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## SUMMARY

### EC-Panama Cooperation 2007-2013 – Country Strategy Paper

#### MID-TERM REVIEW (MTR)

#### *SHORT VERSION FOR TRANSLATION*

## 1. SUMMARY

Since the formulation of the cooperation strategy for Panama in 2007, the country's political economic and social situation has not changed fundamentally. The same government was in office from July 2004 to July 2009 and despite strong economic growth, due in particular to work on enlarging the canal, the poverty rate has remained a matter of concern. Up to now, Panama has withstood the international financial crisis relatively well thanks to its solid banking system. Relations with Panama picked up when the country joined the Association Agreement negotiations between the EU and Central America in 2007 as an observer. Once Panama has acceded to the Central American Economic Integration System (SIECA), it can become a party to this Agreement. Following a Summit of the Heads of State at the end of 2007, the five countries of Central America and Panama launched discussions on the terms and conditions of Panama's accession. The political decision must now be made by the new government formed following the presidential and legislative elections of 3 May 2009.

The fight against social inequalities and the promotion of **social cohesion** continue to be a necessity in Panama where 36.8% of the population lives under the poverty line despite record growth of 11.2% in 2007. **Regional integration** is still an important sector. The authorities have reiterated their interest in joining the Central American economic integration process. These two sectors account for the sum total of the European Commission's operations over the period 2007-2013, with an indicative budget of €38 million (75% for social cohesion and 25% for regional integration).

At the time of the mid-term review, most projects for which commitments were made in 2002-2006 were still being implemented, whereas 2007-2013 projects were in the preparation phase. One project was formulated in the area of social cohesion. Accordingly, the mid-term review consisted in an evaluation of the relevance of the strategy drawn up in 2007 in light of recent developments in the country and the EU's new policy guidelines.

## 2. MID-TERM REVIEW (MTR)

### Results, performance and lessons learned

The **cooperation programme 2002-2006 (€24.3 million)** focussed on the following sectors: economic development, social development and institutional and democratic reinforcement of the state. Three projects were approved.

The results of cooperation for 2000-2006 were generally satisfactory, although it has been noted that there was a low level of ownership on the part of some beneficiaries of the projects.

For the **cooperation programme 2007-2013 (€38 million)**, a €10 million social cohesion project was identified in 2008 ("Support for Decentralisation and Local Development"). The prospect of a change of government and the personnel changes that inevitably result, have

given rise to some delays in project identification. The arrival of a new government in July 2009 will give a new impetus, particularly with the adoption and implementation of the “Support for Decentralisation and Local Development” project.

Likewise, the great challenges faced by Panamanian society should be covered by cooperation programmes, such as **school drop-outs, youth employment, insecurity, the fight against drug trafficking and the reform of state institutions**. It is also important to incorporate **environmental considerations** of all kinds more effectively into the design of projects. Lastly, it is recommended to involve more civil society organisations in the design and implementation of cooperation projects.

## Conclusions

The Commission, the Panamanian authorities and the civil society representatives and Embassies of Member States that were consulted for the review are of the opinion that the strategy defined in 2007 remains appropriate for the coming years. Social cohesion and regional integration should remain the cooperation priorities.

## 3. NATIONAL INDICATIVE PROGRAMME 2007-2013 (€38 million)

The National Indicative Programme (NIP) adopted in 2007 covers the whole of the period 2007-2013. Since the social cohesion and regional integration sectors have been maintained, it is not considered necessary to review the NIP. Nonetheless, some indicators have been fleshed out.

### Social cohesion

Overall objective: to help alleviate poverty and tackle social and geographical inequalities and various forms of exclusion within the country by supporting the modernisation of the state in the area of local development and social policies.

Specific objective: to provide support for the process of modernising and building the capacity of the public authorities. Such support will focus on:

- promotion of rural development;
- improving public policies in order to improve social indicators. Particular attention will be paid to building the capacity of local social services in the areas of health, employment, education and the environment. Activities will focus on the most economically marginal regions where the most disadvantaged groups live (poverty rates higher than the national average), and in particular indigenous communities;
- transferring resources to local entities as part of the process of decentralising powers in social provision to make use more efficient and to accompany reforms;
- support for tax reform to combat fraud and tax evasion; efficiency of tax collection, audit capacity, implementation of the country’s international commitments in the fields of transparency and exchange of information;
- strengthening the participation of indigenous communities and, in particular, women. The direct beneficiaries are: central and local government, including local authorities, especially in the areas of taxation and social policies. The ultimate beneficiaries are poor

people in rural areas, indigenous communities, especially women, young people and children.

Programmes/activities: support for the government's social programmes, studies, surveys, training courses, seminars, supply of equipment and logistics; demonstration projects; exchanges of experience, etc.

### **Regional integration**

The overall objective is to promote Panama's integration into the Central American region, with particular attention to its participation in the Central America Customs Union and internal market measures.

Specific objective: to develop a set of measures strengthening national institutions in the following fields:

- harmonising technical, sanitary and phytosanitary and intellectual-property legislation and standards;
- fostering Panama's integration into the region and helping satisfy the European Commission's technical demands for the future negotiations on the EU-Central America Association Agreement.

Programmes/activities: studies, training, seminars, supply of equipment.

**Table summarising the indicative breakdown of funds by sector**

#### **Panama (€38 million)**

	2008	2009	2010	2011-2013
Regional integration			4.5	5
Social cohesion		10		18.5