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THE WORLD BANK

Washington, D.C.

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PANAMA



 **Archives**
R1992-122 Other #: 17 **1779835**
Panama - President Barber Conable Country Files - Correspondence **209588B**

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ATT: Ms. JENNIFER JOLL

FROM: Aurora R-04

LIST OF PERSONS ACCOMPANYING MR. GUILLERMO FORD,
GOVERNOR OF PANAMA TO THE BANK
AT THE MEETING WITH MR. BARBER CONABLE
(Friday, May 3, 1991 - 12:15 p.m.
Room E-1227)

1. Mr. Jaime FORD, Proposed candidate for the Ambassadorship in Washington, D.C.
2. Mr. Juan Luis MORENO, Advisor, AID/Ministry of Planning (MIPE)
3. Mr. Gustavo VILLA, Advisor, MIPE
4. Mrs. Luisa de SOTO, Advisor, MIPE
5. Engineer Ramón BOUCHETT, Advisor, Comptroller's Office
6. Mr. Federico BOYD, Administrative Attache, Embassy of Panama, Washington D.C.

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

85 5/3
File
Panama

TO: Mr. B. Conable (E-1227) | DATE: 5/02/91

SUBJECT:

Document From: Mr. Husain (MAQ)

To: bbc

Dated: 5/02/91

Reference No.: EXC910502014

Topic: BRIEFING: meeting with Panama Vice President Guillermo Ford,
Friday, May 3, 1991

ACTION INSTRUCTIONS:

DUE DATE:

- HANDLE
- REVIEW AND RECOMMEND
- FOR YOUR INFORMATION
- DISCUSS WITH _____
- AS WE DISCUSSED
- PREPARE RESPONSE FOR _____ SIGNATURE
- FOR YOUR FILES
- RETURN TO _____
- OTHER: _____

Remarks:

OFFICE MEMORANDUM

DATE: May 2, 1991

TO: Mr. Barber B. Conable

THROUGH: Mr. Moeen A. Qureshi *M.A.Q.*

FROM: S. Shahid Husain *SH*

EXTENSION: 39001

SUBJECT: Meeting with Panama Vice President Guillermo Ford

1. Second Vice President Guillermo Ford is visiting Washington to present to the Bank, IMF, IDB, and US Government an economic program he plans to implement in the next two years. He hopes the program can be supported by the Bank's proposed Economic Recovery Loan (ERL). The \$100 million ERL is the trigger for a multifaceted financing package designed to clear some \$660 million in Panamanian arrears to the IFIs (including about \$228 million to the Bank). Once we agree on an ERL program with the Government and issue an Invitation to Negotiate, US Treasury Deputy Secretary John Robson, as head of a Panama Support Group, will seek to finalize financing from USAID, the US Treasury, Japan, Taiwan, and several European countries. (3)

2. The GOP, with the help of Bank staff, has designed a comprehensive and politically doable three tranche policy based operation aimed at liberalizing the economy and addressing the key distortions in the economy restraining growth. The program aims at reducing high protection for agriculture and industry, reducing and simplifying corporate and personal income taxes and reducing tax exemptions, cutting excessive public employment, putting the Social Security system on a sound financial footing, and restructuring and privatizing public sector enterprises. Because Panama uses the US dollar as legal tender, it has no independent monetary or exchange rate policy and therefore must follow especially prudent fiscal policies to maintain macroeconomic balance. This government has successfully reduced the fiscal deficit from 11.5% of GDP in 1989 to 3.4% in 1990 in part through restraint on wage expenditures. (2)

3. Mr. Ford is an eloquent, charismatic, and politically ambitious businessman. He heads the Economic Cabinet and can be credited with the government's adherence to a Fund Monitored Program and timely servicing of World Bank debt since March, 1991. With the recent departure of the Christian Democrats from the Administration, the government does not have a majority in the Congress. Ford very much wants an agreement with the Bank to strengthen his mandate in Panama. He has raised concerns about the extent of proposed cutbacks in agricultural protection and cuts in public employment. We are working with his team to devise an acceptable program. We are prepared to seek Operations Committee approval early this month, send an appraisal mission later in May, negotiate in July/August, and present the ERL to the Board in September/October. (1)

↓
Support Group

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

AK
Panama

CORRESPONDENCE DATE : 90/08/08

DUE DATE : 00/00/00

LOG NUMBER : 900808028

FROM : Mr. Kashiwaya (MAQ)

SUBJECT : Panama: Support Program

OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS :

THE WORLD BANK

August 8, 1990

Mr. Conable:

Barber:

Herewith a note from Koji which indicates, in essence, that the Japanese Government is being quote helpful in putting together the financial package, including bridge financing, to ensure the effective resumption of operations by the Bank, the Fund, and IDB.

MOEEN A. QURESHI

Senior Vice President, Operations

DECLASSIFIED

MAY 06 2014

WBG ARCHIVES

Office Memorandum

Confidential

DATE: August 3, 1990

TO: Mr. Barber Conable, President

THROUGH: Mr. Moeen A. Qureshi, OPNSV

FROM: Koji Kashiwaya, CFSVP *kg*

EXT.: 80809

SUBJECT: Panama: Support Program

*Mr. Conable:
Barber: Here is a note from Koji
which indicates, in essence, that
the Japanese Government is being
quite helpful in putting together
the financial package, including
bridge financing, to ensure the
effective
resumption
of operations
by the Bank
the Fund + IDB.
Moeen*

During the Houston Summit, the U.S. Government asked the Japanese Government to support the clearance of the Panamanian arrears to IFIs. To follow up the request, Mr. Mizoguchi, Director, International Finance Bureau, MOF discussed with the Fund, the Bank and the U.S. Treasury.

1. Current Positions for the Support Program

a. IMF

IMF is reviewing a draft memorandum of economic policy submitted by the Government of Panama (GOP), which is expected to be accepted by the Managing Director in August 1990 and submitted to the Board on September 12 or 14 as the Fund Monitored Program (FMP). The FMP will become available for conversion to a Stand-by Arrangement as soon as the arrears have been cleared by the financial package. The amount of Stand-by Arrangement will be approximately US\$65 billion, 50% of Panama's quota, out of which \$35 million is expected to be disbursed by March 1991, and to become the base amount of the U.S. Treasury's bridge financing.

b. World Bank

The Bank is scheduled to launch a mission on August 20, 1990 to identify the proposed SAL. By December 1990, the Bank will issue an "invitation to negotiate" to GOP which will be similar to a preliminary commitment which will enable the SAL to become the base of bridge financing. The SAL will total US\$80 to \$100 million in two tranches. The first tranche (\$40 - \$50 million) may be disbursed by early 1991 and would be eligible for the repayment of bridge financing.

c. IDB

IDB will cofinance with the Bank's SAL in the same amount as the Bank. Thus, up to \$40-\$50 million will be the amount to be bridge financed to IDB.

The total amount to be covered by the bridge financing will be \$115 to \$145 million as summarized below:

(Present Estimate)	<u>Bridge Loans</u>	
	<u>Total Amount</u>	(Million U.S. Dollars) <u>Amount to be Bridged</u>
(1) IMF Stand-by Credit	65	34-45 [1st tranche 25 (12/90)] [2nd tranche 10 (03/91)] [3rd tranche 10 (06/91)]
(2) World Bank SAL	80-100	40-50 [1st tranche 40-50]
(3) IDB Sector Loan	80-100	40-50 [1st tranche 40-50]
(4) IDB Project Loans	?	?
(5) Bilateral donors, including Japan and European countries.		?
TOTAL	225-265	115-145

2. Position of the U.S. Treasury

At the meeting on Tuesday, July 24, 1990, Mr. Mizoguchi briefed Mr. Fall of the U.S. Treasury about the current positions of IMF, World Bank and IDB and asked the U.S. Treasury's position. Mr. Mizoguchi mentioned that the Japanese Government considered it appropriate to take a form of cofinancing with the Bank's SAL, and also that it would require BIS' bridge financing as well as the U.S. Treasury's. Mr. Fall responded as follows:

- a. The U.S. Treasury would continue to urge IMF and the Bank to speed up the process of each operational schedule.
- b. The U.S. Treasury would ask IMF to increase the amount of Stand-by Arrangement in order to increase the amount of the U.S. Treasury's bridge financing in parallel.
- c. It would be difficult to bring in the BIS' bridge financing relying only on the Japanese cofinancing with the Bank. Other forms of additional contribution from Japan would be necessary. It would be desirable that the Japanese Government make its position clear on the bilateral contribution at the second Support Group meeting in September.

3. Tentative Position of the Japanese Government

Although the final position of the Japanese Government is yet to be agreed, taking the U.S. Treasury's position into account, the Japanese MOF considers that guidelines for a practical resolution would be as follows:

- a. Cofinancing with the Bank should be sought in the amount of US\$100 million, disbursed on the same schedule as the SAL.
- b. Bilateral commodity loan contribution might be considered as the last resort.
- c. Conditions of the contribution should include :
 - (i) Participation of IMF, World Bank and IDB, etc.;
 - (ii) Bilateral contribution from countries other than Japan and the U.S.;
 - (iii) Disbursement should be subject to clearance of the arrears;
 - (iv) Import evidence for commodity loan should be prepared;
 - (v) Ensuring the repayment of the loan through various financial measures.
- d. Justification of the support for Panama.
 - (i) Benefit of economic security of Panama Canal.
 - (ii) Strong request from Mr. Brady to Finance Minister, Mr. Hashimoto.

cc: Messrs. S. Shahid Husain, LACVP

Rainer B. Steckhan, LA2D

John L. Taylor, John Shilling, Dennis Flannery, CFS

KShimazaki:may

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

July 11, 1990

Dear Sir:

I have learned of your appointment as Alternate Governor for Panama on the Boards of Governors of The World Bank Group. I realize this is incident to your responsibilities in your own Government, but I hope you will be in a position to actively participate in the affairs of the Bank Group, as well.

The Executive Directors, Officers and Staff of The World Bank Group believe very strongly in its development mission and in the battle against poverty. We look forward to working with you to make the Bank Group even more effective during the coming years. Congratulations on your appointment and thank you for your willingness to take on this additional responsibility.

I look forward to meeting you in the near future, and send my best personal wishes.

Sincerely,

(Signed) Barber B. Conable

Senor Ing. Luis H. Moreno
Gerente General
Banco Nacional de Panama
Apartado 5220
Panama 5
Republic of Panama

cc: Mr. Pinto
Mr. Steckhan
Mr. Paul

ETSanidad:jlk

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

11 de julio de 1990

Estimado señor Ministro:

Me ha sido comunicada su designación como Gobernador Suplente por Panamá en las Juntas de Gobernadores del Grupo del Banco Mundial. Estoy consciente de que este nombramiento es inherente al cargo que desempeña en el Gobierno de su país, pero confío en que podrá estar en condiciones de participar también de forma activa en los asuntos del Grupo del Banco.

Los Directores Ejecutivos, los altos funcionarios y el personal del Grupo del Banco Mundial están firmemente dedicados a la misión de desarrollo de la institución y a la lucha contra la pobreza. Esperamos con sumo interés colaborar con usted en la tarea de hacer que el Grupo del Banco sea aún más eficaz en los años venideros. Permítame que le exprese mis felicitaciones por su designación para ocupar este cargo, así como mi agradecimiento por su disposición a asumir esta responsabilidad adicional.

En espera de verlo en un futuro cercano, le envío mis mejores deseos personales.

Lo saluda muy atentamente,

Señor
Ing. Luis H. Moreno
Gerente General
Banco Nacional de Panamá
Apartado 5220
Panamá 5
República de Panamá

TO- Executive Director
Country Director, Bank
Investments Director, IFC
File Credential

FROM - E. T. Sanidad
SECRETARY'S DEPARTMENT

República de Panamá

Ministerio de Planificación y Política Económica

Despacho del Ministro

Panamá, 25 de junio de 1970
Nota No. DPEYS-D-038

ROUGH TRANSLATION

On behalf of the Government of Panama, I am pleased to inform you that Ing. Luis H. Moreno, Gen. Mgr. Banco Nacional de Panama, has been designated as Alternate Governor of the World Bank, IDA and IFC.

There was a misunderstanding on our part when we informed you that Dr. Mario Galindo, Min. of Finance and Treasury, had been designated as Alternate Governor.

Su Excelencia
BARBER B. CONABLE
Presidente del Banco Mundial
Corporación Financiera Internacional
y Asociación Internacional de Fomento
Washington, D.C.

Señor Presidente:

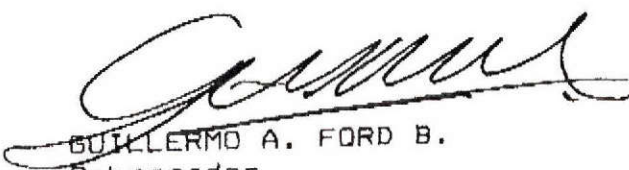
En nombre y representación del Gobierno de la República de Panamá, me permito llevar a su conocimiento que el Ing. LUIS H. MORENO, Gerente General del Banco Nacional de Panamá, ha sido designado como Gobernador Alterno ante el Banco Mundial, la Corporación Financiera Internacional y la Asociación Internacional de Fomento.

Por un error involuntario de nuestra parte le informamos que Su Excelencia, el Dr. Mario Galindo, Ministro de Hacienda y Tesoro, había sido designado para esa posición.

En base a lo anterior, mucho le agradeceré proceder a formalizar la designación del Ing. Moreno como Gobernador Alterno.

Aprovecho la oportunidad para presentar a usted las seguridades de mi distinguida consideración.

Atentamente,


GUILLERMO A. FORD B.
Gobernador
Segundo Vice Presidente de la
República de Panamá

GAF/cmd



OFFICE MEMORANDUM

DATE: April 26, 1990

TO: Mr. Barber B. Conable

THROUGH: Mr. Moeen A. Qureshi

FROM: Armeane Choksi, Acting RVP, LAC

EXTENSION: 31811

SUBJECT: PANAMA - Meeting With President Endara

1. Mr. Guillermo Endara, President of Panama, will have a breakfast meeting with you on Monday, April 30, 1990 at 8 a.m. This note presents an update on the arrears situation and changes in the status of the Bank - Government relationship since your March 22, 1990 meeting with Vice President Ford of Panama. For your reference, the note also reviews the current economic situation.

2. Mr. Endara is a lawyer by training, and has spent his career specializing in labor relations. Prior to assuming the Presidency, he was a professor of Business Law at the University of Panama. He is a founding member of the law firm Solis, Endara, Delgado and Guevara where he has practiced since 1963. He has had a long an active involvement in politics. In 1968 he briefly served as Minister of Planning, however, when the Government of Arnulfo Arias was toppled after only 11 days, Endara went into hiding and was subsequently imprisoned in 1971 and sent into exile. In 1988, he was accused of involvement in guerilla activities against Noriega, however, he was not formally charged or arrested. He ran for the Presidency under the banner of the Authentic Liberal Party. Additional biographical information is attached.

Current Economic Situation.

3. A new Government headed by Mr. Guillermo Endara assumed office in end December 1989. The Government has inherited a very difficult economic and political situation. Real GDP is estimated to have declined by over 20% during the last two years as a consequence of past economic mismanagement by the military government, declining business confidence due to political instability and US economic sanctions. Heavy damages caused by the recent US military intervention and widespread looting have compounded Panama's economic problems. Urban unemployment is currently estimated at 30% and the banking system is still operating under severe restrictions that prevent a speedy economic reactivation. In 1988 Panama suspended virtually all external debt service payments, so that the accumulated arrears with external creditors currently amount to about US\$2.4 billion. The lack of domestic and external credit, accompanied by a severe drop in Government revenues (by almost 50% in 1988), had the effect that public and private investment expenditures in 1988-89 fell to less than half the 1987 levels, resulting in a severe deterioration of capital equipment and infrastructure.

4. Economic management. The economic team is headed by Vice President Ford. Although the top level officials all came from the private sector and have little or no experience with public office, they appear to be serious, capable and informed. At the technical levels, however, there is still considerable uncertainty as to capabilities. Due to the suddenness with which the Government assumed office, the new economic team is still in the process of staffing and orienting itself. Since assumption of office, the focal point of activity has been the development of the 1990 budget, which is expected to be passed by the end of April.

Status of Bank - Government Relations.

5. Disbursement of Bank loans to Panama was suspended in November 1987 and the country was put in non-accrual status in May 1988. Following the inauguration of the Endara Government, a Bank mission visited Panama from January 21 to 27, 1990, in parallel with missions from the IMF and the IDB, to initiate contact with the authorities, ascertain their position on clearance of arrears and learn of their economic policy priorities. On that occasion, the Government indicated its intention to restore fiscal discipline, introduce more liberal economic order and resume debt service payments to the multilaterals.

6. In response to the Government's requests for an early Bank mission, the Bank had assembled a team which was prepared to begin work in Panama on April 23, 1990. The purpose of the mission is to review the overall macroeconomic situation and priority areas in the infrastructure sectors which urgently require reconstruction and investment. On April 18, 1990, the Bank learned from the Vice Minister of Planning that the proposed timing was not convenient for the Government as the key policymakers would be out of the country and they had not yet had time to focus on the issues of concern to the Bank. The Bank is prepared to field the mission at the Government's earliest convenience. We plan to discuss timing with the Vice Minister on Friday, April 27, 1990. You may wish to impress upon the President the critical importance of beginning the dialogue with the Bank.

7. Upon the return of the mission, a report, "Panama: Investment Priorities for Reviving Growth" will be produced. This piece will allow us to review mission findings and determine an appropriate Bank strategy for assisting the Government in its economic recovery and in strengthening creditworthiness, once the overall arrears question has been resolved. We expect that the mission's work will lay the framework for identifying future lending operations in the country.

Arrears.

8. As of December 31, 1989 Panama's arrears to the World Bank, the IDB and the IMF totalled US\$546.5 million, of which the Bank's portion was US\$183.5 million, exclusive of accrued interest charges. Since the January mission, the Bank and the other multilaterals have consistently emphasized the importance of clearing arrears to all three institutions simultaneously.

9. On April 11, 1990, as Vice President Ford advised you in his letter of April 12, the Economic Cabinet of Panama authorized the resumption of normal payments to the Bank starting on May 1, 1990. In addition, the Government has made a payment of US\$35.9 million to the World Bank, the IMF and the IDB for obligations incurred during the first four months of 1990. The World Bank's share of this payment was US\$8.9 million, which would cover about one third of the obligations which fell due from January 1 through March 30, 1990. No obligations fell due to the Bank in April. The IMF received US\$15.9 million and the IDB received US\$11.1 million.

10. The Panamanians have indicated that they will now freeze arrears at current levels and make payments as they come due in the future. In addition, a Support Group for Panama is being formed which will help secure the financing necessary to complete the clearance of arrears. The financing program tentatively envisaged would include quick-disbursing assistance from the U. S., the Bank, other multilaterals, and bilateral sources including Japan and the EEC member countries. The Government indicated that a Steering Committee Meeting will be held on May 3 in New York with the commercial banks and a Paris Club meeting may follow shortly thereafter.

Relations with Other Donors.

11. IMF. The IMF Board met on April 20, 1990 to consider the question of Panama's arrears. Discussion centered around the implications of the exchange of letters between the Managing Director and Vice President Ford (you received an identical letter dated April 12, 1990 from Vice President Ford) which indicated that the Government had undertaken to make partial payment to the three multilateral institutions (WB, IMF, and IDB). Many Directors expressed unhappiness over the tone of the letter, which alluded to the need for a positive net transfer from the three institutions, and which made full settlement of arrears contingent upon the formation of a Support Group for Panama. Members from the industrialized countries were particularly vocal in expressing their disappointment that all arrears from January 1990 were not cleared as expected, and that no comprehensive program was in place. It was decided, against the views of the US and the developing country representatives, to review the situation further at the end of May. A Fund mission is scheduled to visit Panama in end May.

12. IDB. IDB is pursuing an approach similar to the Bank's with respect to future activity in Panama. A mission visited Panama in late March/early April to review the Urban, Power and Sewage and Sanitation sectors. A second mission is now in the field. It will look at the macroeconomic situation, agriculture, roads and education sectors. Decisions on future lending activity would be contingent upon full clearance of arrears. We would expect to collaborate closely with the IDB on any sector lending.

13. USAID. The US Senate Appropriations Committee approved, by a narrow margin (15-14), US\$420 million for Panama and favorably reported out the legislation. Of this amount, \$130 million is earmarked for clearance of arrears to the multilaterals.

Attachment

cc. Messrs./Ms. Qureshi (OPNSV); Husain (LACVP) o/r; Steckhan (LA2DR); Quijano (LACVP); Martinez, Derbez, Cooke, Lachler (LA2CO); Hicks (SPRSP); Cucullu (LEG)

04-23-90 15:25

Q:002

GUILLERMO ENDARA GALIMANY

Guillermo Endara is the President of the Republic of Panama.

President Endara is a founding member of the Arnulfista Party. In 1964, he was elected First Deputy Alternate, but when he became aware of the fraud that had been carried out against his running mates, he solicited and obtained the annulment of his credentials.

In 1968, as one of the closest collaborators of Dr. Arnulfo Arias, Guillermo Endara actively participated in political campaigns on the national level. In this same year he was appointed to the position of the Minister of Planning and Political Economy, under the government of President Arnulfo Arias. After the 1968 coup d'etat, which overthrew the government of Arias only 11 days after the inauguration, Endara was persecuted and remained in hiding for a few months. In 1971, he was imprisoned and sent into exile with other members of his party.

A key player in his party, in 1977 Endara was named to the National Political Committee, which was responsible for reorganizing the Arnulfista Party in every province and also launched the campaign to return Dr. Arnulfo Arias to Panama. In 1979, he was named Sub-Secretary General of the Party by Dr. Arias.

In 1983 Endara was one of the principal organizers of the registration of the Arnulfista Party and later he assumed the functions of the General Secretary of the party. Also in 1983, Endara represented the Arnulfista Party, as a member of the Commission for the Review of the Constitution.

He became the authorized spokesman of Arnulfo Arias in 1988 along with Don Jorge Pacifico Adames.

Prior to assuming the presidency, Endara was a professor of Business Law at the University of Panama and was one of the founders of the law firm of Solis, Endara, Delgado and Guevara where he has practiced since 1963.

Endara studied pre-medicine at Tulane University and then studied Law and Political Science at the University of Panama where he graduated with honors. Endara went on to complete post graduate work at New York University School of Law. In addition to this work, Endara studied for four years at the Black Foxe Military Institute in Los Angeles, California. Endara is a widower and has one daughter.

Guillermo ENDARA Galimany
President of Panama

President Endara is a long-time leader of the Authentic Panamamenista Party (PPA). During the May 7 elections, however, the regime-controlled electoral tribunal recognized a smaller, splinter faction of the party, and denied him the use of the party's name and funds. Because of this maneuver, Endara ran under the banner of the Authentic Liberal Party.

After the elections, Endara was beaten by Noriega's thugs, and briefly detained. This tactic of intimidation did not stop Endara from beginning a hunger strike later in the year, to encourage his fellow citizens to refuse payments to the regime. The campaign resulted in the arrest of several of Endara's followers, and Endara took refuge in the Papal Nunciature.

Endara was born on May 12, 1936. He graduated from the University of Panama in 1962. He studied at Columbia University in 1968. In October of that year, he served as Director of the President's planning office during Arias' short-term administration. Endara was one of Arias' closest advisors until the four-time President's death in 1988. He has held numerous party positions since the late 1960's, including those of subsecretary general and spokesman for Arias, and he is now considered Arias' political heir. In conjunction with the arrests in September 1988 of antiregime plotters, the Panamanian Defense Forces accused Endara of involvement in guerrilla activities against Noriega, however, he was not formally charged or arrested at that time.

Endara speaks good English. He has had close ties with our Embassy through the years. A widower (his wife died in 1989), Endara has two children.

December 29, 1989

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 90/04/26

DUE DATE : 00/00/00

LOG NUMBER : 900427003

FROM : Mr. Choksi (MAQ)

SUBJECT : BRIEFING: meeting with President Guillermo Endara of Panama,
on Monday Arpril 30, 1990 (Breakfast)

OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

____ APPROVED
____ PLEASE HANDLE
✓ _____ FOR YOUR INFORMATION
____ FOR YOUR REVIEW AND RECOMMENDATION
____ FOR THE FILES
____ PLEASE DISCUSS WITH _____
____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
____ AS WE DISCUSSED
____ RETURN TO _____

COMMENTS :cc: Mrs. Haug, AK

Other Guests at Breakfast

President Endara
Mr. Julio Vinarez (MoFA)
Amb. Vallarino
Amb-at-Large Chapman
Amb-at-Large Rodriguez
Mr. Iglesias (IDB)
Mr. Camdessus (IMF)

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 90/04/26

DUE DATE : 00/00/00

LOG NUMBER : 900427003

FROM : Mr. Choksi (MAQ)

SUBJECT : BRIEFING: meeting with President Guillermo Endara of Panama,
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OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

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COMMENTS :cc: Mrs. Haug, AK

OFFICE MEMORANDUM

DATE: April 26, 1990

TO: Mr. Barber B. Conable

THROUGH: Mr. Moeen A. Qureshi

FROM: Armeane Choksi, Acting RVP, LAC

EXTENSION: 31811

SUBJECT: PANAMA - Meeting With President Endara

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2. Mr. Endara is a lawyer by training, and has spent his career specializing in labor relations. Prior to assuming the Presidency, he was a professor of Business Law at the University of Panama. He is a founding member of the law firm Solis, Endara, Delgado and Guevara where he has practiced since 1963. He has had a long an active involvement in politics. In 1968 he briefly served as Minister of Planning, however, when the Government of Arnulfo Arias was toppled after only 11 days, Endara went into hiding and was subsequently imprisoned in 1971 and sent into exile. In 1988, he was accused of involvement in guerilla activities against Noriega, however, he was not formally charged or arrested. He ran for the Presidency under the banner of the Authentic Liberal Party. Additional biographical information is attached.

Current Economic Situation.

3. A new Government headed by Mr. Guillermo Endara assumed office in end December 1989. The Government has inherited a very difficult economic and political situation. Real GDP is estimated to have declined by over 20% during the last two years as a consequence of past economic mismanagement by the military government, declining business confidence due to political instability and US economic sanctions. Heavy damages caused by the recent US military intervention and widespread looting have compounded Panama's economic problems. Urban unemployment is currently estimated at 30% and the banking system is still operating under severe restrictions that prevent a speedy economic reactivation. In 1988 Panama suspended virtually all external debt service payments, so that the accumulated arrears with external creditors currently amount to about US\$2.4 billion. The lack of domestic and external credit, accompanied by a severe drop in Government revenues (by almost 50% in 1988), had the effect that public and private investment expenditures in 1988-89 fell to less than half the 1987 levels, resulting in a severe deterioration of capital equipment and infrastructure.

4. Economic management. The economic team is headed by Vice President Ford. Although the top level officials all came from the private sector and have little or no experience with public office, they appear to be serious, capable and informed. At the technical levels, however, there is still considerable uncertainty as to capabilities. Due to the suddenness with which the Government assumed office, the new economic team is still in the process of staffing and orienting itself. Since assumption of office, the focal point of activity has been the development of the 1990 budget, which is expected to be passed by the end of April.

Status of Bank - Government Relations.

5. Disbursement of Bank loans to Panama was suspended in November 1987 and the country was put in non-accrual status in May 1988. Following the inauguration of the Endara Government, a Bank mission visited Panama from January 21 to 27, 1990, in parallel with missions from the IMF and the IDB, to initiate contact with the authorities, ascertain their position on clearance of arrears and learn of their economic policy priorities. On that occasion, the Government indicated its intention to restore fiscal discipline, introduce more liberal economic order and resume debt service payments to the multilaterals.

6. In response to the Government's requests for an early Bank mission, the Bank had assembled a team which was prepared to begin work in Panama on April 23, 1990. The purpose of the mission is to review the overall macroeconomic situation and priority areas in the infrastructure sectors which urgently require reconstruction and investment. On April 18, 1990, the Bank learned from the Vice Minister of Planning that the proposed timing was not convenient for the Government as the key policymakers would be out of the country and they had not yet had time to focus on the issues of concern to the Bank. The Bank is prepared to field the mission at the Government's earliest convenience. We plan to discuss timing with the Vice Minister on Friday, April 27, 1990. You may wish to impress upon the President the critical importance of beginning the dialogue with the Bank.

7. Upon the return of the mission, a report, "Panama: Investment Priorities for Reviving Growth" will be produced. This piece will allow us to review mission findings and determine an appropriate Bank strategy for assisting the Government in its economic recovery and in strengthening creditworthiness, once the overall arrears question has been resolved. We expect that the mission's work will lay the framework for identifying future lending operations in the country.

Arrears.

8. As of December 31, 1989 Panama's arrears to the World Bank, the IDB and the IMF totalled US\$546.5 million, of which the Bank's portion was US\$183.5 million, exclusive of accrued interest charges. Since the January mission, the Bank and the other multilaterals have consistently emphasized the importance of clearing arrears to all three institutions simultaneously.

9. On April 11, 1990, as Vice President Ford advised you in his letter of April 12, the Economic Cabinet of Panama authorized the resumption of normal payments to the Bank starting on May 1, 1990. In addition, the Government has made a payment of US\$35.9 million to the World Bank, the IMF and the IDB for obligations incurred during the first four months of 1990. The World Bank's share of this payment was US\$8.9 million, which would cover about one third of the obligations which fell due from January 1 through March 30, 1990. No obligations fell due to the Bank in April. The IMF received US\$15.9 million and the IDB received US\$11.1 million.

10. The Panamanians have indicated that they will now freeze arrears at current levels and make payments as they come due in the future. In addition, a Support Group for Panama is being formed which will help secure the financing necessary to complete the clearance of arrears. The financing program tentatively envisaged would include quick-disbursing assistance from the U. S., the Bank, other multilaterals, and bilateral sources including Japan and the EEC member countries. The Government indicated that a Steering Committee Meeting will be held on May 3 in New York with the commercial banks and a Paris Club meeting may follow shortly thereafter.

Relations with Other Donors.

11. IMF. The IMF Board met on April 20, 1990 to consider the question of Panama's arrears. Discussion centered around the implications of the exchange of letters between the Managing Director and Vice President Ford (you received an identical letter dated April 12, 1990 from Vice President Ford) which indicated that the Government had undertaken to make partial payment to the three multilateral institutions (WB, IMF, and IDB). Many Directors expressed unhappiness over the tone of the letter, which alluded to the need for a positive net transfer from the three institutions, and which made full settlement of arrears contingent upon the formation of a Support Group for Panama. Members from the industrialized countries were particularly vocal in expressing their disappointment that all arrears from January 1990 were not cleared as expected, and that no comprehensive program was in place. It was decided, against the views of the US and the developing country representatives, to review the situation further at the end of May. A Fund mission is scheduled to visit Panama in end May.

12. IDB. IDB is pursuing an approach similar to the Bank's with respect to future activity in Panama. A mission visited Panama in late March/early April to review the Urban, Power and Sewage and Sanitation sectors. A second mission is now in the field. It will look at the macroeconomic situation, agriculture, roads and education sectors. Decisions on future lending activity would be contingent upon full clearance of arrears. We would expect to collaborate closely with the IDB on any sector lending.

13. USAID. The US Senate Appropriations Committee approved, by a narrow margin (15-14), US\$420 million for Panama and favorably reported out the legislation. Of this amount, \$130 million is earmarked for clearance of arrears to the multilaterals.

Attachment

cc. Messrs./Ms. Qureshi (OPNSV); Husain (LACVP) o/r; Steckhan (LA2DR); Quijano (LACVP); Martinez, Derbez, Cooke, Lachler (LA2CO); Hicks (SPRSP); Cucullu (LEG)

04 23 90 15:28

0002

GUILLERMO ENDARA GALIMANY

Guillermo Endara is the President of the Republic of Panama.

President Endara is a founding member of the Arnulfista Party. In 1964, he was elected First Deputy Alternate, but when he became aware of the fraud that had been carried out against his running mates, he solicited and obtained the annulment of his credentials.

In 1968, as one of the closest collaborators of Dr. Arnulfo Arias, Guillermo Endara actively participated in political campaigns on the national level. In this same year he was appointed to the position of the Minister of Planning and Political Economy, under the government of President Arnulfo Arias. After the 1968 coup d'etat, which overthrew the government of Arias only 11 days after the inauguration, Endara was persecuted and remained in hiding for a few months. In 1971, he was imprisoned and sent into exile with other members of his party.

A key player in his party, in 1977 Endara was named to the National Political Committee, which was responsible for reorganizing the Arnulfista Party in every province and also launched the campaign to return Dr. Arnulfo Arias to Panama. In 1979, he was named Sub-Secretary General of the Party by Dr. Arias.

In 1983 Endara was one of the principal organizers of the registration of the Arnulfista Party and later he assumed the functions of the General Secretary of the party. Also in 1983, Endara represented the Arnulfista Party, as a member of the Commission for the Review of the Constitution.

He became the authorized spokesman of Arnulfo Arias in 1988 along with Don Jorge Pacifico Adams.

Prior to assuming the presidency, Endara was a professor of Business Law at the University of Panama and was one of the founders of the law firm of Solis, Endara, Delgado and Guevara where he has practiced since 1963.

Endara studied pre-medicine at Tulane University and then studied Law and Political Science at the University of Panama where he graduated with honors. Endara went on to complete post graduate work at New York University School of Law. In addition to this work, Endara studied for four years at the Black Foxe Military Institute in Los Angeles, California. Endara is a widower and has one daughter.

Guillermo ENDARA Galimany
President of Panama

President Endara is a long-time leader of the Authentic Panamamenista Party (PPA). During the May 7 elections, however, the regime-controlled electoral tribunal recognized a smaller, splinter faction of the party, and denied him the use of the party's name and funds. Because of this maneuver, Endara ran under the banner of the Authentic Liberal Party.

After the elections, Endara was beaten by Noriega's thugs, and briefly detained. This tactic of intimidation did not stop Endara from beginning a hunger strike later in the year, to encourage his fellow citizens to refuse payments to the regime. The campaign resulted in the arrest of several of Endara's followers, and Endara took refuge in the Papal Nunciature.

Endara was born on May 12, 1936. He graduated from the University of Panama in 1962. He studied at Columbia University in 1968. In October of that year, he served as Director of the President's planning office during Arias' short-term administration. Endara was one of Arias' closest advisors until the four-time President's death in 1988. He has held numerous party positions since the late 1960's, including those of subsecretary general and spokesman for Arias, and he is now considered Arias' political heir. In conjunction with the arrests in September 1988 of antiregime plotters, the Panamanian Defense Forces accused Endara of involvement in guerrilla activities against Noriega, however, he was not formally charged or arrested at that time.

Endara speaks good English. He has had close ties with our Embassy through the years. A widower (his wife died in 1989), Endara has two children.

December 29, 1989

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

April 23, 1990

The Honorable Guillermo A. Ford
Second Vice President and Minister
Ministry of Planning and Economic Policy
Panama City, Panama

Dear Vice President Ford:

Thank you for your letter of April 12, 1990, concerning your Government's desire to resolve the problem of arrears to the International Financial Institutions.

As we discussed during your recent visit to Washington, the Bank would be prepared to assist your authorities in designing a medium-term economic program and to provide support for such a program once the question of arrears is settled.

I understand that your Government has initiated partial payments to the International Financial Institutions for outstanding debt service obligations and the Bank has received US\$8.9 million. I am pleased to hear this positive development and trust that this will be the first step in resolving quickly the overall issue of arrears.

With respect to your request for an early Bank mission, I understand that the Bank organized a mission to begin on April 23, 1990; the timing, however, was not convenient for the Government. We are prepared to send this mission as soon as the Government is able to receive it. As Mr. Steckhan advised you in his telex of April 18, 1990, the mission's objectives are: to update our economic information; discuss your plans for reactivating the economy; identify areas in urgent need of reconstruction and policy change; and to survey investment and operations and maintenance needs in the main infrastructure sectors. Upon the return of the mission, we will review its findings and determine in which ways the Bank may be able to support your economic recovery program. You must realize, however, that any new lending could only be undertaken once arrears are settled in full.

April 23, 1990

I wish you success in the Steering Committee meeting which will be held in New York on May 3, 1990. I look forward to hearing about its outcome. Similarly, I was interested to learn of your plans to hold a meeting of the Paris Club in the near future.

Sincerely,

(Signed) Barber B. Conable

Barber B. Conable
President

cc: Messrs/Mss. Qureshi (OPNSV); Stern (FINSV); Rao (FRSDR);
Jennings (LOADR); Husain, Quijano, Selowsky,
Segura, Duer (LACVP); Sengamalay (LOAEL);
Steckhan, Martinez, Derbez, Lachler, Cooke
(LA2CO); Hicks (SPRSP)

~~MAH~~

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 90/04/12

DUE DATE : 90/04/27

LOG NUMBER : 900416005

FROM : VP Guillermo Ford

SUBJECT : Vice President, Panama: thanking the mtgs. Washington & Montreal.

Req. details of Aid Group assistance to pay off arrears til 12/89

OFFICE ASSIGNED TO FOR ACTION : Mr. M. Qureshi (E-1241)

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR BBCs SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :

EXPEDITE



República de Panamá

Ministerio de Planificación y Política Económica

Despacho del Ministro

Panamá, 12 de abril de 1990
Nota No. DM-N-418

Señor
BARBER B. CONABLE
Presidente del Banco Mundial
1818 H. Street, N.W.
Washington, DC 20433
U.S.A.

Estimado Señor Presidente:

Por este medio deseo reiterarle mi más sincero agradecimiento por todas sus atenciones y de manera particular por la amplitud y comprensión demostradas durante las diferentes sesiones realizadas tanto en Washington como en Montreal, a efecto de revisar el comportamiento del pago de las obligaciones que nuestro país mantiene con esa Institución.

Tal como le expresara, es verdaderamente lastimoso el estado de endeudamiento en que nuestro Gobierno encontró al país, pero por decisión del Excelentísimo Señor Presidente, al igual que del Consejo de Gabinete, desde el primer día informamos al mundo nuestra disposición de reconocer las deudas que mantiene nuestro país, tanto con las Instituciones Financieras Internacionales, como con la Banca privada y el "Club de Paris".

Me complace informarle que hemos convocado al "Steering Committee", para el día 3 de mayo próximo en la Ciudad de New York, en cuya ocasión plantearémos la realidad de nuestro país y absolverémos todas las preguntas que tengan a bien formularnos. Procederémos de igual manera y en un futuro próximo, con el Club de Paris.

Con miras a iniciar el cumplimiento de nuestras obligaciones, y debidamente autorizado por el Consejo de Gabinete en reunión celebrada en el día de ayer, me complace informarle lo siguiente:

1. Nuestro país está en el proceso de conformar un Grupo de Apoyo y a tal efecto hemos invitado a los Gobiernos de Estados Unidos de América, Japón, China y cinco de los países de la Comunidad Económica Europea.

Esperamos lograr, con la conformación de este Grupo de Apoyo, fondos por un total de \$540 millones, para cancelar así los atrasos al 31 de diciembre de 1989. Hemos propuesto los siguientes aportes:

Panamá	\$130 millones
Estados Unidos	\$130 millones
Grupo de Países amigos	\$130 millones
Préstamo Puente del Tesoro de los Estados Unidos	\$150 millones \$540 millones

Sírvase observar que la República de Panamá aportará la suma de \$130 millones y el Préstamo Puente tendrá que ser repagado con desembolsos procedentes de las Instituciones Financieras Internacionales.

2. El Consejo de Gabinete, en su reunión celebrada ayer, autorizó el pago de \$30 millones para ser abonados al primer trimestre de 1990 y \$6.5 millones corresponden al mes de abril de 1990 y, a partir del mes de mayo venidero, mantendremos corrientes nuestros pagos mensuales. La totalidad de estos pagos se prorrateará entre las tres IFIs según corresponda.
3. Una vez obtenidos los fondos del Grupo de Apoyo, nuestro país cancelaría los atrasos (\$540 millones) y la diferencia correspondiente al primer trimestre de 1990.

Tal como solicitáramos en nuestra reunión celebrada en Montreal, Canadá, y en base a lo cual hicimos nuestra presentación al Consejo de Gabinete ayer, requerimos, con carácter de urgencia, lo siguiente:

1. Su conformidad con el mecanismo que estamos estructurando para el pago de los atrasos y el pago de las partidas descritas en el acápite 2 anterior.
2. Confirmación del envío de una Misión de su Institución, para adelantar el análisis de los diferentes proyectos que pueden ser objeto de financiación por parte de su Institución.
2. Detalle del flujo de desembolsos que significará este acto de responsabilidad de Panamá, por cuanto tal como lo expresé en mi discurso en la reunión del Banco Interamericano de Desarrollo, nos resulta indispensable el tener un flujo positivo este año en proporción directa al esfuerzo de nuestro país.

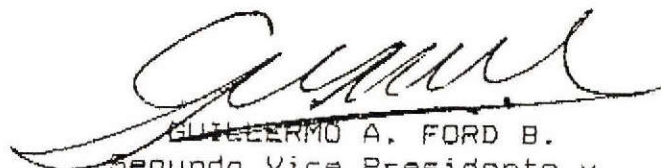
Nota No. DM-N-418

Página No. 3

Confiamos en haber cumplido así con nuestros planteamientos ante la Institución a su muy digno cargo y, como prueba inequívoca de la seriedad de nuestro Gobierno en procurar fórmulas para atender los atrasos de nuestro país y mantener corrientes los pagos a partir del mes de mayo del presente año, evitando con ello aumentar la ya pesada carga de morosidad que gravita sobre la República de Panamá.

En espera de sus noticias, me es grato suscribirme.

Atentamente,



GUILLERMO A. FORD B.
Segundo Vice Presidente y
Ministro de Planificación y Política
Económica

c.c.: Prof. Ruben D. Carles
Contralor General de la República

Lic. Luis H. Moreno
Gerente del Banco Nacional de Panamá

Dr. Mario J. Galindo
Ministro de Hacienda y Tesoro

Lic. Julio Harris
Ministro de la Presidencia

(A)

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

file

CORRESPONDENCE DATE : 90/03/20

DUE DATE : 00/00/00

LOG NUMBER : 900321007

FROM : Mr. Martinez (Wessel

SUBJECT : BRIEFING: meeting with Vice President Guillermo Ford, Panama on
thursday, March 22, 1990 at 5 pm.

OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- AS WE DISCUSSED
- RETURN TO CP/MF file

COMMENTS :cc: Mrs. Haug

ROUTING SLIP		DATE: March 20, 1990
NAME		ROOM NO.
Mr. Barber B. Conable		E-1227
Through Mr. Moeen A. Qureshi		E-1241
APPROPRIATE DISPOSITION	NOTE AND RETURN	
APPROVAL	NOTE AND SEND ON	
CLEARANCE	PER OUR CONVERSATION	
COMMENT	PER YOUR REQUEST	
FOR ACTION	PREPARE REPLY	
INFORMATION	RECOMMENDATION	
INITIAL	SIGNATURE	
NOTE AND FILE	URGENT	
REMARKS:		
<p>Re: PANAMA - Meeting with Vice President Ford, Thursday, March 22, at 5 pm</p> <hr/>		
FROM:	ROOM NO.:	EXTENSION:
Everardo Wessels	I4025	38579

Acting RVP, LAC

OFFICE MEMORANDUM

DATE: March 20, 1990

TO: Mr. Barber B. Conable

THROUGH: Everardo Wessels, Acting RVP, LAC *EW*

FROM: Miguel E. Martinez, Acting Director, LA2 *MEM*

EXTENSION: 38729

SUBJECT: PANAMA: Meeting with Vice President Ford

1. Mr. Guillermo Ford, Vice President of Panama, will meet with you on March 22 at 5 pm. This note discusses: (i) the current economic situation; (ii) status of Bank-Country relations; (iii) arrears; and (iv) proposed Bank program.

Current Economic Situation

2. The new Panamanian Government has inherited a very difficult economic and political situation. Real GDP is estimated to have declined by over 20% during the last two years as a consequence of past economic mismanagement by the military government, declining business confidence due to political instability and U.S. economic sanctions. Heavy damages caused by the recent U.S. military intervention and widespread looting have compounded Panama's economic problems. Urban unemployment is currently estimated at 30% and the banking system is still operating under severe restrictions that prevent a speedy economic reactivation. In 1988, Panama suspended virtually all external debt service payments, so that the accumulated arrears with external creditors currently amount to about US\$2.4 billion. The lack of domestic and external credit, accompanied by a severe drop in Government revenues (by almost 50% in 1988), had the effect that public and private investment expenditures in 1988-89 fell to less than half the 1987 levels, resulting in a severe deterioration of capital equipment and infrastructure.

3. The new economic team is headed by Mr. Guillermo Ford, Vice President and Minister of Planning. Although the top level officials mostly came from the private sector and have little or no experience in public office, they appear serious, capable and well informed. At the technical levels, on the other hand, there still is considerable uncertainty as to staff quality. Due to the suddenness with which this Government came to power, the new economic team is still in the process of staffing and orienting itself amidst much confusion, inadequately maintained official records and irregularities in past accounting practices.

Status of Bank-Country Relations

4. Bank loans to Panama were suspended in November 1987 and put in non-accrual status in May 1988. A Bank reconnaissance mission (Mr. Lachler/Ms. Cooke) visited Panama during January 21-27, 1990, in conjunction with the IMF and IDB, to meet with the new Government, which came to power in the wake of the U.S. intervention of December 20, 1989.

5. A conversation between Mr. Steckhan and Vice President Ford took place during the week of March 5. In this discussion Mr. Ford reaffirmed his government's intention to settle the arrears situation in a timely manner. Subsequently, it was agreed that a Bank mission will visit Panama around mid April (Attachment 1). It is planned that an IDB mission would also visit Panama around that time.

Arrears

6. Panama's total external arrears as of December 31, 1989 were estimated at US\$2.4 billion, of which US\$540 million are owed to the Bank (US\$183.5 million), IMF (US\$220 million) and IDB (US\$143 million).¹ The new Government has expressed a strong commitment to take the measures needed to eliminate Panama's currently severe macroeconomic imbalances and normalize its relations with external creditors. In this last regard, the clearing of arrears with the multilateral financial institutions was stated to be a matter of high priority. These announced intentions go in the right direction and give grounds for hope, but so far no concrete actions have been taken.

7. An important message stressed by both the Bank and Fund during their January mission was that Panama should seek a simultaneous clearance of the arrears with the three multilaterals. During that mission, the Government stated that it intended to freeze arrears with the multilaterals as of December 31, 1989, by fully servicing upcoming payments. (However, they have not yet replied to our cable dated February 7 in which we asked them to confirm that statement.) Furthermore, it stated that it would be prepared to use part of Panama's own funds (repatriated escrow account balances; roughly totaling US\$300-320 million) and also is asking for external donor support to solve the problem of past arrears. It was indicated, however, that the speed with which the arrears could be cleared may depend partly on the ability of the multilaterals to initiate new lending programs. In this context, the U.S. has expressed a willingness to allocate about US\$130 million toward the clearance of Panama's external arrears. If Panama were to contribute US\$130 million from its own funds, that would leave about US\$280 million (\$540 - \$260) in arrears to the multilaterals for which additional funding needs to be found. The Panamanian Government has announced that it intends to approach Japan, Korea and Taiwan for assistance. We also understand that US officials have also approached the Government of Japan on behalf of Panama.

8. Unless the US is prepared to contribute a substantially larger amount toward the clearance of Panama's arrears with the multilaterals, the arrears problem may be difficult to solve. This judgement is based on the following considerations: (i) to provide support, Japan may require that the arrears with external bondholders also be cleared, which adds another US\$120 million to the US\$540 of arrears to be cleared; (ii) during CY90,

¹/ As of March 15, 1990, arrears to the World Bank had reached \$207 M; to the IDB \$156.3 M (March 2, 1990); and to the IMF, \$249.3 M (March 6, 1990).

another US\$261 million in debt service obligations to the three multilaterals will be falling due (of which the Bank accounts for US\$81.2 million); and (iii) the Bank has no project pipeline (except for an almost entirely undisbursed US\$50 million Seventh Power Loan, see para. 10 below) and the Fund's potential support is limited by the size of Panama's quota (about US\$130 million). This last consideration limits the size of potential bridging operations as a means for clearing arrears. At the informal donor meeting on Central America, organized by the Bank on February 23, 1990, the USAID representative indicated that the US Treasury might be prepared to provide a bridge loan. Another alternative would be a bridge loan from BIS which was raised at the March 16, 1990 IMF Board Meeting.

Proposed Bank Program

9. The Bank has outlined a preliminary country strategy for the remainder of FY90 and FY91, premised upon progress towards clearance of arrears. As noted, a mission is expected to visit Panama in mid/late April. This mission will assess macroeconomic performance and review issues in key sectors. It is expected that the mission would produce a report "Panama: Investment Priorities for Reviving Growth". We expect that this mission will lay the framework for identifying future operations in the country. At this point, it appears that the most likely possibilities for FY91 lending are in the infrastructure sectors, notably, sector investment loans in the roads, ports or housing sectors.

10. The Bank has only one operation in its lending portfolio, the Seventh Power Project (\$51 million which is almost totally undisbursed). This project will need to be thoroughly reviewed and is likely to require substantial restructuring. A mission is scheduled to supervise this project and to assess the power sector in conjunction with the April mission.

Attachment

cc: Messrs./Ms. Qureshi (OPNSV), Husain (LACVP) o/r, Steckhan (LA2DR)
o/r, Quijano (LACVP), Derbez, Cooke, Lachler (LA2CO),
Hicks (SPRSP)
LA2 Division Chiefs

MEM:sct

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Attachment 1
(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

March 16, 1990

Sr. Vice-Presidente Guillermo Ford
Ministerio de Plannificación y Política Económica
Ciudad de Panama
Republica de Panama

Dear Mr. Vice-President:

Thank you for your telephone call last week. As I mentioned during our conversation, the World Bank is planning to send a fact-finding mission to Panama on or about April 23, 1990. The purpose of the mission is to update the Bank's information on the Panamanian economy and to identify and discuss with government officials the critical areas in need of reconstruction and economic reform. The mission intends to focus on the country's public sector investment program, with emphasis on the sectors of Water and Sanitation, Power, Urban Development, Roads and Ports, and will also examine the Banking sector. The public investment program will have to be assessed both within an overall macroeconomic context and in terms of how well it addresses Panama's most urgent reconstruction and economic reactivation needs.

To perform this assessment, it is important that the Government have prepared a draft public investment program for 1990-1993. We will also be contacting officials in the sector ministries and public enterprises to prepare information required to make the individual sectoral assessments. The Bank will be sending Vice-Minister José Galan a more detailed request for information needed by the mission.

Finally, I would like to reaffirm to you the Bank's interest in contributing to Panama's development. Panama's outstanding arrears, however, place severe constraints on the Bank's ability to provide support. I would welcome your comments on how your government intends to reach a solution to this problem. I was happy to hear from the last mission that visited Panama that you plan to freeze the arrears at the level prevailing in December 31, 1989, and to service future obligations with the aim of clearing all arrears with the three multilateral institutions as soon as possible. In this regard, allow me to emphasize the importance of freezing the arrears before the problem worsens and becomes more difficult to manage.

I look forward to our future collaboration in addressing Panama's development and reconstruction needs.

Sincerely yours,

A handwritten signature in black ink that reads "Rainer Steckhan". The signature is written in a cursive, slightly slanted style.

Rainer B. Steckhan, Director
Country Department II
(Mexico, Central America and Panama)
Latin America and the Caribbean Region

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

1) ~~EM/MTA~~
file - Panama

CORRESPONDENCE DATE : 90/01/04 DUE DATE : 00/00/00
LOG NUMBER : 900105002 FROM : Mr. Ryrle
SUBJECT : Panama - Press Release (Attached)

OFFICE ASSIGNED TO FOR ACTION : *(Signature)* Mr. B. Conable (E-1227)

ACTION:

- APPROVED
- PLEASE HANDLE
- FOR YOUR INFORMATION
- FOR YOUR REVIEW AND RECOMMENDATION
- FOR THE FILES
- PLEASE DISCUSS WITH _____
- PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- AS WE DISCUSSED
- RETURN TO _____

COMMENTS :

cc: Mr. Aquino - Sacasa
cc: Mr. Stern (for info)
cc: Mr. Oueshi

URGENT

International Finance Corporation

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: CORINTFIN

Sir WILLIAM RYRIE
Executive Vice President

January 4, 1990

Mr. Barber B. Conable

Barber,

PANAMA

I mentioned to you that I would like to put out a statement about our intentions in Panama. This is attached. I propose to issue it tomorrow (Friday) for Monday's newspapers. The purpose is partly to get some valuable publicity for IFC, especially in the US.

We have spoken to officials in the Ministry of Finance in Panama, who welcome this proposal. I shall be speaking to the Minister of Finance, Mr. Guillermo Ford, tomorrow, Friday. I shall say to him that we would like to discuss ways in which we could help, e.g. a credit line for rehabilitation of businesses hurt by the economic difficulties of recent times, but that in making this suggestion, we are assuming that Panama will be rectifying its position vis-a-vis the Bank and that if this did not happen, it would be difficult for us to proceed.

In fact, it will take at least a few weeks or months before we can put a proposal together and bring it to the Board. I hope that in the interval the question about the handling of the arrears will be clarified -- if not, we would not proceed. The point of speaking as I proposed to Mr. Ford is to make sure that there is no misunderstanding on the part of the Panamanian Government.

Bill

Attachment.

L. W. Ryrie

Embargoed until
January 8, 1990
Press Release No. 90/28

Francis Hamilton
(202) 473-9055
or Varel Freeman
(202) 473-0682

IFC OFFERS TO HELP PANAMANIAN PRIVATE SECTOR

The International Finance Corporation (IFC), the private sector financing affiliate of the World Bank, has offered its assistance to the new government of Panama in rebuilding the country's private sector.

Panama is a member of IFC, and has historically been a dynamic center for international banking and commerce. The troubles of recent years have, however, done considerable damage to private companies in Panama and IFC believes a new initiative is required to help restore the private sector to health.

Sir William Ryrie, Executive Vice President of IFC, said in a statement that his organization has been in touch with the Panamanian authorities to propose a program of IFC loans and investments, to be implemented as economic and other circumstances in the country permit.

One possibility would be a credit line, through a private banking institution in Panama, specifically to help rehabilitate and restructure viable Panamanian companies which have suffered as a result of the economic difficulties of recent years. Ryrie said that an IFC mission would go to Panama shortly to discuss this and other possibilities.

IFC is the world's largest multilateral source of loan and equity finance for the private sector in the developing world. It finances productive investments in its member countries on a risk-sharing basis, together with local and international partners.

BARBER B. CONABLE
President

3 de agosto de 1989

Señor Ministro:

Me he enterado de que ha sido nombrado para ocupar el cargo de Gobernador Suplente por Panamá en las Juntas de Gobernadores del Grupo del Banco Mundial. Estoy consciente de que su nombramiento es inherente al cargo que ocupa en el Gobierno de su país, pero confío en que también podrá estar en condiciones de participar activamente en los asuntos del Grupo del Banco.

Los Directores Ejecutivos, los altos funcionarios y el personal del Grupo del Banco Mundial están firmemente dedicados a la misión de desarrollo de la institución y a la lucha contra la pobreza. Esperamos con gran interés poder colaborar con usted en la tarea de hacer que el Grupo del Banco sea aún más eficaz en los años venideros. Permítame que le exprese mis felicitaciones por su nombramiento para ocupar este cargo, así como mi agradecimiento por su disposición a asumir esta responsabilidad adicional.

En espera de verlo aquí en Washington con ocasión de las Reuniones Anuales, le envío un caluroso saludo y mis mejores deseos personales.

Atentamente,

(Signed) Barber B. Conable

Excmo. Sr.
Dr. Orville K. Goodin
Ministro de Hacienda y Tesoro
P. O. Box 5245
Panamá 3
República de Panamá

cc: Mr. Pinto
Mr. Steckhan
Mr. Paul

/ETSanidad

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

August 3, 1989

Dear Mr. Minister:

I have learned of your appointment as Alternate Governor for Panama on the Boards of Governors of The World Bank Group. I realize this is incident to your responsibilities in your own Government, but I hope you will be in a position actively to participate in the affairs of the Bank Group, as well.

The Executive Directors, Officers and Staff of The World Bank Group believe very strongly in its development mission and in the battle against poverty. We look forward to working with you to make the Bank Group even more effective during the coming years. Congratulations on your appointment and thank you for your willingness to take on this additional responsibility.

I look forward to meeting you here in Washington at the time of the Annual Meetings, and send my best personal wishes.

Sincerely,

Su Excelencia
Senor Dr. Orville K. Goodin
Ministro de Hacienda y Tesoro
P.O. Box 5245
Panama 3
Republica de Panama



Record Removal Notice

File Title Panama - President Barber Conable Country Files - Correspondence		Barcode No. 1779835		
Document Date Jun 9, 1989	Document Type Incoming wire			
Correspondents / Participants To : Mr. Jorge Pinto, Executive Director, EDS18 From : Gustavo R. Gonzalez, Gobernador Por Panama				
Subject / Title Alternate Governor for Panama				
Exception No(s). <input type="checkbox"/> 1 <input checked="" type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D <input type="checkbox"/> Prerogative to Restrict				
Reason for Removal Communications of Executive Directors' Office				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.		
		<table border="1"><tr><td>Withdrawn by Chandra Kumar</td><td>Date May 6, 2014</td></tr></table>	Withdrawn by Chandra Kumar	Date May 6, 2014
Withdrawn by Chandra Kumar	Date May 6, 2014			

WORLD BANK OTS SYSTEM
OFFICE OF THE PRESIDENT

CORRESPONDENCE DATE : 88/11/18 DUE DATE : 00/00/00
LOG NUMBER : 881121001 FROM : MAQ: Steckhan
SUBJECT : BREIFING: Meeting with Mr. Gustavo Gonzalez, Minister of Planning
Panama - on Nov. 22, 1988 at 4:00 p.m.
OFFICE ASSIGNED TO FOR ACTION : Mr. B. Conable (E-1227)

*This is actually
Requesting a
COURTESY
CALL
5-10 minutes*

ACTION:

- _____ APPROVED
- _____ PLEASE HANDLE
- _____ FOR YOUR INFORMATION
- _____ FOR YOUR REVIEW AND RECOMMENDATION
- _____ FOR THE FILES
- _____ PLEASE DISCUSS WITH _____
- _____ PLEASE PREPARE RESPONSE FOR _____ SIGNATURE
- _____ AS WE DISCUSSED
- _____ RETURN TO _____

COMMENTS :cc: Mrs. Haug, JV (follow file)

*— is this confirmed?
I just spoke to Mrs. Rubio's
Sec. (amparo) about not
being sure. Can you call
her x72231. m*

DO NOT SCHEDULE.

OFFICE MEMORANDUM

DATE: November 18, 1988

TO: Mr. Barber B. Conable

THROUGH: Mr. Moeen A. Qureshi *M A Q*

FROM: Rainer B. Steckhan, Director, LA2 *Steckhan*

EXTENSION: 38074

SUBJECT: PANAMA -- Meeting with Mr. Gustavo Gonzalez, Minister of Planning
November 22, 1988

1. You will be meeting Mr. Gustavo Gonzalez, Minister of Planning, on Tuesday, November 22, at 4:00 p.m. I will also be present at the meeting.
2. Minister Gonzalez will be in Washington for the IMF Board meeting on November 23, which will consider a Fund Staff proposal in relation to Panama's eligibility to borrow. The IMF Board is meeting to conduct a second review of Panama's repurchase arrears. The staff proposal will not suggest that Panama be immediately declared ineligible for further access to Fund resources, but that such a decision be considered in the third review in three months time.

Recent Economic Developments

2. As you are aware, Panama has been experiencing severe economic dislocation since the last half of 1987. The freezing by the United States Government of payment of taxes and fees (including Panama canal dues) to Panama since early this year has resulted in non-payment of external debt servicing obligations to almost all creditors, capital flight from the banking system, and major declines in investment, employment and GDP. A recent IMF mission estimated that GDP will fall by 20% this year.

Status of World Bank Relations

3. World Bank disbursements to Panama have been in suspension since November, 1987 due to non-payment of debt servicing obligations to us. Our loans to the country have been in non-accrual status since May, 1988. Panama's arrears to the Bank were \$96.1 million as of November 17. The Bank's total exposure to Panama on September 30 was \$431 million, at current exchange rates.

Issues to be Discussed

4. Minister Gonzalez will have met with the Country Director immediately prior to his meeting with you to discuss the Bank's relationship for the remainder of FY89 including the settlement of arrears to the Bank. However, you may wish to use the occasion to express the concern we feel at the Bank for the economic problems facing Panama, and in particular the social consequences of the economic depression affecting the country. You may also want to mention the continuing efforts of Bank staff to supervise ongoing projects (there was a total of \$94 million undisbursed in 7 ongoing projects as of September 30) and the fact that staff will be undertaking an economic mission to Panama from January 16 - 20, 1989.

Attachment

LIC. GUSTAVO GONZALEZ

Minister of Planning

Lic. Gonzalez was appointed to the Cabinet in April 1988. He had been Planning Minister previously in the early 1970s, and was at one stage also Minister of the Presidency. A PRD member, he served as advisor to the Minister of Agriculture up to the time of his appointment as Minister. Is cautious by temperament, and has passively resisted liberalization initiatives. Fluent in English, but prefer Spanish.

FORM NO. 75
(6-83)

THE WORLD BANK/IFC

ROUTING SLIP		DATE:
		Feb. 18, 1988
NAME		ROOM NO.
Mr. Barber B. Conable		
(Through Mr. Moeen A. Qureshi)		
APPROPRIATE DISPOSITION	NOTE AND RETURN	
APPROVAL	NOTE AND SEND ON	
CLEARANCE	PER OUR CONVERSATION	
COMMENT	PER YOUR REQUEST	
FOR ACTION	PREPARE REPLY	
INFORMATION	RECOMMENDATION	
INITIAL	<input checked="" type="checkbox"/>	SIGNATURE
NOTE AND FILE		URGENT
REMARKS:		
Panama's arrears to the Bank total approximately US\$25 million, the longest of which are at 109 days.		
FROM:	ROOM NO.:	EXTENSION:
Rainer B. Steckhan	I-8060	61003

OFFICE MEMORANDUM

DATE: February 18, 1988

TO: Mr. Barber B. Conable

THROUGH: Mr. Moeen A. Qureshi

FROM: Rainer B. Steckhan, Director, LA2DR

EXTENSION: 61003

SUBJECT: PANAMA - Mr. Conable's Telex to President Delvalle

Following a meeting yesterday with Planning Minister Ricaurte Vasquez of Panama, I believe that it is timely for the Bank to make contact at a high level with the Panamanian authorities. Accordingly I attach a telex for Mr. Conable's signature to the president of Panama outlining our concerns on economic policy and debt servicing, and pressing him to undertake overdue Cabinet meeting on Monday, February 22nd, where we understand that the budgetary situation will be discussed. It is hoped that in the context of Panama's negotiations with other external creditors, this will increase the saliency of the arrears question, and might improve the chances of a resumption of normal servicing.

cc. Mr. S. Shahid Husain

RLaslett:sb

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PAGE

OFFICIAL DEPT/DIV
ABBREVIATION

MESSAGE NUMBER

TEST NUMBER
(FOR CASHIER'S USE ONLY)

1 → **1** OF **2**

SVPOP

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□ □ □ □ □ □ □ □ □ □

START
2 HERE

REPUBLIC OF PANAMA

FOR PRESIDENT ERIC ARTURO DELVALLE.

DEAR MR. PRESIDENT. (AAA) I HAVE NOTED WITH CONCERN THE INCREASING ECONOMIC DIFFICULTIES THAT YOUR COUNTRY HAS BEEN FACING DURING RECENT MONTHS. IN ITS DIALOGUE WITH YOUR ECONOMIC TEAM, THE WORLD BANK HAS REPEATEDLY DRAWN ATTENTION TO THE NEED FOR PANAMA TO ADJUST ITS ECONOMIC POLICIES TO ACCORD WITH THE RESOURCES AVAILABLE TO IT. WE SUPPORTED SUCH POLICIES THROUGH OUR STRUCTURAL ADJUSTMENT PROGRAMS, AND COMMEND THE PROGRESS MADE BY YOUR GOVERNMENT DURING 1983-86. HOWEVER, IT APPEARS THAT THE ADJUSTMENT EFFORTS OF THAT PERIOD HAVE NOW SLACKENED OR BEEN REVERSED, IN PARTICULAR IN THE AREA OF PUBLIC SECTOR EXPENDITURE AND REVENUE POLICY. (BBB) MOREOVER YOUR PUBLIC SECTOR INSTITUTIONS HAVE EXPERIENCED DIFFICULTY IN MEETING THEIR INTERNATIONAL DEBT SERVICING OBLIGATIONS SINCE LATE 1987. IN PARTICULAR, I AM DEEPLY WORRIED BY PANAMA'S FAILURE TO MEET SEVERAL CONTRACTUAL PAYMENTS TO INTERNATIONAL FINANCIAL INSTITUTIONS INCLUDING THE WORLD BANK. THESE INSTITUTIONS ARE THE MOST RELIABLE SOURCE OF FINANCE FOR ADJUSTMENT AND LONG-TERM DEVELOPMENT FOR COUNTRIES SUCH AS YOURS.

END
OF
TEXT
→

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: Telex		TELEX NO.: 368 3393	DATE: Feb. 18, 1987
SUBJECT: PANAMA: ECONOMIC POLICIES		DRAFTED BY: RLASLETT/grs	EXTENSION: 69036
CLEARANCES AND COPY DISTRIBUTION: cc: Qureshi, SVPOP; Husain, LACVP; CORBO, LA2CO; MS. RUBIO, EDS		AUTHORIZED BY (Name and Signature): Barber Conable	
		DEPARTMENT: EXC	
SECTION BELOW FOR USE OF CABLE SECTION			
CHECKED FOR DISPATCH			

DISTRIBUTION: WHITE—File Copy

CANARY—Bill Copy

BLUE—Originator to Keep

1. Use OCR-B210 Sphere and set typewriter for DOUBLE SPACING—No other markings acceptable.
2. Align First Characters at Line Number 1.

Must Fall Completely in Box!

PAGE

OFFICIAL DEPT/DIV ABBREVIATION

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

1 → 1 OF 1

SVPOP

[] [] [] [] [] [] [] []

[] [] [] [] [] [] [] [] [] [] [] []

START HERE

(CCC) THE COSTS OF THIS SITUATION ARE ALREADY BECOMING APPARENT:
 PANAMA'S PROTRACTED ARREARS WITH THE WORLD BANK HAVE FORCED US
 UNDER OUR ESTABLISHED RULES TO SUSPEND OUR DISBURSEMENTS FOR
 ONGOING PANAMANIAN DEVELOPMENT PROJECTS SINCE NOVEMBER 30, 1987.
 THE BANK AS A COOPERATIVE INSTITUTION DEPENDS FOR ITS ABILITY TO
 BORROW IN THE FINANCIAL MARKETS ON THE PREFERRED CREDITOR STATUS
 ACCORDED TO IT BY ITS MEMBER COUNTRIES, AND ARREARS TO THE BANK
 WEAKEN THE INSTITUTION AS A WHOLE AS WELL AS RESTRICT ITS
 ABILITY TO HELP PANAMA. (DDD) I SINCERELY HOPE THAT THESE
 ECONOMIC PROBLEMS ARE FACED SOONER RATHER THAN LATER, TO ALLOW
 PANAMA TO RETURN TO A PATH OF SUSTAINABLE GROWTH AND ECONOMIC
 DEVELOPMENT. REGARDS, BARBER B. CONABLE, INTBAFRAD.

END OF TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: Telex	TELEX NO.: 368 3393	DATE: Feb. 18, 1987
SUBJECT:	DRAFTED BY: RLASSLETT/grs	EXTENSION:
CLEARANCES AND COPY DISTRIBUTION:	AUTHORIZED BY (Name and Signature): Barber Conable <i>Barber B. Conable</i>	
	DEPARTMENT: EXC	
	SECTION BELOW FOR USE OF CABLE SECTION	
CHECKED FOR DISPATCH		

DISTRIBUTION: WHITE—File Copy

CANARY—Bill Copy

BLUE—Originator to Keep

1. Use OCR-B210 Sphere and set typewriter for DOUBLE SPACING — No other markings acceptable
2. Align First Characters at Line Number 1.

3. DO NOT exceed right-hand margin. Use only 10 Pitch Type (Pica).

ROUTING SLIP		DATE February 9, 1988	
OFFICE OF THE SENIOR VICE PRESIDENT, OPERATIONS			
NAME		ROOM NO.	
② Mr. Conable		E-1227	
① <i>MA</i>			
③ <i>CP</i>			
	To Handle		Note and File
	Appropriate Disposition		Note and Return
	Approval		Prepare Reply
	Comment		Per Our Conversation
	Full Report		Recommendation
	Information		Signature
	Initial		Send On
REMARKS			
For information.			
FROM			
Moeen A. Qureshi <i>MA</i>			

OFFICE MEMORANDUM

RECEIVED

DATE: February 8, 1988

88 FEB -9 AM 9:51

TO: Mr. Moeen A. Qureshi

25750

THROUGH: Mr. S. Shahid Husain

FROM: Rainer B. Steckhan, Director, LA2

Handwritten initials: H, Steckhan

EXTENSION: 61003

SUBJECT: PANAMA: Arrears Situation -- Interim Report

1. Disbursements to Panama have been suspended since November 30, 1987 when arrears of over 75 days were incurred. At that time the arrears were exclusively from state enterprises, in particular the power company (IRHE), water company (IDAAN) and port authority (APN). It was judged that their servicing difficulties resulted from a combination of management problems and the unwillingness of Government to assume servicing on their behalf before all other possibilities had been tried. Particular problems arose from labor disputes in IRHE during November and December.

2. Since that time, Panama has made some effort to clear its late payments to the Bank. As of February 4, 1988 Panama had arrears to the Bank of about \$9.8 million, up to 99 days overdue, down from the \$13.4 million outstanding when payments were suspended. This improvement is mainly due to a payment of \$3.7 million made by IRHE on January 22, clearing its longest arrears, namely those under loan 1470-1. IRHE is still responsible for the bulk of the arrears (\$6.3 million) but it is likely that they will make further substantial payments in the near future. IDAAN, the next largest source of arrears to the Bank, has set aside most or all of the \$2.1 million overdue. A Government commission has been named to investigate the feasibility of clearing all arrears, as a way of gaining access to Bank funds under existing projects.

3. However we are now highly concerned about the arrears the central government has incurred with other creditors. The IMF has informed the Country Operations Division in confidence that Panama has not repurchased SDR 9.8 million (\$13.3 million equivalent) due at the end of December, or paid SDR 6.4 million (\$8.7 million equivalent) of interest due on January 15. With a further small amount due at the end of January, total arrears to the IMF are SDR 16.5 million (\$22.4 million equivalent). The Inter-American Development Bank is owed about \$6 million, and since June 1987 Panama has paid neither interest nor principal on its Paris Club obligations, implying withholding of a similar amount from bilateral creditors. This is being treated by the USA at least as arrears. There

are also arrears of around \$10 million to various commercial banks. A mission which returned today found that all public sector debt servicing has been centralized in the National Bank, and that payments are being made contingent on the overall level of public sector liquidity after meeting domestic obligations. Servicing to the IBRD and IDB are being given priority, based on their possible disbursements.

4. These developments signal a new phase in Panama's relations with its external creditors, in which the internal political situation is affecting the country's willingness and ability to pay. Since Panama uses the US Dollar as its domestic currency, it does not face conventional foreign exchange problems. Rather debt servicing problems are a direct result of the public sector's fiscal difficulties. The underlying reason for the accumulation of central government arrears is a lack of liquidity resulting from:

- a) fiscal decisions during 1987, which pushed up non-interest recurrent expenditure by about 8%;
- b) the loss of deposits from the banking system during 1987;
- c) the rejection of government's draft Budget by the National Assembly in late December. The Ministry of Planning had proposed a 10% cut in government payrolls, and the Assembly was unable to accept this or find an alternative way to balance the Budget; and
- d) a severe shortage of uncommitted external financing for the public sector, due to the government's inability to conclude a standby with the IMF or to complete the SAL II program with the Bank.

5. The Government has recently resumed negotiations with the commercial banks aimed at new money and rescheduling arrangements, and has presented figures showing a financial gap of almost \$100 million in 1988. It has obtained a one-month extension on its rollover of commercial amortization, to the end of April. Panama plans to seek an IMF program and other international support in 1988, but these are unlikely to be feasible under present circumstances.

6. We judge the situation to be threatening, both to the Bank and to Panama's wider creditworthiness. In the short run, the government will find it difficult to meet servicing obligations of about \$15.6 million which fall due to the Bank on February 15. More serious difficulties are likely at the end of April when commercial debt interest obligations of about \$22 million postponed from September 1987 fall due. A rapid accumulation of arrears would establish a barrier to resuming normal financial relations with all outside creditors, and the failure to resolve the fiscal problem raises the possibility of a partial or total cessation of normal servicing. We have expressed our concerns to the Panamanian authorities repeatedly, including in intensive discussions with the

President of the Republic. We have also signalled our willingness to increase disbursements from existing loans (almost US\$100 million is undisbursed) wherever feasible in support of sound activities, once the arrears are cleared up. Moreover, we are continuing project preparation and technical assistance activities in response to Government priorities. We, therefore, hope there are sufficient incentives for the Government to become current. However, given recent political events major questions remain.


Paragraph 3. cleared in substance with IMF

cc: Messrs. Corbo, Varallay, Derbez, Laslett, LA2CO
Halperin, LA2IE; Knotter, LA2TF; Binswanger, LA2AG;
Martinez, LATIE; Lee, LA2DR
Coutinho, Collell, LEGLA; Grothe, LOAEL

cc: LAC Files; LA2CO Black Book; LA2CO Chron

RLaslett/mds

2-244
2/26/86

ROUTING SLIP		DATE:
		February 25, 1986
NAME		ROOM NO.
Mr. Ernest Stern		
Mr. Clausen		△
info		
APPROPRIATE DISPOSITION	NOTE AND RETURN	
APPROVAL	NOTE AND SEND ON	
CLEARANCE	PER OUR CONVERSATION	
COMMENT	PER YOUR REQUEST	
FOR ACTION	PREPARE REPLY	
INFORMATION	RECOMMENDATION	
INITIAL	SIGNATURE	
NOTE AND FILE	URGENT	
REMARKS:		
<p>You may be interested on the contents of the attached memorandum.</p>		
		
FROM:	ROOM NO.:	EXTENSION:
Rainer Steckhan	B-906	74621

OFFICE MEMORANDUM

CONFIDENTIAL

DATE: February 25, 1986

TO: Files

FROM: Günter ^{GU}Koenig, Division Chief, LC1HP

EXTENSION: 74601

SUBJECT: PANAMA - SAL II - Visit of Panamanian Delegation

DECLASSIFIED

MAY 8 6 2014

WBG ARCHIVES

1. A Panamanian delegation led by Mr. R. Vasquez, Minister of Planning and Economic Policy, visited the Bank February 18 to 21, 1986 (a list of the members of the delegation is attached). The delegation brought the Government's letter of February 17 in response to Bank comments on the Administration's development program. Revised drafts of the Agricultural and Industrial Incentives Laws also were delivered, together with draft revisions to the Labor Code and sundry documents supporting the development program.

2. After intensive review and discussion of all pertinent documents, Bank staff came to the conclusion that, although the Government appeared to be moving in the right direction, the proposed actions on the various issues still fell far short of the stated development objectives. In addition, the presentations, explanations and proposed actions were too general and lacked specificity. Thus, the delegation was unable to re-establish the Government's credibility. Attempts to give technical explanations often gave way to rather impassioned political speeches and pleas, and it became clear that the Panamanian group's mandate was a very limited one. Indeed, they did not even have the authority to agree on the closure or sale of a small state-owned seed company. This was further corroborated by the lack of authority on the part of the head of the delegation, which in turn may reflect the very weak political position of Panama's current Administration.

3. According to the Government's timetable, it plans to present the three draft laws (industrial incentives, agricultural incentives and amendments to the Labor Code) to the Legislature on March 1 for enactment by the end of the same month. The delegation also agreed that it would work out a timetable for the implementation before April 1 of other specific actions concerning public sector issues.

4. The delegation returned to Panama to work on the further revisions needed in the draft laws and to establish the timetables for specific actions. Government officials will have to concentrate on:

- the trade policies of the industrial incentives law (i.e. revise their position that protection to industries will be lowered to 65% nominal ad valorem tariffs over a 10 year period, including 3 years of grace);
- the elimination of remaining price controls and quotas in the agricultural sector;

- the revision of the structure of public expenditure with a view to reduce excessive employment;
- the closure or phasing out of public entities according to strict and tight timetable.

5. We agreed that a Bank mission would be in Panama on February 26 to assist the Government in those tasks. The mission will attempt to get a better reading of the Panamanians' political will to undertake meaningful reforms and try to obtain clearer responses from the country's decision makers. The mission will also collect additional background information and pertinent technical data.

Cleared with and cc: Mr. Meo, LC1DR

cc: Messrs. Knox (o/r)
Steckhan, LC1DR
Abd El Aty/Newfarmer/Laslett, LC1HP
Reyes, LCPI1
Hanan, LCPAA

GK:mno

Visit of the Panamanian Delegation
February 18 - 21, 1986

Mr. Ricaurte Vasquez, Minister of Planning and Economic Policy
Mr. Jose Cardenas, Minister of Commerce and Industry
Mr. Hector Alexander, Minister of Finance
Mr. Armodio Icaza, Vice President of Assembly
Mr. Rigoberto Paredes, Legislator (PRD), Chairman of the Budget Committee
Mr. Dominador Bazan, Ambassador of Panama in Washington
Major Daniel Delgado, Member of the Executive Board for the Panama Canal
Prof. Carlos Velarde, Advisor to the President
Mr. Hernando Arias, Office of ED (IMF)
Mr. Ofilio Perez-Balladares, Office of ED (Bank)

1-29-86

Ray —

you might
ask Bruce

Steinhilber to

tell us what
this memo!

2 Done
2-14-86

E 1227

RI

AWC
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es

ZCZC DIST5295 JWS0379
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TLE130 VIA ITT PGI947 2770/JL
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PANAMARP 98/93 27 17:07EST VIA INTEL P1-54/50

ETAT
MR. ERNEST STERN
THE WORLD BANK
1818 H. STREET,
N.W. WASHINGTON, D.C. 20433

I HAVE BEEN INFORMED BY MY BROTHER RAUL AND ALL THE
MEMBERS OF THE MISSION THAT REPRESENTED THE GOVERNMENT
OF PANAMA IN THEIR RECENT VISIT TO WASHINGTON OF YOUR
UNDERSTANDING AND POSITIVE ATTITUDE IN THE SEARCH OF A
PROPER

COL ETAT 1818 20433

P2-44/43 2770/JL

SOLUTION TO MY COUNTRY'S SERIOUS AND IMPENDING PROBLEMS.
I LOOK FORWARD TO AN ADEQUATE AND PROMPT SOLUTION WHICH
I WILL ENCOURAGE AS WELL AS HOPE TO CONTINUE RECEIVING
YOU HELP AND COLABORATION.
MOST SINCERELY,
ERIC ARTURO DELVALLE
PRESIDENT OF THE REPUBLIC OF PANAMA

COL NIL


=01280651

ALT RTD FROM:SVOM

NNNN

December 18, 1985

Mr. A. W. Clausen
President
The World Bank



Regarding your telephone conversation of today with the President of the Republic, this is to inform you that the government of Panama maintains its interest in elaborating a program of economic development focusing on changes in policies in the industry, agriculture and public administration sectors along the lines discussed with you.

While formulating and executing such program, the government of Panama looks forward to the continued financial support of The World Bank.

Cordially

Dr. Ricaurte Vasquez M.
Minister of Planning and
Economic Policy
Republic of Panama

ZCZC DIST9013 WBW3182
EXC
REF : TCP OMR

R1
cc: Mr. K...
As handle
12/20

1540
TLX NO. 285

18 DE DICIEMBRE DE 1985

ATTN: SR A. W. CLAUSEN
PRESIDENTE
BANCO MUNDIAL
WASHINGTON, D. C.

CON RELACION A LAS CONVERSACIONES SOSTENIDAS HOY POR UD.
CON EL PRESIDENTE DE LA REPUBLICA, SIRVA LA PRESENTE PARA
INFORMAR QUE EL GOBIERNO DE LA REPUBLICA DE PANAMA MANTIENE
SU INTERES DE ELABORAR UN PROGRAMA DE DESARROLLO ECONOMICO
ENCAMINADO A CAMBIOS EN POLITICAS EN SECTORES TALES COMO:
INDUSTRIA, AGRICULTURA Y LA ADMINISTRACION PUBLICA, ESCENCIAL-
MENTE RELACIONADOS A LOS CONCEPTOS DISCUTIDOS CON USTEDES.

EN LA FORMULACION Y EJECUCION DEL REFERIDO PROGRAMA, EL GOBIERNO
DE LA REPUBLICA DE PANAMA ESPERA SEGUIR CONTANDO CON EL APOYO
FINANCIERO DEL BANCO MUNDIAL.

ATENTAMENTE,

DR. RICAURTE VASQUEZ M.
MINISTRO DE PLANIFICACION
Y POLITICA ECONOMICA
REPUBLICA DE PANAMA

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OFFICE OF THE PRESIDENT

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PAGE 1 OF 1

OFFICIAL DEPT/DIV ABBREVIATION
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MESSAGE NUMBER

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3 HIS EXCELLENCY NICOLAS ARDITO-BARLETTA, PRESIDENT-ELECT, REPUBLIC
 4 OF PANAMA. I WAS VERY PLEASED AND HONORED TO BE INVITED TO YOUR
 5 INAUGURATION AS PRESIDENT OF PANAMA. THIS WILL SURELY BE A
 6 MEMORABLE OCCASION FOR YOU, YOUR FAMILY AND PANAMA, AND I WOULD
 7 VERY MUCH LIKE TO BE THERE. HOWEVER, I AM ALREADY COMMITTED TO
 8 OTHER ENGAGEMENTS OUT OF WASHINGTON AT THAT TIME. BUT PEGGY AND
 9 I SEND YOU AND MARIA CONSUELO OUR BEST WISHES FOR THE INAUGURAL
 10 DAY AND FOR YOUR PRESIDENCY. WARM REGARDS, TOM CLAUSEN.

END OF TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX		TELEX NO.: 368-3393	DATE: 10/1/84
SUBJECT:		DRAFTED BY: MH	EXTENSION: 72001
CLEARANCES AND COPY DISTRIBUTION: cc: Messrs. Knox Steckhan Koenig		AUTHORIZED BY (Name and Signature): A. W. Clausen 	
		DEPARTMENT: Office of the President	
		SECTION BELOW FOR USE OF CABLE SECTION	
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(FOR CASHIER'S USE ONLY)

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LIC. LUIS A. BARLETTA
DIRECTOR TRANSMISION DE MANDO PRESIDENCIAL
TELEX 368-3393
PANAMA, REPUBLICA DE PANAMA
THANK YOU VERY MUCH FOR YOUR TELEX ON BEHALF OF THE
PRESIDENT-ELECT DR. NICOLAS ARDITO BARLETTA TO ATTEND HIS
INAUGURATION AS PRESIDENT OF PANAMA. I REGRET THAT DUE TO
UNAVOIDABLE PREVIOUS ENGAGEMENTS I SHALL BE UNABLE TO COME
PERSONALLY TO ATTEND THESE CEREMONIES. MR. RAINER STECKHAN WILL
BE PLEASED TO REPRESENT ME AND OUR COLLEAGUES AT THE BANK DURING
THESE CELEBRATIONS. I WELCOME THIS OPPORTUNITY TO REITERATE TO
THE PRESIDENT-ELECT MY SINCERE CONGRATULATIONS AND BEST WISHES
OF SUCCESS AND TO ASSURE HIM OF OUR CONTINUED COOPERATION IN
SUPPORT OF THE DEVELOPMENT OF THE PANAMANIAN ECONOMY. REGARDS.
A. W. CLAUSEN
PRESIDENT
WORLD BANK

END
OF
TEXT

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INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX		TELEX NO.: 368-3393	DATE: 9/28/84
SUBJECT: MISC.		DRAFTED BY: M.ABD EL ATY:au	EXTENSION: 74601
CLEARANCES AND COPY DISTRIBUTION: cc: Messrs. Knox, RVP Steckhan, LC1 Koenig, LC1		AUTHORIZED BY (Name and Signature): A. W. CLAUSEN, PRESIDENT	
		DEPARTMENT:	
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Panama, Sept. 24

Mr. A. W. Clausen
President
The World Bank

On behalf of Mr. Nicolas Ardito-Barletta, president elect of the Republic we want to extend you our cordial invitation to his inauguration from October 9 to 12 as his personal and especial invitee.

Please let us know day, flight number and time of arrival in order to meet you at the airport. The ceremonies and receptions will be informal and all invitations will be given upon your arrival.

Cordially,

Luis A. Barletta
Director Inauguration Ceremonies

ROUTING SLIP		DATE 9/28
FROM THE REGIONAL VICE PRESIDENT		
NAME		ROOM NO.
Mr. Steinhilber		
URGENT.		
APPROPRIATE DISPOSITION		NOTE AND RETURN
APPROVAL		NOTE AND SEND ON
COMMENT		PER OUR CONVERSATION
FOR ACTION		PER YOUR REQUEST
INFORMATION		PREPARE REPLY
INITIAL		RECOMMENDATION
NOTE AND FILE		SIGNATURE
REMARKS		
<p>Please let me have a reply by Monday a.m. Can you attend to represent both Clausen and me? If not, who?</p> <p style="text-align: right;">Adl</p>		
FROM		
A. D. Knox		

THE WORLD BANK

ROUTING SLIP

Date

Sept. 26, 1984

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Knox

A-907

To Handle

Note and File

Appropriate Disposition

XX

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation


Information

Signature

Initial

Send On

Remarks


 Would you please prepare a reply
 for Mr. Clausen's signature by October 1?

Roy Southworth

From

CORRECTED VERSION

of 1041

89650 WORLDBANK

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UWNY CY PGPA 121

PANAMAREP 121/115 24 1604EST P.1/587

ETAT

MR A W CLAUSEN, PRESIDENT

BANCO MUNDIAL

1818 H STREET N.W.

WASHINGTON DC 20433

MR. CLAUSEN

DE PARTE DEL DR NICOLAS ARDITO BARLETTA PRESIDENTE ELECTO DE LA REPUBLICA QUEREMOS EXTENDERLE CORDIAL INVITACION PARA QUE ASISTA A LOS ACTOS DE TRANSMISION DE MANDO PRESIDENCIAL QUE SE EFECTUARAN DEL 9 AL 12 DE OCTOBRE, COMO SU INVITADO PERSONAL Y ESPECIAL.

POR FAVOR AVISARNOS EL DIA VUELO Y HORA DE SU LLEGADA PARA RECIBIRLO EN EL AEROPUERTO Y TRASLADARLO AL HOTEL .

LOS ACTOS SERAN TODOS EN TRAJE DE CALLE Y A SU ARRIVO SE LE ENTREGARAN LAS INVITACIONES A LOS DIFERENTES ACTOS. NUESTRO NUMERO DE TELEX ES 3398 OPELE PC9 AFECTISIMO

LIC LUIS A BARLETTA

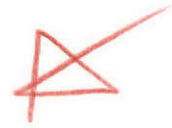
DIRECTOR TRANSMISION DE MANDO PRESIDENCIAL

R.I. cc. Messrs. Stern & Knoke
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MR. TOM CLAUSEN
CHAIRMAN OF THE WORLD BANK
64145 WORLD BANK
WASHINGTON

THANKY YOU SO MUCH FOR YOUR CONGRATULATIONS ON THE OCCASION OF MY ELECTION AS PRESIDENT OF THE REPUBLIC OF PANAMA. IN ASSUMING THIS RESPONSABILITY WHICH THE PANAMANIAN PEOPLE HAVE ENTRUSTED ME WITH, I TAKE PLEASURE TO HIGHLY RANK THE EXPERIENCE WHICH I ACQUIRED WHILE WORKING WITH YOU AND MY OTHER COLLEAGUES AT THE BANK, AS WELL AS THE OFFER OR YOUR CONSTANT SUPPORT FOR THE FUTURE. WITH WARMEST PERSONAL REGARDS,

NICOLAS ARDITO BARLETTA
PRESIDENT-ELECT OF THE
REPUBLIC OF PANAMA

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OFFICE OF THE PRESIDENT

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REPUBLIC OF BANANA
PRESIDENT-EGEST OF THE
NICOLAS ABIDIO BANGELLA

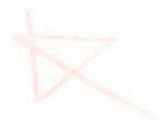
CONGRATULATIONS FOR THE EQUIPE WITH WARMEST PERSONAL REGARDS
OTHER COLLEAGUES AT THE BANK AS WELL AS THE DEER OF LONG
EXPERIENCE WHICH I ACQUIRED WHILE WORKING WITH YOU AND WA
ENTRUSTED ME WITH I TAKE PLEASURE TO HIGHLY PRAISE THE
ASSUMING THIS RESPONSIBILITY WHICH THE BANANIAN PEOPLE HAVE
MA ELECTION AS PRESIDENT OF THE REPUBLIC OF BANANA IN
THANKS YOU SO MUCH FOR YOUR CONGRATULATIONS ON THE OCCASION OF

WASHINGTON
24122 WORLD BANK
CHAIRMAN OF THE WORLD BANK
MR. TOM CLAUSEN

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PAGE 1 OF 1

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HIS EXCELLENCY DR. NICOLAS ARDITO BARLETTA, PRESIDENT-ELECT OF THE REPUBLIC OF PANAMA, OFICINA UNADE, VIA ESPANA Y CALLE COLOMBIA, PANAMA CITY, REPUBLIC OF PANAMA. MY WARMEST CONGRATULATIONS ON YOUR ELECTION AS PRESIDENT OF THE REPUBLIC OF PANAMA. NEEDLESS TO SAY, YOUR FRIENDS AND COLLEAGUES HERE AT THE BANK ARE DELIGHTED AND WE SEND YOU OUR VERY BEST WISHES FOR SUCCESS. YOU KNOW, OF COURSE, THAT YOU CAN ALWAYS COUNT ON OUR SUPPORT. WARM REGARDS, TOM CLAUSEN.

END OF TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE: TELEX		TELEX NO.:	DATE: MAY 18, 1984
SUBJECT:		DRAFTED BY: M. Abd El Aty/MH	EXTENSION: 72001
CLEARANCES AND COPY DISTRIBUTION: cc: Mr. Lerdau Mr. Steckhan		AUTHORIZED BY (Name and Signature): A. W. Clausen	
		DEPARTMENT: Office of the President	
		SECTION BELOW FOR USE OF CABLE SECTION CHECKED FOR DISPATCH	

**COMMITTEE FOR BETTER PANAMA
&
UNITED STATES RELATIONS**

**2424 Pennsylvania Ave. N.W., Suite 707
Washington, D.C. 20037
(202) 463-0522**

Chairman
Phillip Harman
Vice Chairman
Manuel Jose Diez
Secretary
Graziella Arango de Harman

March 12, 1984

21
cc: Mr. Knox



343
Dr. A.W. Clausen
President
International Bank for
Reconstruction & Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Dr. Clausen:

I am enclosing a copy of my letter to Dr. A. David Knox regarding Dr. Nicolás Ardito Barletta whom I wholeheartedly endorse as the presidential candidate for the presidency of Panama.

In his recent 50 page booklet "Una Agenda Para El Desarrollo Integral De Panama," he explains better than any other previous president of Panama what has to be done to bring fiscal stability to his country. His document is a masterpiece. Moreover, what he has outlined in it certainly will have a positive effect on the other countries in Central America.

With kindest regards.

Cordially,

Phillip Harman

Phillip Harman
Chairman

**COMMITTEE FOR BETTER PANAMA
&
UNITED STATES RELATIONS**

**2424 Pennsylvania Ave. N.W., Suite 707
Washington, D.C. 20037
(202) 463-0522**

Chairman

Phillip Harman

Vice Chairman

Manuel Jose Diez

Secretary

Graziella Arango de Harman

March 12, 1984



Dr. A. David Knox
International Bank for
Reconstruction & Development
Room A313
1818 H Street, N.W.
Washington, D.C. 20433

Dear Dr. Knox:

I enjoyed our visit this morning at your office.

As I was against all of the governments in Panama since the coup in 1968, as I explained to you, I am now wholeheartedly endorsing Dr. Barletta's candidacy for the presidency. During these nearly two months before the May 6 election, I intend to inform a great number of people here in Washington why I believe Dr. Barletta should be the next president of Panama.

One of the primary requisites why I believe that he should be the president, and I believe that the Panamanian people are aware of this, is he is the only one that can restore fiscal stability to the country which in turn would reduce the unemployment problem and also create a better investment climate. Also, as I mentioned this morning, this fiscal stability that he will bring to the country will in turn reflect positively on the other countries in the region.

With kindest regards and, again, my congratulations.

Cordially,

A handwritten signature in cursive script that reads "Phillip Harman".

Phillip Harman
Chairman

cc: A.W. Clausen