tecnología introducida a los productores del área se fundó la empresa Industrial Azuero S.A., compañía formada por capital panameño y norteamericano que conjuntamente con 70 agricultores de la región, iniciaron un Plan Piloto en la región, donde se generarían 600 puestos de trabajo en la parte agrícola (producción).

Este proyecto tuvo serios tropiezos en virtud de la imposibilidad de contrar adecuada infraestructura para instalar la planta empacadora.

El CNI intervino a los más altos niveles (MICI, IDAAN, IRHE, Alcaldía de Chitré, Gobernación) a fin de que se instalara bajo las condiciones fito-sanitarias y físicas en el tiempo crítico (meses de invierno, U.S.A.) requerido para el desarrollo correcto de la inversión.

En el área de empacadora se generaron 40 puestos de trabajo ascendiendo a un total de 940 empleos generales por lo que este caso en el Exhibit IV-4 debe ser modificado en lo que respecta a empleos generadas. Este proyecto es de temporada y se está trabajando en incluir otros productos agrícolas para trabajar durante todo el año.

Cabe mencionar que con la tecnología transferida a los productores y empresarios locales podemos esperar que estos proyectos se den anualmnte y así el factor desarrollo en concepto de empleo y calidad de producto continúe siendo exitoso para las provincias centrales.

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## CORRECCIONES

Exhibit IV-4

En virtud de las declaraciones anteriormente expuestas la empresa Wang de Panamá S.A., que inicialmente está en el Grupo 2, deberá pasar al Grupo 1 agregando en inversión la suma de \$400,000. Así mismo la empresa Green Bay Overseas International deberá pasar del Grupo 3 al Grupo 1 cambiando la cifra de empleos de 300 a 700. Adicionalmente a ello la empresa Jenny Manufacturing Company deberá pasar del Grupo 3 al Grupo 1.

En el Grupo 1, Reaseguradora Nacional de Venezuela tiene una inversiones de \$ 3 millones. En el Grupo 3, Confecciones Los Angeles tiene una inversión de \$100,000. En el Grupo 4, Promedias S.A. tiene una inversión de \$200,000. Tejidos y Confecciones S.A. tiene una inversión de \$100,000 con 100 empleos. Champion Manufacturing Company tiene 330 empleos y una inversión de \$1 millón y Latinoamericana de Reaseguros con una inversión de \$2 millones.

Bajo el esquema los Cuadros del Exhibit IV-4 cambian sustancialmente y de igual forma deberán cambiar las opiniones expresadas en la página IV-4.

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**JENNY MANUFACTURING COMPANY**

En abril de 1984, se contactó en Nueva York a los hermanos Mamiye, quienes intresados por una publicación aparecida con razón de la misión que se efectuaba en esos momentos, por parte del CNI en Hong Kong, visitaron Panamá en donde se les brindaron datos e informaciones concernientes al clima de inversiones, leyes, incentivos, Zona Libre, etc., en el área de confección.

Posteriormente con el Sr. Eduardo Mamiye de Panamá y en junio 22 de 1984 el MICI recibe los documentos para el Contrato con la Nación. El 4 de julio de 1984 se firma la Resolución Interministerial autorizando el Contrato con la Nación tipo Maquila para Jenny Manufacturing y el Contrato final es firmado por el Ministro del MICI el 20 de diciembre de 1984 y refrendado por el Presidente de la República el 19 de marzo de 1985.

Por lo tanto debido a una expectativa producida por una Misión a Oriente del CNI de Promoción de Inversiones y por la entrevista de un promotor del CNI con los Sres. Mamiye en Nueva York, este prospecto es atraído, atendido y desarrollada su inversión por el CNI, así como con el apoyo de familiares y socios en Panamá.

WANG DE PANAMA S.A.

El CNI con asistencia de otras personas inició el Proyecto "PANAMASS" en 1984, entre los cuales participaban representantes de la empresa privada y específicamente "Ricardo Acevedo" de Wang de Panamá S.A..

Con el traslado del Sr. Mike Kelly de las oficinas de Wang en Massachusetts, el proyecto piloto que él estaba desarrollando en U.S.A. sobre el "Centro de Traducción de Software" quedó suspendido en los U.S.A.

El Consejo Nacional en el seno de PANAMASS había incluido el área "high tech" como una de las actividades posibles e interesantes para Panamá por desarrollar por los recursos humanos y personal bilingüe.

En mayo de 1984, el Sr. Kelly fue atendido por Mario Luis Typaldos, Director Ejecutivo, e Ivonne Ruiz, quienes trataron de ofrecer facilidades e informaciones para continuar con el proyecto suspendido en U.S.A.

Se trabajó en un proyecto que Wang de Panamá presentó a su Junta Directiva y después de la visita a Panamá del Sr. John Fung, Director Internacional de Traducciones, en el mes de agosto de 1984 se estableció la operación de traducción de software con personal panameño y una inversión de \$400,000 y 10 empleados.

Por lo tanto es una empresa atraída por el CNI.

Personal = 10

Inversión = \$400,000



ANNEX F:  
WORKSHOP MATERIALS

## TENTATIVE WORKSHOP AGENDA

THURSDAY, MARCH 6, 1986

8:30 - 8:45 Introduction: Joint USAID/ICP Committee  
8:45 - 9:00 Presentation: Agenda and Workshop Format  
9:00 - 10:30 ICP Performance in Project Implementation  
9:00 - 9:30 Sector Goal Accomplishments  
9:30 - 10:30 Institutional Development  
10:30 - 10:45 Break  
10:45 - 11:45 Policy and Strategy  
11:45 - 12:45 Investment Promotion  
  
12:45 - 1:30 LUNCH  
  
1:30 - 2:30 Investor Services  
2:30 - 3:30 ICP Compliance with Project Agreement and  
Implementation Requirements  
3:30 - 4:45 USAID Project Implementation, Strategy and Design  
4:45 - 5:30 Summary: Joint USAID-ICP Committee

Attendees: Joint USAID-ICP Committee  
Minister of Industry and Commerce or  
Representative  
ICP Board Members  
USAID Project Officer & Staff  
Evaluation Consultants

TENTATIVE WORKSHOP AGENDA

FRIDAY, MARCH 7, 1986

- 8:30 - 8:45 Introduction and Agenda Format
- 8:45 - 9:30 Presentation of Summary of Findings
- 9:30 - 10:15 Presentation & Discussion: Overall Assessment of Project Progress, Problems and Impact
- 10:15 - 11:00 Presentation and Discussion: Key Factors Contributing to Evaluation Findings
- o Investment Climate
  - o Project Design
  - o Project Implementation
- 11:00 - 12:30 Presentation and Discussion: Key Problems/Issues and Alternative Solutions
- 12:00 - 1:30 LUNCH
- 1:30 - 5:00 Summary of Workshop Conclusions: Joint ICP-USAID Committee

Attendees: Joint USAID-ICP Committee  
Minister of Commerce and Industry or Representative  
ICP Board Members  
USAID Project Officer & Staff  
Evaluation Consultants

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## Joint ICP-USAID Evaluation Workshop

### Objectives

- o Exchange of information, viewpoints/experiences on ICP project, progress, problems
- o Define, amplify, clarify evaluation analyses
- o Discuss, clarify evaluation findings
- o Consider key issues/alternative solutions

### Requirements for Successful Workshop

- o Active, productive participation of attendees
- o Need to challenge, question basic ICP assumptions, policies, operational modes
- o Need to consider alternative approaches, techniques for attaining project purpose

Joint ICP-USAID Evaluation Workshop

ICP Evaluation Workshop Items

A. ICP Performance

1. Meeting Sector Goal: Investment & Employment Targets
2. Institutional Development
3. Policy and Strategy Planning
4. Investment Promotion
5. Investor Services
6. ICP Compliance with Project Agreement/Paper

B. USAID Performance

1. Project Management & Implementation
2. Project Strategy & Design

C. Overall Evaluation of Project Progress, Problems and Impact

D. Key Factors Contributing to Evaluation Results

E. Key Problems/Issues/Alternative Solutions

Joint ICP-USAID Evaluation Workshop

A. 1. Meeting Sector Goals: Investment and Employment Generation

Key Issues

- o System for measuring, validating and reporting ICP-specific contributions/role in claimed accomplishments, including criteria, data indicators and methodology
- o Planned vs. actual accomplishments:
  - Investment
  - Employment Generation

A. 2. Institutional Development

Key Issues

- o Degree of GOP and ICP institutional stability
- o Understanding of ICP objectives, strategies
- o Problems with organizational structure
  - role of the Board of Directors
  - effective organizational controls
- o Relations with the private sector
- o Need for the development of stable, qualified management team
- o Need for functioning management information system (MIS)
- o Use of available technical assistance
- o Use of available training
- o Need for design, installation and documentation of management procedures and systems
- o Need for personnel management system
- o Compensation policies
- o Coordination/communication
  - Internal
  - External

A. 3. Policy and Strategy Planning

Key Issues

- o Policy studies
- o Market/product research studies
- o Profile development and use
- o ICP strategic/operational planning role
- o Data base system management
- o Relationships, coordination with Investment Promotion and Investor Services



A. 4. Investment Promotion

Key Issues

- o Need for investment/product research from R&D Department to better target promotion activities
- o Need for overall marketing/promotion strategy and operational plans
- o Need for analysis of alternative least-cost promotion techniques
- o Need for greater emphasis on identifying/promoting Panamanian investment opportunities
- o Need for greater emphasis on services sector investments

Joint ICP-USAID Evaluation Workshop

A. 5. Investor Services

Key Issues

- o Clarity in definition of Department objectives/functions vis-a-vis other departments
  
- o Progress toward effective one-stop document processing center for investments
  - Document processing
  
  - Coordination of infrastructure services

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A. 6. ICP Compliance with Project Agreement

Key Issues

- o Degree of effective GOP political and financial support to ICP
- o GOP counterpart contributions
- o Is Project Agreement considered by ICP "illustrative" or a contractual guide to action?
- o ICP work plan/budget submissions
- o Role of ICP Board in approving policies, programs/budgets and monitoring operations
- o Compliance with commitments regarding maintaining qualified ICP management staff

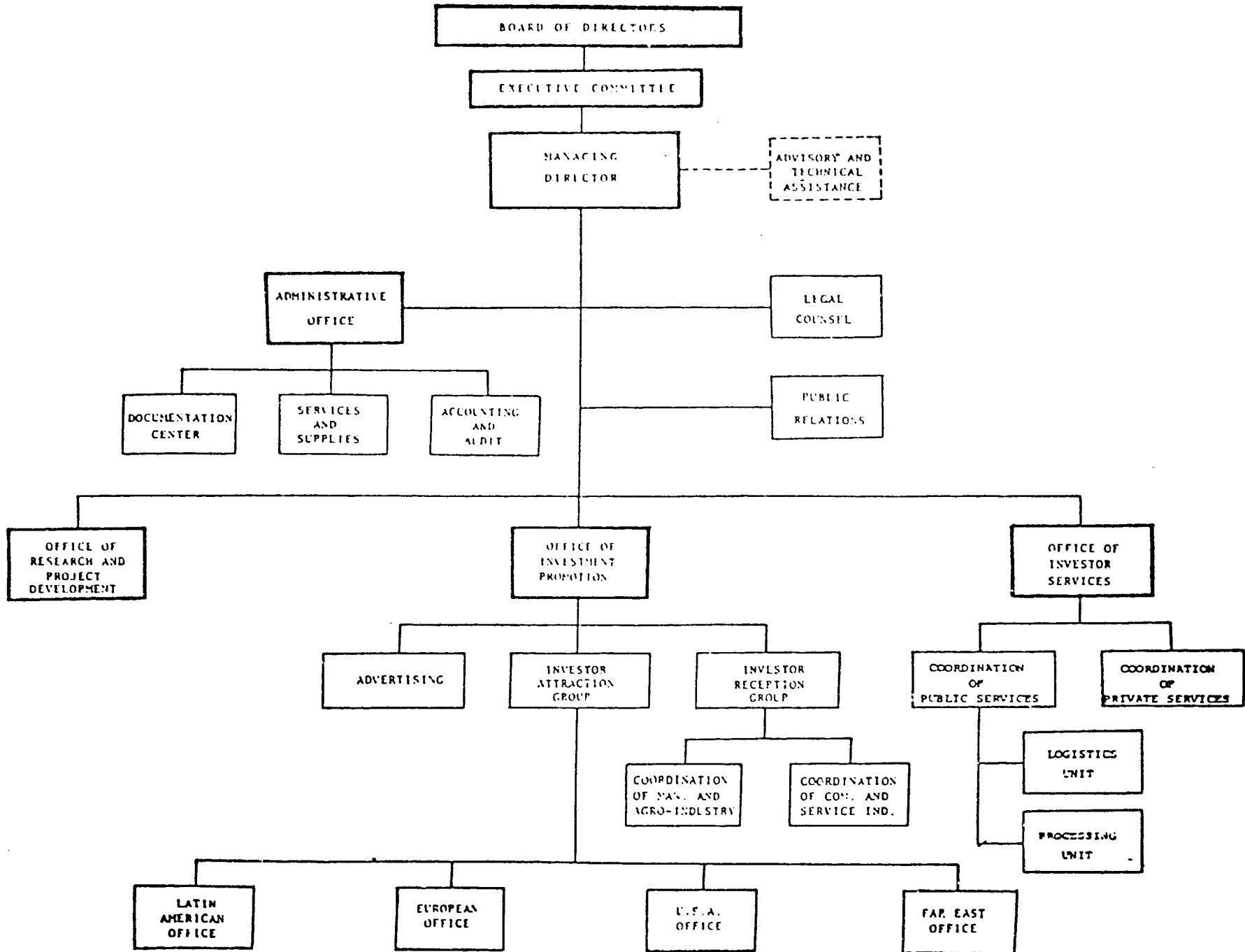
Joint ICP-USAID Evaluation Workshop

B. USAID Performance in Project Design

Key Issues

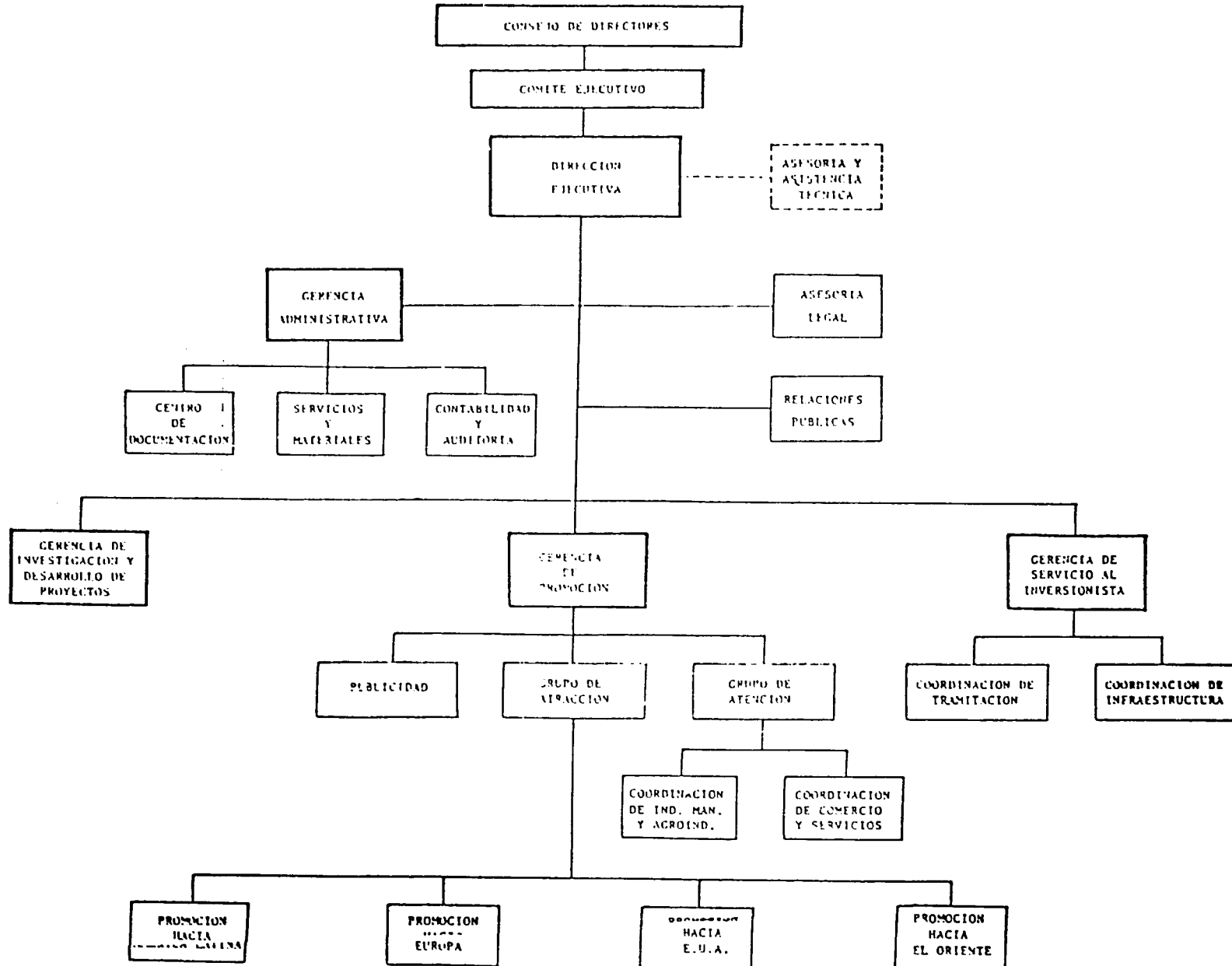
- o Factors conditioning provision of AID inputs:
  - USAID approvals of work plans, budgets, procurement
  - GOP contributions
  
- o Level of attention given by USAID to ICP management issues
  
- o Effectiveness of USAID project monitoring of/and administrative support to ICP
  
- o Adequacy of USAID's internal project review and evaluation system to provide early warning on project problems and milestones for remedial action
  
- o USAID role in procurement/contracting
  
- o Coordination/communications between USAID and ICP
  
- o USAID attitude regarding deviations from agreed project design, strategy, work and financial plans

# OF THE INVESTMENT COUNCIL OF PANAMA



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# ORGANIGRAMA DEL CONSEJO NACIONAL DE INVERSIONES



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## INVESTMENT COUNCIL OF PANAMA

## CLASSIFICATION OF INTERVIEWED COMPANIES

PAGE 1 OF 2

## GROUP I: INVESTORS ATTRACTED TO PANAMA BY ICP.

No.	NAME OF COMPANY	NATURE OF BUSINESS	ORIGIN OF INVESTMENT	START DATE	JOB	INVESTMENT
1.	TRIMIX INDUSTRIAL, S.A.	APPAREL	TAIWAN	1984	60	\$250,000
(+) 2.	TEXTILES LA CHORRERA, S.A.	APPAREL	UNITED STATES	1980	55	\$100,000
3.	WIDEL CORPORATION	ELECTRONICS ASSEMBLY	SWITZERLAND	NA	43	\$1,200,000
4.	REASEGURADORA NAC. DE VENEZUELA	REINSURANCE	VENEZUELA	1983	3	NA
GROUP I TOTAL					161	\$1,630,000

(+) ATTRACTION EFFORT BY THE MAQUILA PROGRAM, THE PREDECESSOR OF ICP.

## GROUP II: CONTACTED AND ASSISTED IN PANAMA BEFORE INVESTMENT DECISION HAD BEEN MADE.

No.	NAME OF COMPANY	NATURE OF BUSINESS	ORIGIN OF INVESTMENT	START DATE	JOB	INVESTMENT
1.	INTERNATIONAL TRADING	FISH AND LOBSTER PROC.	UNITED STATES	1984	90	\$500,000
2.	MANIS PANAMA-CENTRO DE TRADUCCIONES	SOFTWARE ADAPTATION	UNITED STATES	1984	10	NA
GROUP II TOTAL					100	\$500,000

## GROUP III: ASSISTED BY ICP PRIOR TO ESTABLISHMENT, BUT AFTER THE INVESTMENT DECISION HAD BEEN MADE.

No.	NAME OF COMPANY	NATURE OF BUSINESS	ORIGIN OF INVESTMENT	START DATE	JOB	INVESTMENT
1.	GREENBAY OVERSEAS INTERN. INC.	APPAREL	HONG KONG	1984	300	\$3,500,000
2.	JENNY MANUFACTURING COMPANY	APPAREL	UNITED STATES	1984	350	\$1,000,000
3.	ILOR INTERNATIONAL CORPORATION	APPAREL	PANAMA	NA	175	\$750,000
4.	PANAMTEX GARMENT FACTORY	APPAREL	TAIWAN/PANAMA	1985	15	\$300,000
5.	CONFECCIONES LOS ANGELES, S.A.	APPAREL	UNITED STATES	NA	70	NA
6.	PANAMA CIGAR COMPANY, S.A.	CIGAR MANUFACTURING	U. S./PANAMA	1985	40	\$400,000
7.	TABACOS DEL COCLE, S.A.	TOBACCO PLANTING	US, CUBA, FRA., PAN.	1982	5	\$200,000
8.	EMPRESA PANAMENA DE EXPORT. TABACO	TOBACCO PLANTING	UNITED STATES	1984	100	\$1,200,000
9.	PANAMUNDO INDUSTRIAL, S.A.	REPTILE SKIN PROC.	PANAMA, ITALY, ARG.	1982	0	\$4,000,000
10.	PANAMA SHARK PRODUCTS	SHARK FISHING & PROC.	UNITED STATES	1984	60	\$1,500,000
11.	REDES DE PANAMA, S.A.	ASSEMBLY OF TUNA NETS	U. S./PANAMA	1980	40	\$1,000,000
12.	INST. DE COSMETOLOGIA S. GRIEDER	COSMETOLOGY SERVICES	FRANCE	1983	4	\$250,000
GROUP III TOTAL					1,239	\$14,100,000

INVESTMENT COUNCIL OF PANAMA

CLASSIFICATION OF INTERVIEWED COMPANIES

GROUP IV: ASSISTED BY ICP WHEN COMPANY WAS ALREADY OPERATING.

No.	NAME OF COMPANY	NATURE OF BUSINESS	ORIGIN OF INVESTMENT	START DATE	JOBS	INVEST
1.	CREACIONES ZARATI, S.A.	APPAREL	PANAMA	1982	0	\$1,000
(*) 2.	CONFECCIONES CHARLOTTE	APPAREL	PANAMA	1982	37	\$1,000
(*) 3.	PROMEDIAS, S.A.	APPAREL	PANAMA	1984	15	
4.	TEJIDOS Y CONFECCIONES, S.A.	APPAREL	PANAMA	1964	NA	
5.	CHAMPION MANUFACTURING COMPANY	APPAREL	PANAMA/TAIWAN	1983	0	
6.	MARISCOS DEL PACIFICO	SHRIMP PROCESSING	PANAMA	1983	210	\$2,500
7.	MARINAPAC	SHRIMP PROCESSING	PANAMA	1979	130	\$1,500
8.	LATINOAMERICANA DE REASEGUROS, S.A.	REINSURANCE	PANAMA	1976	NA	
GROUP IV TOTAL					392	\$5,000

(\*) THIS COMPANY WAS NOT INCLUDED IN THE LIST PREPARED BY ICP FOR THE WORKSHOP. HOWEVER, WE SELECTED THEM FOR INTERVIEW, AS WE LEARNED THAT THEY WERE GOING TO BE INCLUDED IN A REVISED LIST.

	NUMBER OF COMPANIES	TOTAL ACTUAL JOBS CREATED	TOTAL ACTUAL INVESTMENTS
GROUP I	4	161	\$1,630,000
GROUP II	2	100	\$500,000
GROUP III	12	1,239	\$14,100,000
GROUP IV	8	392	\$5,060,000
TOTAL	26	1,892	\$21,290,000