

(2) Implementation

The organization for implementation will have two main functions, a management and coordination function and an implementing function. Implementation will generally involve existing agencies. The proposed implementing organizations are shown in the zone by zone project summaries in section 6.3, and include MOP, INRENARE, IDAAN and IRHE. Projects will be coordinated by IPAT in order to assure effective implementation of the projects.

Coordination will be especially critical where a packaged project consists of groups of sub-projects which can proceed at the same time, as a complete project system. In these cases the implementing agency which must be assigned to each sub-project may be different and careful coordination will be essential.

6.3 Summary List of Projects

(1) National Programs

Table 6.3 provides a zone by zone summary of the projects proposed for the National Programs.

Table 6.3 Summary of National Project List

Code No.	Packaged Project	Project Duration			Budget Unit: B/1,000		
		Short	Mid	Long	Public	Private	Total
National Project							
					867,310	405,580	1,272,890
NB301	Chiriqui Grande to Almirante New 2 lane road development		X		91,222	0	
NB302	Chiriqui Grande to Punta Icaco New 2 lane road Development			X	84,766	0	
NA101	Chitre Airport Improvement				38,798	0	
	a) Extension and Pavement			X	31,798		
	b) Air Terminal			X	5,000		
	c) Control Facility			X	2,000		
NF301	Pan American Highway (Chorrera - Anton) Widening (4 lane)		X	X	97,200	0	
NF302	El valle - La Union Improvement of pavement		X		20,500		
NM301	New Panama - Colon Highway New 4 Lane Road	X				328,000	
NM302	Autopista (Arraijan - Panama) New 4 Lane Road		X		1,800		
NM303	Corredor Norte (Transistmica) New 4 Lane Road	X				77,580	
NM304	Corredor Sur (Centro - Tocumen) New 4 Lane Road	X	X		258,095		
NM305	Interurban Bus Center New Construction	X			3,200	0	
NM306	Railway Improvement Panama - Colon		X	X	140,000	0	
NP301	Cuango - Carti Suitupo New Road New 2 lane Road		X	X	31,034	0	
NP302	Carti Suitupo - El Llano New 2 lane Road			X	35,795		
NL101	Las Perlas Airport				64,900	0	
	a) Extension and Pavement		X		56,900		
	b) Air Terminal		X		3,000		
	c) Control Facility		X		5,000		

(2) Regional Programs

Table 6.4 provides a zone by zone summary of the projects proposed for the Regional Programs.

Table 6.4 Summary of Regional Programs by Zone by Term

(unit: B1/ 1,000)

	Project Duration								Total	%
	Public				Private					
	Short	Middle	Long	Sub. T.	Short	Middle	Long	Sub. T.		
Bastimentos Zone	54,031	88,189	75,652	217,872	20,000	45,600	85,160	150,760	368,632	13.48
Arco Seco Zone	33,238	49,384	7,372	89,994	32,600	19,300	26,625	78,525	168,519	6.16
Farallon Zone	39,928	94,256	54,458	188,642	56,300	148,010	200,939	405,249	593,891	21.72
Metropolitan Zone	44,904	93,382	143,461	281,747	175,450	319,155	123,150	617,755	899,502	32.89
Portobelo	43,737	42,284	13,335	99,356	46,850	63,825	104,315	214,990	314,346	11.50
Las Perlas	43,390	24,688	14,880	82,958	40,720	160,650	105,270	306,640	389,598	14.25
Sub Total	259,228	392,183	309,158	960,569	371,920	756,540	645,459	1,773,919	2,734,488	100.00

Table 6.5 Summary of Regional Programs by Development Item

(unit: B1/ 1,000)

	Project Duration								Total	%
	Public				Private					
	Short	Middle	Long	Sub. T.	Short	Middle	Long	Sub. T.		
Air Transport Development	12,000	104,173	26,525	142,698	0	0	0	0	142,698	5.22
Marine Transport Development	22,810	32,515	125,525	180,850	36,000	20,230	8,250	64,480	245,330	8.97
Land Transport Development	100,587	104,840	65,262	270,689	0	0	0	0	270,689	9.90
Public Utilities	24,710	28,527	26,937	80,174	0	0	0	0	80,174	2.93
Electricity and Telecommunication	20,035	34,892	36,929	91,856	0	0	0	0	91,856	3.36
Accommodation Development	6,376	13,987	2,437	22,800	285,870	698,995	604,920	1,589,785	1,612,585	58.97
Other Tourist Facility	55,439	65,623	25,043	146,105	50,050	37,315	32,289	119,654	265,759	9.72
Environmental Project	17,271	7,626	500	25,397	0	0	0	0	25,397	0.93
Sub Total	259,228	392,183	309,158	960,569	371,920	756,540	645,459	1,773,919	2,734,488	100.00

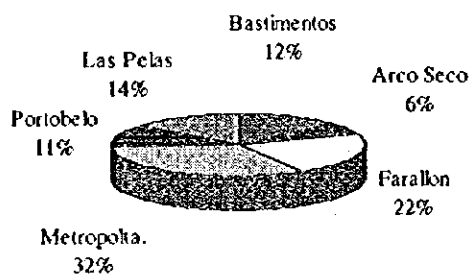


Figure 6.1 Investment Ratio by Zone

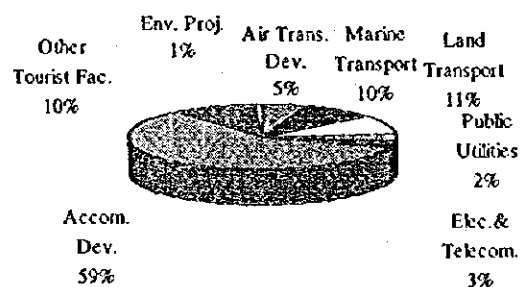


Figure 6.2 Investment Ratio by Sector

Table 6.6 Summary of Regional Project List in Each Zone

Code No.	Packaged Project	Project Duration			Budget Unit: B/1,000		
		Short	Mid	Long	Public	Private	Total
Regional Projects					960,569	1,773,919	2,734,488
Bastimentos Zone					217,872	150,760	368,632
Arco Seco Zone					89,994	78,525	168,519
Farallon Zone					188,642	405,249	593,891
Metropolitan Zone					281,747	617,755	899,502
Portobelo Zone					99,356	214,990	314,346
Las Perlas Zone					82,958	306,640	389,598
Bastimentos Zone					217,872	150,760	368,632
B100	Air Transport Development		X		38,798	0	
B200	Marine Transport Development		X	X	28,050	8,250	
B300	Land Transport Development	X	X	X	78,397	0	
B400	Public Utilities	X	X	X	31,453	0	
B500	Electricity and Telecommunication	X	X	X	24,433	0	
B600	Accommodation Development (Hotel)	X	X	X	3,300	141,010	
B700	Other Tourist Facilities	X	X	X	13,091	1,500	
B800	Environmental Project	X	X	X	350	0	
Arco Seco Zone					89,994	78,525	168,519
A200	Marine Transport Development		X		3,300	0	
A300	Land Transport Development	X	X		38,259	0	
A400	Public Utilities	X	X	X	12,028	0	
A500	Electricity and Telecommunication	X	X	X	7,657	0	
A600	Accommodation Development (Hotel)	X	X	X	19,500	78,225	
A700	Other Tourist Facilities	X	X		8,800	300	
A800	Environmental Project		X	X	450	0	
Farallon Zone					188,642	405,249	593,891
F100	Air Transport Development		X		31,900	0	
F200	Marine Transport Development	X	X		8,250	1,165	
F300	Land Transport Development		X	X	57,460	0	
A400	Public Utilities	X	X	X	13,940	0	
F500	Electricity and Telecommunication	X	X	X	8,787	0	
F600	Accommodation Development (Hotel)	X	X	X	0	363,410	
F700	Other Tourist Facilities	X	X	X	68,035	40,674	
F800	Environmental Project	X			270	0	
Metropolitan Zone					281,747	617,755	899,502
M100	Air Transport Development		X	X	72,000	0	
M200	Marine Transport Development	X	X	X	115,500	37,065	
M300	Land Transport Development	X	X	X	18,542	0	
M400	Public Utilities	X	X	X	3,853	0	
M500	Electricity and Telecommunication		X	X	12,091	0	
M600	Accommodation Development (Hotel)	X	X	X	0	506,510	
M700	Other Tourist Facilities	X	X	X	36,214	74,180	
M800	Environmental Project	X	X	X	23,547	0	
Portobelo Zone					99,356	214,990	314,346
P100	Air Transport Development				0	0	
P200	Marine Transport Development		X		9,500	0	
P300	Land Transport Development	X	X		49,910	0	
P400	Public Utilities	X	X	X	16,300	0	
P500	Electricity and Telecommunication	X	X	X	7,056	0	
P600	Accommodation Development (Hotel)	X	X	X	0	214,990	
P700	Other Tourist Facilities	X	X		15,990	0	
P800	Environmental Project	X	X		600	0	
Las Perlas Zone					82,958	306,640	389,598
L100	Air Transport Development		X		0	0	
L200	Marine Transport Development	X	X	X	16,250	18,000	
L300	Land Transport Development	X			28,121	0	
L400	Public Utilities	X	X	X	2,600	0	
L500	Electricity and Telecommunication	X	X	X	31,832	0	
L600	Accommodation Development (Hotel)	X	X	X	0	285,640	
L700	Other Tourist Facilities	X	X		3,955	3,000	
L800	Environmental Project	X			200	0	

(3) Project List of Long Term Development Plan

A full list of proposed projects and sub-projects for each of the six study zones is presented in the following tables. These tables rate the estimated duration of project construction, the estimated public and private sector budget required, the proposed implementing organization and the assigned rating of project potential according to the criteria presented in previous sections.

Table 6.7 Long Term Tourism Project List in Bastimentos Zone

Code No.	Planned Project	Activity/Sub-project	Project Duration			Budgets (B.1,000)		Implementing Organization	Significance Level
			Start	Mid	Long	Public	Private		
National Programs									
B8301	Chiriquí Grande to Almirante	New 2 lane Road Development	X			51,223		MOP	XX
B8302	Chiriquí Grande to Punta Roca	New 2 lane Road Development		X		14,766		MOP	XX
Regional Programs									
B100	Air Transport Development					217,872	130,769		
B101	Changuinola Airport Improvement		X			34,768	0	DAC	XX
		a) Extension and Pavement				34,768	0		
		b) Air Terminal				5,000	0		
		c) Control Facility				1,000	0		
B300	Marine Transport Development					20,050	8,250		
B301	Regional Port Improvement (Almirante)					4,250	0		XX
		a) Pier	X			3,500	0	APN	
		b) Terminal	X			4,950	0	APN	
B302	Tourist Pier Development		X			4,950	0		XX
		1) Almirante	X			1,650	0	APN	
		2) Boca del Toro	X			1,650	0	APN	
		3) Chiriquí Grande	X			1,650	0	APN	
B303	Marina			X		14,850	8,250		XX
		1) Almirante		X		14,850	0	APN	
		2) Boca del Toro		X		0	8,250	Private	
B300	Land Transport Development					76,367	0		
B301	Almirante and Changuinola Urban Road	Drainage and Pavement	X			12,550	0	MOP	XX
B302	Chiriquí Grande Urban Road	Drainage and pavement	X			3,048	0	MOP	XX
B303	Almirante to Changuinola	Pavement Improvement	X			16,016	0	MOP	X
B304	Punta Roca to Boca del Toro		X			29,030	0		XX
		1) Boca del Norte Road		X		22,603	0	MOP	
		2) Boca del Sur Road		X		6,427	0	MOP	
B305	Boca del Toro Urban Road	Alignment and Pavement Improvement	X			2,106	0	MOP	XX
B306	Chiriquí Grande to Chiriquí	Alignment and Pavement Improvement	X	X		2,547	0	MOP	X
B400	Public Utilities					31,453	0		
B401	Water Supply		X	X	X	4,161	0	IDAAN	XX
B402	Sewerage		X	X	X	3,300	0	IDAAN	
B403	Solid Waste		X	X	X	23,992	0		XX
		1) Isla Chiriquí	X	X	X			LM	
		2) Changuinola	X	X	X			LM	
		3) Almirante	X	X	X			LM	
B500	Electricity and Telecommunication					24,413	0		
B501	Almirante Power Station		X	X	X	17,967	0	IRHE	XX
B502	Tobago Power Station		X	X	X	1,607	0	IRHE	X
B503	Telecommunication Expansion		X	X	X	4,839	0	INTEL	XX
B600	Accommodation Development (Hotels)					3,500	141,010		
B601	Accommodation Expansion Project	All National 1,663 Rooms Development for:	X	X	X		141,010	Private	XXX
		1) Isla Chiriquí (513, 843, 30, 1170 rooms)	X	X	X		32,769	Private	
		2) Isla Bastimentos (1,200 rooms)	X	X	X		17,600	Private	
		3) Isla Escudo de Veraguas (1,100 rooms)	X	X	X		1,000	Private	
		4) Almirante (450, 1,100 rooms)	X	X	X		14,000	Private	
		5) Changuinola (510, 410, 1,100 rooms)	X	X	X		29,232	Private	
		6) La Amistad National Park (410, 130 rooms)	X	X	X		2,650	Private	
		7) Tobago (1,210 rooms)	X	X	X		16,800	Private	
B602	Renovation of existing hotel rooms	1) Financial Assistance for 110 Existing Rooms	X	X	X	3,500	0	IFAT	XX
B700	Other Tourist Facilities					13,091	1,500		
B701	Boca del Toro Development Project		X			4,250	0		XXX
		1) Landscape Improvement from Airport to Urban Area				1,500	0	LM/MOP	
		2) Urban Park Development				650	0	LM/IFAT	
		3) Information Handicraft Center				1,600	0	IFAT	
		4) Sign, Information				500	0	IFAT	XX
B702	Bastimentos Development Project		X	X	X	770	0		
		1) Tourist Plaza in Bastimentos Town				150	0	LM/IFAT	
		2) Tourist Village Improvement				500	0	LM/IFAT	
		3) Tourist Pier		X		70	0	LM/IFAT	
		4) Sign, Information	X			100	0	IFAT	
B703	Bastimentos National Park Development Project		X			921	0		XX
		1) Crayon Zepellin Guide Center	X			783	0	INRENARE	
		2) Rest Place	X			63	0	INRENARE	
		3) Pedestrian Path	X			5	0	INRENARE	
		4) Tourist Pier	X			70	0	INRENARE	
B704	Changuinola Area Development Project		X			3,300	0		XXX
		1) Improvement of Handicraft Information	X			450	0	IFAT	
		2) Agro Industrial Museum in Changuinola	X			1,300	0	LM/IFAT	
		3) Urban Area Development	X			300	0	LM	
		4) Ecotourist Center in Rio Changuinola	X			250	0	INRENARE	
		5) Improvement of Golf Club	X			1,000	0	Private	
B705	Almirante Area Development Project		X	X		820	1,500		XX
		1) Amenity Center Development at Port Area		X		500	0	LM/IFAT	
		2) Parking, Festival Plaza, Open Space, Sign	X	X		320	1,500	Private	
		3) Restaurant, Shops, Office		X		0	0		
B706	Isla Chiriquí Area Development Project			X		1,070	0		X
		1) Landscaping, Sign, Information		X		1,000	0	IFAT	
		2) Tourist Pier		X		70	0	IFAT	
B707	Isla Escudo de Veraguas Marine Center			X		1,370	0		X
		1) Marine Science Center, Exhibition, Office, etc.		X		800	0	IFAT	
		2) Tourist Pier		X		70	0	IFAT	
		3) Pedestrian Network, Rest Space		X		500	0	IFAT	
B708	La Amistad International Park Park Development			X		350	0	INRENARE	XX
B800	Environmental Project		X	X	X	350	0		XX
		a) Environmental Reserve	X	X	X	30	0	INRENARE	
		b) Water Quality Improvement in Chiriquí Lagoon			X	100	0	INRENARE	
		c) Caribbean Style Townscape Conservation in Boca del Toro	X			200	0	INAC	
						175,084	0	Total	175,084
						217,872	130,769	Total	348,641
						393,250	130,769	Total	524,019

Table 6.8 Long Term Tourism Project List in Arco Seco

Code No.	Packaged Project	Activity/ Sub-Project	Project Duration			Budget x B/1,000		Implement. Organization	Significance Level
			Short	Mid	Long	Public	Private		
National Programs									
NA101	Chitre Airport Improvement	1) Extension and Pavement improvement 2) Air Terminal 3) Control Facility			X	38,798	0		
					X	31,798		DAC	
					X	5,000		DAC	
					X	2,000		DAC	
Regional Programs									
A200	Marine Transport Development					89,994	78,525		
A201	Principal Tourist Port	Azuero Port Improvement for Hydrojet Foil		X		3,300	0	AFN	XX
A300	Land Transport Development					38,259	0		
A301	Pedasi - Tonosi	Pavement	X			18,954		MOP	XX
A302	National Highway No.3 access road	Pavement		X		19,305		MOP	XX
A400	Public Utilities					12,028	0		
A401	Water Supply			X	X	1,718		IDAAN	XX
A402	Sewerage		X	X	X	3,000		IDAAN	XX
A403	Solid Waste		X	X	X	7,310			XX
		1) Chitre, Los Santos	X	X	X			L.M.	
		2) Pedasi	X	X	X			L.M.	
A500	Electricity and Telecommunication					7,657	0		
A501	Distribution Line Expansion			X	X	4,340		IRIE	XX
A502	Telecommunication Expansion			X	X	3,317		INTEL	XX
A600	Accommodation Development					19,500	78,225		
A601	Accommodation Expansion Project	Additional 930 Rooms Development	X	X	X		78,225		XXX
		1) Chitre (5100 rooms)	X				8,500	Private	
		2) Pedasi (5125, M160, L324 rooms)	X	X	X				
		a Town					13,650	Private	
		b Coastal Area					44,700	Private	
		3) Venado (525, M55, L45 rooms)	X	X	X		7,175	Private	
		4) Cerro Hoya National Park (M20, L30 rooms)	X	X	X		2,450	Private	
		5) Others (L50 rooms)			X		1,750	Private	
A602	Renovation of existing Hotel Room	1) Financial Assistance for existing 650 rooms	X	X		19,500	0	IPAT	XX
A700	Other Tourist Facilities					8,800	300		
A701	Iguana Island Environmental Project		X			450	0		X
		1) Mooring Facilities	X			70		INRENARE	
		2) Rest Area Improvement for 8 Spots	X			100		INRENARE	
		3) Information Center	X			280		INRENARE	
A702	Pedasi Tourist Area Improvement		X	X		2,250	300		XX
		1) Historical Assets Improvement	X			700		IPAT	
		2) Ecological Facilities Development for Rio Pedasi (Pier)	X			900		L.M.	
		3) Beach Development in Venado	X			750		L.M.	
		4) Riding Club		X			300	Private	
A703	Chitre Tourist Facilities Development		X	X		2,700	0		XX
		1) Tourist Information Center	X			800		IPAT	
		2) Handicraft Training Center		X		800		IPAT	
		3) Ecological Facilities Development Rio La Villa		X		350		L.M.	
		4) Public Beach Development Playa Monagre		X		750		L.M.	
A704	Las Tablas Tourist Facilities Development			X		3,400	0		XX
		1) Improvement of Handicraft Center		X		800		IPAT	
		2) Ecological Facilities Development for Rio Salado		X		350		L.M.	
		3) Public Beach Development for Playa Bella Vista, El Uverito, etc		X		2,250		L.M.	
A800	Environmental Project		X	X	X	450	0		XX
		1) Historical Building Improvement Groups of Colonial Style Residential Housing	X			300	0	INAC	
		2) Iguana Island Environmental Conservation		X		50	0	INRENARE	
		3) Arco Seco Social Culture Center			X	100	0	IPAT	
Arco Seco			National			38,798	0	Total	38,798
			Regional			89,994	78,525	Total	168,519
			Total			128,792	78,525	Total	207,317

Table 6.9 Long Term Tourism Project List in Farallon Zone

Code No.	Packaged Project	Activity/ Sub-Project	Project Duration			Budget: \$/1,000		Implement Organization	Significance Level
			Short	Mid	Long	Public	Private		
National Programs						117,700	0		
NF301	Pan American Highway (Chorrera - Anton)	Widening of Existing Road (4 lane road)		X	X	97,200		MOP	
NF302	El Valle - La Union	Improvement of Pavement		X		20,500		MOP	
Regional Programs						188,642	405,249		
F100	Air Transport Development					31,900	0		
F101	Rio Hato Airport Improvement			X		31,900	0		XX
		1) Extension and Pavement Improvement		X		24,900		DAC	
		2) Air Terminal		X		5,000		DAC	
		3) Control Facility		X		2,000		DAC	
F200	Marine Transport Development					8,250	1,165		
F201	Nueva Gorgona Port (new)	Cruiser, Hydro Jet Foil	X	X		8,250		APN	XX
F202	Marina			X		0	1,000		XX
		1) Nueva Gorgona		X			500	Private	
		2) Punta Chame		X			500	Private	
F203	Mooring Facility	Rio Hato		X		0	165	Private	X
F300	Land Transport Development					57,460	0		
F301	Punta Chame and Rio Chame Development Road	New 2 Lane Road		X	X	15,900		MOP	X
F302	Gorgona - San Carlos	New 2 Lane Road		X		14,370		MOP	X
F303	San Carlos - Farallon	New 2 Lane Road			X	16,232		MOP	X
F304	Cerro Campana	Improvement of Pavement		X		3,410		MOP	
F305	Access Road (Highway - Beach)	Pavement		Y		7,548		MOP	XX
F400	Public Utilities					13,940	0		
F401	Water Supply		X	X	X	2,350		IDAAN	XX
F402	Sewerage		X	X	X	3,000		IDAAN	XX
F403	Solid Waste		X	X	X	8,554			XX
		1) Rio Hato (Farallon)	X	X	X			L.M.	
		2) Punta Chame - Rio Chame	X	X	X			L.M.	
		3) Coronado, Nueva Gorgona	X	X	X			L.M.	
F500	Electricity and Telecommunication					8,787	0		
F501	Distribution Electricity Line Expansion		X	X	X	4,736		IRHE	XX
F502	Telecommunication Expansion		X	X	X	4,051		INTEL	XX
F600	Accommodation Development					0	363,410		
F601	Accommodation Expansion Project	Additional 4636 Rooms Development	X	X	X	0	363,410		XXX
		1) Rio Chame (\$250, M1090, L1600 rooms)	X	X	X		241,800	Private	
		2) Rio Hato (\$160, M280, L270 rooms)	X	X	X		71,000	Private	
		3) Other Coastal Area (\$30, M240, L220 rooms)	X	X	X		34,300	Private	
		4) Alto de Campana National Park (M36, L50 rooms)		X	X		3,010	Private	
		5) El Valle (M90, L120 rooms)		X	X		13,300	Private	
F700	Other Tourist Facilities					68,035	49,574		
F701	Rio Hato Resort Development		X	X	X	26,415	12,034		XXX
		1) Urban Area Development		X	X		8,135	Private	
		2) Country Club Development			X		2,800	Private	
		3) Yacht Harbor			X		1,139	Private	
		4) Nodal Development	X			500		L.M.	
		5) Infrastructure Development	X	X	X	23,615			
		a) Water Supply						IDAAN	
		b) Sewerage						IDAAN	
		c) Solid Waste Disposal						L.M.	
		d) Electricity and Telecommunication						IRHE/INTEL	
		e) Road / Bridge / Pedestrian Network						MOP	
F702	Rio Chame Resort Development		X	X	X	36,140	25,100		XXX
		1) Golf Community	X				11,200	Private	
		2) Amenity Center		X			6,100	Private	
		3) Beach Improvement	X			1,180		L.M./IPAT	
		4) Ecological Tourism Facility		X		460		IPAT	
		5) Sports Facility	X		X		7,800	Private	
		6) Infrastructure Development	X	X	X	34,500			
F703	Chame/Gorgona Urban Area Development Project		X	X		2,780	3,500		XX
		1) Nodal Development	X			1,500		MOP	
		2) Rehabilitation Center		X			2,000		
		3) Tourist Information Center	X			480		IPAT	
		4) Market	X	X			1,500	Private	
		5) Handicraft Training Center		X		800		IPAT	
F704	Other Coastal Area Development		X	X	X	3,000	0		XX
		1) Public Beach Development Playa San Carlos, Playa El Palmar Playa Rio Mar, Playa Santa Clara including Parking, Toilet, Shower, Landscaping	X	X	X	3,000		L.M./PAT	
F800	Environmental Project		X			270			XX
		a) Land Use Control (Erosion by Uncontrolled Development)				150		SHVI	
		b) Water Quality Improvement				120		IDDAN	
Farallon						117,700	0	Total	117,700
Regional						188,642	405,249	Total	593,891
Total						306,342	405,249	Total	711,591

Table 6.10 Long Term Tourism Project List in Metropolitana Zone

Code No.	Package/Project	Activity/Sub-project	Project Duration			Budget (B/1,000)		Funding Organization	Significance Level
			Start	Mid	Long	Public	Private		
National Programs									
NM301	New Panama - Colon Highway	New 4 lane Road	X	X		404,265	404,265	MOP	
NM302	Atapitica (Araujan - Panama)	New 4 lane Road	X	X			378,000	MOP	
NM303	Corozo Norte (Transistocita)	New 4 lane Road	X	X		258,065	72,540	MOP	
NM304	Corozo Sur (Cerro - Tocumen)	New 4 lane Road	X	X		3,300		MOP	
NM305	Inter Urban Bus Center	New Construction	X	X	X	140,000		P.R.	
NM306	Railway Improvement (Panama - Colon)								
Regional Programs									
M100	Air Transport Development					281,747	617,755		
M101	Tocumen International Airport (Access/terminal)			X		72,000	0		
				X		60,000	0	XX	
		a) Air terminal		X		50,000	0	DAC	
		b) Control facility		X		10,000	0	DAC	
M102	Albrook Airport (for passengers)		X			11,000	0	XX	
		a) Air terminal	X			7,000	0	DAC	
		b) Control facility	X			5,000	0	DAC	
M200	Marine Transport Development			X		115,500	37,065		
M201	Port Facilities for Cruise and Ferry			X		95,000	0		
		1) Balboa (Amadeo)		X		45,500	0	AFN	
		2) Colon		X		49,500	0	AFN	
M202	Port Facilities for Hydrofoil		X	X	X	14,500	36,000	XXX	
		1) Balboa	X	X	X	8,250	0	AFN	
		2) Colon	X	X	X	6,250	0	AFN	
		3) 2 Hydrofoil for 300 passengers	X	X			36,000	Private	
M203	Marina			X		0	900	XXX	
		1) Colon		X		0	250	Private	
		2) Caba Lake		X		0	150	Private	
M204	Moorings Facility			X		0	165	Private	
		1) Caba Lake		X		0	165	Private	
M300	Land Transport Development			X		18,547	0		
M301	Colonillo - Boqueron Arriba	Pavement		X		7,068	0	MOP	
M302	Lago Alajuela Development Road	Pavement		X		4,914	0	MOP	
M303	Gambra Bridge	New Construction	X			1,000	0	MOP	
M304	Botanical Garden Road	Improvement			X	1,300	0	MOP	
M305	Inter Urban Bus Center		X			3,769	0	MOP	
M400	Public Utilities		X	X	X	3,853	0		
M401	Water Supply		X	X	X	109	0	XX	
		1) Provision of Water Supply	X	X	X	109	0	IDAAN	
		2) Improvement of Water Supply	X	X	X	109	0	IDAAN	
M402	Sewerage		X	X	X	3,000	0	IDAAN	
M403	Solid Waste		X	X	X	744	0	IDMA	
M500	Electricity and Telecommunication					11,091	0		
M501	Distribution Line Expansion			X	X	8,197	0	INPE	
M502	Telecommunication Expansion			X	X	3,224	0	INTEL	
M600	Accommodation (Hotels)					0	506,510		
M601	Accommodation Development Project	Additional 6,495 Rooms Development	X	X	X	0	506,510	XXX	
		1) Panama City (5755, M1320, 1800 rooms)	X	X	X		216,450	Private	
		2) Fuerte Amaleo (M680, L150 rooms)	X	X	X		67,100	Private	
		3) Gambra (5120, M380, L150 rooms)	X	X	X		58,100	Private	
		4) Colon/Punta Toro (M130, L150 rooms)	X	X	X		11,450	Private	
		5) Lago Alajuela (M160, L150 rooms)	X	X	X		21,000	Private	
		6) Summit/Colon National Park (525, M75, L30 rooms)	X	X	X		8,100	Private	
		7) Taboga (560 rooms)					4,200	Private	
		8) Other (5240, M790, L100 rooms)					79,100	Private	
M602	Other Tourist Facilities		X	X		36,216	74,180	XX	
M701	Panama Canal Town Park Development		X	X		0	10,700	AMPAT	
M702	Fuerte Amaleo Development		X	X		450	5,780	XX	
		1) Land Utilization Project	X			150	0	ARI	
		2) Yacht Harbor	X			100	5,000	Private	
		3) Museum	X			100	0	INAC	
		4) Pedestrian Network	X			200	280	Private/PAI	
M703	Summit/Colon Development		X	X	X	24,000	9,900	XX	
		1) Botanical Garden	X			5,100	0	L.M.	
		2) Summit Zoological Park	X			5,000	0	L.M.	
		3) Food Entertainment	X	X		3,100	0	Private	
		4) Golf Course 18 Holes	X	X		6,800	0	Private	
		5) Ecological Study Center	X	X	X	13,400	0	L.M.	
		6) Public Utilities Development	X	X	X	500	0	L.M.	
M704	Metropolitan Nature Park Development			X		344	0	XX	
		1) Visitor Center		X		340	0	L.M.	
		2) Pedestrian Network Project		X		4	0	L.M.	
M705	Gambra Tourism Development		X	X		0	35,450	XXX	
		1) Tourist Information Center	X			650	0	Private	
		2) Museum	X			2,500	0	Private	
		3) Observation Tower	X			19,000	0	Private	
		4) Gambra Tourist Pier	X	X		300	0	Private	
		5) Golf Course	X	X		9,100	0	Private	
		6) Public Utilities Development	X			3,600	0	Private	
M706	Museum Park Development		X			800	0	IPAT	
M707	American Bridge Monument Park		X			500	0	IPAT	
M708	Miraflores Monument Park		X			500	0	IPAT	
M709	Contractors Hill Monument		X			300	0	IPAT	
M710	Caba Lake Monument		X	X		800	0	IPAT	
M711	Punta Toro Monument		X			800	0	IPAT	
M712	San Lorenzo		X			2,500	0	IPAT	
M713	Lago Alajuela Development		X			200	1,000	XX	
		1) Parking/Landscaping	X			150	150	IPAT	
		2) Rest Spot	X			50	0	IPAT	
		3) Restaurant/Shop	X			0	800	Private	
M714	Point Area Development			X		2,300	0	XX	
		1) Tourist Plaza		X		1,000	0	IPAT	
		2) Public Utilities Development		X		300	0	IPAT	
		3) Parking/Landscaping		X		1,000	0	IPAT	
M715	Frijoles Area Development			X		120	3,650	XX	
		1) Water Garden		X		50	0	Private	
		2) Pedestrian Path for Bird Sanctuary		X		70	150	L.M.	
		3) Parking/Landscaping		X		0	0	L.M.	
M716	Punta Toro Beach Development		X			2,600	0	XX	
		1) Beach Area Improvement (Parking/Landscaping)	X			600	0	L.M.	
		2) Public Utilities	X			2,000	0	L.M.	
M800	Environmental Project					23,547	0		
M801	Panama Garden City Plan		X			21,847	0	XXX	
		1) Road Beautification	X			17,567	0	L.M.	
		2) Small Park	X			5,280	0	L.M.	
M802			X	X	X	700	0	XX	
		1) Environmental Management Project	X	X		400	0		
		2) Sewerage Improvement	X	X		300	0	IDAAN	
		3) Waste Disposal Management	X	X		100	0	L.M.	
		4) City Planning Greater Panama Metropolitan Area	X			300	0	MINVAL	
		5) Tourist Guide Training Center		X		200	0	IPAT	
		6) Tropical Rain Forest Center		X		100	0	INREARE	
		Metropolitan				461,935	405,590	Total	
		Regional				281,747	617,755	Total	
		Total				843,682	1,021,335	Total	

Table 6. 11 Long Term Tourism Project List in Portobelo Zone

Code No.	Packaged Project	Activity/ Sub-Project	Project Duration			Budget x B/1,000		Implement Organization	Significance Level
			Short	Mid	Long	Public	Private		
National Programs									
NP301	Cuango - Carti Suitupo New Road	New 2 lane Road		X	X	66,829			
NP302	Carti Suitupo - El Llano	New 2 lane Road			X	31,034		MOP	
Regional Programs									
P200	Marine Transport Development					99,356	214,990		
P201	Regional Port Development (Portobelo)	a) Cruise		X		9,500		APN	XX
P300	Land Transport Development					49,910	0		
P301	Sabanita - Portobelo	Alignment Improvement and Pavement	X			20,100		MOP	XX
P302	Portobelo - Cuango	Alignment Improvement and Pavement		X		17,300		MOP	XX
P303	Isla Grande Development Road	New 2 Lane Road Alignment and Pavement Improvement		X	X	12,510		MOP	X
P400	Public Utilities					16,300	0		
P401	Water Supply		X	X	X	5,600		IDAAN	XX
P402	Sewerage		X	X	X	2,300		IDAAN	XX
P403	Solid Waste		X	X	X	3,400		DIMA	XX
		1) Portobelo	X	X	X			L.M.	
		2) Nombre de Dios	X	X	X			L.M.	
P500	Electricity and Telecommunication					7,056	0		
P501	Distribution Line Expansion		X	X	X	4,564		IRHE	XX
P502	Telecommunication Expansion		X	X	X	2,492		INTEL	XX
P600	Accommodation Development					0	214,990		
P601	Accommodation Development Project	Additional 2,970 Rooms Development	X	X	X	0	214,990		XXX
	Additional Rooms	1) Portobelo Town (S50, M35 rooms)	X	X		0	5,950	Private	
		2) La Escucha (S150, M150 rooms)	X	X		0	30,000	Private	
		3) Isla Grande (S50 rooms)	X			0	3,500	Private	
		4) La Guayra (S150, M150 rooms)	X	X		0	21,000	Private	
		5) Puerto Lindo (S150, M150 rooms)	X	X		0	21,000	Private	
		6) Nombre de Dios (M100, L580 rooms)		X	X	0	45,850	Private	
		7) Other Coastal Area (S90, M290, L875 rooms)	X	X	X	0	87,690	Private	
P700	Other Tourist Facilities					15,990	0		
P701	City Center Improvement		X	X		6,600	0		XXX
		1) Information Center	X			500		IPAT	
		2) Handicraft Training Center		X		1,900		IPAT	
		3) City Center Beautification	X	X		2,600		INAC	
		4) Beach Improvement	X	X		1,600		IPAT	
P702	Marine Center Development		X			6,900	0		XXX
		1) Diving Center	X			1,300		IPAT	
		2) Marine Facilities	X			3,100		L.M.	
		3) Board Yard	X			900		APN	
		4) Road Expansion Landscaping	X			1,600		L.M.	
P703	Puerto Lindo o Garrote Area Development		X	X		670	0		XX
		1) Marine Sports Center		X		500		IPAT	
		2) Parking/Landscaping	X	X		100		IPAT	
		3) Tourist Pier		X		70		IPAT	
P704	Nombre de Dios Development		X	X		1,820	0		XX
		1) Tourist Pier		X		70		IPAT	
		2) Historical Park	X			1,000		IPAT	
		3) Public Beach		X		750		IPAT	
P800	Environmental Conservation		X	X		600	0		XX
		a) Historical Assets Conservation (Colonial Buildings and its Environments)	X			300		INAC	
		b) Marine Resource Center		X		100		INRENARE	
		c) Wildlife Refugee Camp Extension Care Unit of Wild Animal Refugee	X			200		INRENARE	
		Portobelo	National			66,829	0	Total	66,829
			Regional			99,356	214,990	Total	314,346
			Total			166,185	214,990	Total	381,175

Table 6.12 Long Term Tourism Project List in Las Perlas Zone

Code No.	Packaged List	Activity/Sub Project	Project Duration			Budget (B/1,000)		Organization Implementation	Significance Level
			Short	Mid	Long	Public	Private		
L200	Marine Transport					16,250	18,000		
L201	San Miguel New Port		X	X		15,425	18,000		XX
		a) Cruise		X		4,125		APN	
		b) Pier	X			11,300		APN	
		c) Hydro Jet Foil	X				18,000	Private	
L202	Mooring Facility		X	X		825	0		XX
		1) North Side of Isla del Rey	X			165		APN	
		2) West Side of Isla del Rey	X			165		APN	
		3) Pedro Gonzales	X			165		APN	
		4) Isla Contadora	X			165		APN	
		5) Isla San Jose		X		165		APN	
L300	Land Transport Development					28,121	0		
L301	Isla del Rey Development Road	New 2 Lane Road	X			28,121		MOP	XX
L400	Public Utilities					2,600	0		
L401	Water Supply		X	X	X	1,556		IDAAN	XX
L402	Sewerage		X	X	X	300		IDAAN	XX
L403	Solid Waste		X	X	X	744		L.M.	XX
L500	Electricity and Telecommunication					31,832	0		
L501	Isla Del Rey Power Station		X	X	X	22,610		IRHE	XXX
L502	Isla Contadora Power Station		X	X	X	5,732		IRHE	XX
L503	Telecommunication Expansion		X	X	X	3,490		INTEL	XX
L600	Accommodation Development					0	285,640		
L601	Hotel Development	Additional 3,510 Rooms Development	X	X	X		285,640		XX
		1) Isla del Rey (S350, M700, L670 rooms)							
		a) Playa Agustin (M150, L100 rooms)		X	X		16,000	Private	
		b) Playa Honda (S120, M150, L100 rooms)	X	X	X		23,520	Private	
		c) Playa Maria Grande (M250, L150 rooms)		X	X		28,000	Private	
		d) Playa Flora (S230, M150, L210 rooms)	X	X	X		56,800	Private	
		e) Punta Gallinas (L1010 rooms)			X		8,800	Private	
		2) Pedro Gonzales (M250, L150 rooms)		X	X		36,500	Private	
		3) San Jose (M250, L150 rooms)		X	X		39,500	Private	
		4) Isla Pacheca (S30, M50, L100 rooms)	X	X	X		14,400	Private	
		5) Isla Contadora (S155, M85 rooms)	X	X			19,800	Private	
		6) Others (S80, M335, L155 rooms)	X	X	X		42,320	Private	
L700	Other Tourist Facilities					3,955	3,000		
L701	Sea Transportation Development	Sea Transportation System		X		25	500		X
L702	On Shore Platform		X			1,000		IPAT	XX
L703	Yacht Harbor		X			1,439		IPAT	XX
L704	Marine Project			X		1,500	2,500		X
		1) Fishing and Diving Club		X			800	Private	
		2) Guide Center		X			800	Private	
		3) Marine Culture Center		X			800	Private	
		4) Marine Garden/Landscaping		X		1,500	100	Private	
L800	Environmental Project					200	0		
		a) Marine Resources Center	X			200		INRENARE	XX
		Las Perlas	National			64,900	0	Total	64,900
			Regional			82,558	306,640	Total	389,598
			Total			147,858	306,640	Total	454,498

7. Plan Evaluation

7. Plan Evaluation

7.1 Economic and Financial Evaluation

In the past, the service sector has been the leading sector in the country's economy, and it is recognized that the growth of the service sector will play an important role in order to achieve the goal of the Comprehensive Economic Recovery Program. In the socio-economic framework of this study the share of the service sector is estimated to amount to 80 % of the total GDP in 2010, the target year of this Long Term Development Plan. The tourism sector is expected to be a main source of growth in the service sector along with external trade and financial and insurance services.

The Comprehensive Economic Recovery Program and the "Políticas Públicas para el Desarrollo Integral" are aiming at promotion of efficiency and international competitiveness of the country's economy. Economic efficiency and international competitiveness are essential for the development of the tourism sector. On the other hand it is stated in the Plicas the necessity for the development of basic infrastructure for tourism in the selected potential areas has to be carried out by the Government.

This section explores the Long Term Development Plan from the national economic and financial points of view. The impact of the Plan is evaluated as a whole and then the efficiency of the Plan is examined by Zone.

The impact of tourism on the national economy is significant. Direct economic benefits of tourism include generation of employment, increase of foreign exchange earnings, income generation and contribution to government revenues, which lead the national and regional economic development and the improvement of the living standards of the people. Tourism also has an indirect economic impact on other economic sectors such as agriculture, fisheries, handicraft manufacturing and construction, which supply the goods and services used in the tourism sector. Furthermore, another evaluation of tourism is its impact on the development of regional areas. The improvement of transportation and other infrastructure facilities and services encourage the economic and cultural development of the community in regional area. Tourism will lead to establishment of new relations between domestic and foreign tourists in the area. For the conservation of cultural resources, tourism will stimulate the conservation of those resources as tourism resources.

The Tourism sector provides significant impact on the promotion of national and regional economies, however, it is difficult to define and measure the economic costs and benefits of tourism development on the national economy.

In this evaluation the impact of the Long Term Development Plan the national economy have been examined in the following contexts of the economic impact:

- Foreign Exchange Earnings
- Increase of Employment Opportunities
- Increase of Government Revenues, and
- Contribution to GDP

The investment efficiency of the Long Term Development Plan has been evaluated by using a technique of cost-benefit analysis by development zone.

7.1.1 Tourism Revenue

(1) Tourist Expenditure per Night

The basic input for estimating the economic impact is tourist expenditures. Tourist expenditure per night in 2010 spent by foreign and domestic tourists for goods and services in Panama, are estimated by expenditure item for foreign tourists, domestic night stay tourists and domestic daytime tourists and by zone as shown in Table 7.1. The characteristics of tourism development and the tour patterns in each zone, which were discussed in the Long Term Development Plan in Chapter 5, have been taken into consideration to estimate the expenditure. Simultaneously, the past trend of tourist expenditure in Panama has also been considered in the estimation. The international airfare is not included in the estimation.

Table 7.1 Tourist Expenditure per Night by Zone in 2010

Unit: Balboas 1,000

1. Foreign Tourist Expenditure Per Night							
Expenditure Item	Zone						
	Bastimentos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	Others
Accommodation	50	50	50	50	50	50	50
Food	25	25	25	25	25	25	25
Shopping	30	30	30	30	30	30	30
Transportation	23	18	15	14	13	23	26
Others	20	20	20	30	20	20	20
Total	148	143	140	149	138	148	151
2. Domestic Tourist Expenditure Per Night							
Expenditure Item	Zone						
	Bastimentos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	Others
Accommodation	15	15	15	15	15	15	15
Food	10	10	10	10	10	10	10
Shopping	5	5	5	5	5	5	5
Transportation	8	4	5	5	4	11	4
Others	10	10	10	10	10	10	10
Total	48	44	45	45	44	51	44
<p>Note : Some share of domestic tourists stays at their own cottages or their friends' and relatives' houses and the share is estimated in each zone as follows:</p> <ul style="list-style-type: none"> - Bastimentos, Arco Seco, Farallon, Metropolitana and Portobelo Zones: 70 % of domestic tourists - Las Perlas and other Zones: 30 % of domestic tourists <p>The figures for accommodation in the above table are the average expenditure per night spent by a domestic tourist who uses room for tourists' accommodations such as hotels and bungalows.</p>							
3. Domestic Daytime Tourist Expenditure Per Day							
Expenditure Item	Zone						
	Bastimentos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	Others
Accommodation	10	10	10	10	10	10	10
Food	5	5	5	5	5	5	5
Shopping	6	3	5	5	4	9	3
Transportation	10	10	10	10	10	10	10
Others	10	10	10	10	10	10	10
Total	31	28	30	30	29	34	28

(2) Tourist Demand

Tourist demand in the target year of 2010 has been estimated in Chapter 3. In this Chapter, in order to evaluate the investment efficiency of the Long Term Development Plan, the revenue from incremental demand resulting from implementation of the Plan should be compared with the investment cost of the Plan including the operating and maintenance costs. The context of "with project" and "without project" is adopted in the economic evaluation of the Plan.

The future demands in case of "with project" and "without project" have been adopted as "Planning Demand" and "Opportunity Demand" in Demand Forecast respectively. The incremental tourist person-nights by zone are calculated for the foreign tourists, domestic night stay tourists and domestic daytime tourists as shown in Table 7.2 and Figure 7.1 illustrates the incremental demand of night stay tourists.

Table 7.2 Incremental Tourist Demand with Project

1 Incremental Foreign Person-Nights by Zone WITH PROJECT (1,000 Person-nights)								
Year	Zone							Total
	Bastimentos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	Others	
2000	77	104	184	722	168	131	169	1,555
2005	274	248	869	2,263	473	721	552	5,400
2010	572	345	1,862	2,926	977	1,117	1,044	8,844

2 Incremental Domestic Person-Nights by Zone WITH PROJECT (1,000 Person-nights)								
Year	Zone							Total
	Bastimentos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	Others	
2000	36	70	8	199	56	81	45	496
2005	85	217	135	478	149	178	350	1,592
2010	204	576	460	1,170	382	417	1,154	4,363

3 Incremental Domestic Daytime Tourists by Zone WITH PROJECT (1,000 Persons)								
Year	Zone							Total
	Bastimentos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	Others	
2000	10	18	83	252	45	17	88	513
2005	32	65	296	892	159	56	312	1,812
2010	89	177	814	2,442	433	153	850	4,956

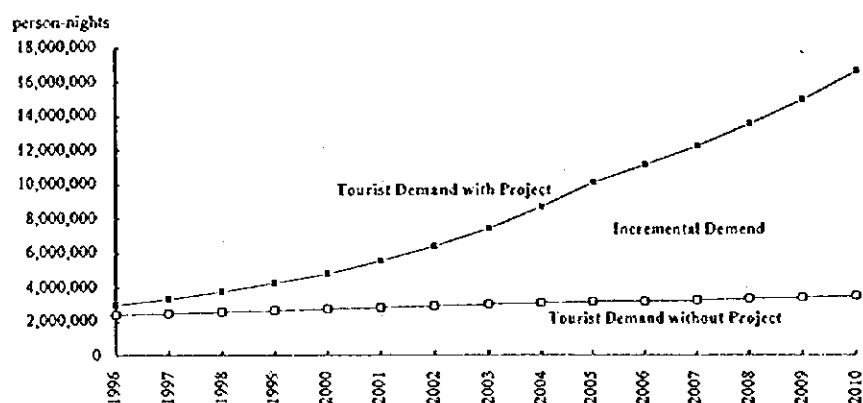


Figure 7.1 Incremental Demand (Foreign and Domestic Night-stay Tourists)

(3) Tourism Revenue

The revenues from tourism can be attained by multiplying the unit tourist expenditure per night estimated above by the numbers of person-nights of night stay tourists and the number of daytime tourists:

$$TRV = EPD \times NPN$$

where, TRV: tourism revenues
 EPD: unit tourist expenditure (expenditure per night)
 NPN: number of person-nights of night stay tourists and number of daytime tourists

Table 7.3 shows the total tourism revenues from foreign tourists, domestic night stay tourists and domestic daytime tourist in 2000, 2005 and 2010 by zone. The total revenues generated from foreign tourists, domestic night stay tourists and domestic daytime tourists are estimated to amount to 1,564 million Balboas, 221 million Balboas, and 222 million Balboas in 2010, the target year of the Long Term Development Plan, respectively. The total tourism revenue in 2010 is estimated to be 2,007 million Balboas, of which the revenue from foreign tourists will amount to 78 % of the total revenue. Regarding the share by zone, Metropolitana Zone will be dominant in the total revenues, however, its share will decrease from 55 % in 2000 to 40 % in 2010.

Table 7.3 Total Tourist Revenue by Zone

Unit: B1. 1,000

1. Total Foreign Tourist Revenue by Zone								
Year	Zone							
	Bastimentos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	Others	Total
2000	14,800	21,450	42,000	277,140	27,600	29,600	45,300	457,800
2005	44,400	42,900	140,000	530,813	69,000	118,400	105,700	1,051,213
2010	88,800	57,200	280,000	640,700	138,000	177,600	181,200	1,563,500
2. Total Domestic Night-stay Tourist Revenue by Zone								
Year	Zone							
	Bastimentos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	Others	Total
2000	2,550	7,370	7,038	14,490	4,523	6,278	19,474	61,722
2005	4,613	13,266	12,731	25,564	8,141	11,300	34,958	110,571
2010	9,300	26,264	25,254	50,922	16,482	22,878	70,152	221,252
3. Total Domestic Daytime Tourist Revenue by Zone								
Year	Zone							
	Bastimentos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	Others	Total
2000	1,364	2,436	11,460	34,350	5,945	2,516	11,424	69,495
2005	2,263	4,116	19,590	58,770	10,150	4,216	19,432	118,537
2010	4,216	7,644	36,840	110,460	18,995	7,888	36,232	222,275
4. Total Tourism Revenue by Zone								
Year	Zone							
	Bastimentos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	Others	Total
2000	18,714	31,256	60,498	325,980	38,068	38,394	76,198	589,107
2005	51,276	60,282	172,321	615,147	87,291	133,916	160,090	1,280,321
2010	102,316	91,108	342,094	802,082	173,477	208,366	287,584	2,007,027

Source: JICA Study

The incremental tourism revenues resulting from the implementation of the Long Term Tourism Development Plan is calculated by using the incremental number of night stay tourists and daytime tourists as shown in Table 7.4:

$$dTRV = EPD \times dNPN$$

where, $dTRV$: incremental tourism revenues
 EPD : unit tourist expenditure (expenditure per night)
 $dNPN$: incremental number of person-nights of night stay tourists
 and incremental number of daytime tourists

The incremental revenues will amount to 1,598 million Balboas in 2010. In the cost-benefit analysis, which will be explained in the later section, it is not the total revenues but the incremental revenues that must be compared with the incremental cost of the Long Term Development Plan.

Table 7.5 shows the expenditure structure in the incremental revenues in 2010. Almost 30 % of the total incremental revenue comes from accommodation expenditure and the share of food, shopping and transportation expenditure is 20 %, 20 % and 13 % of the total respectively.

Table 7.4 Incremental Tourist Revenue by Zone

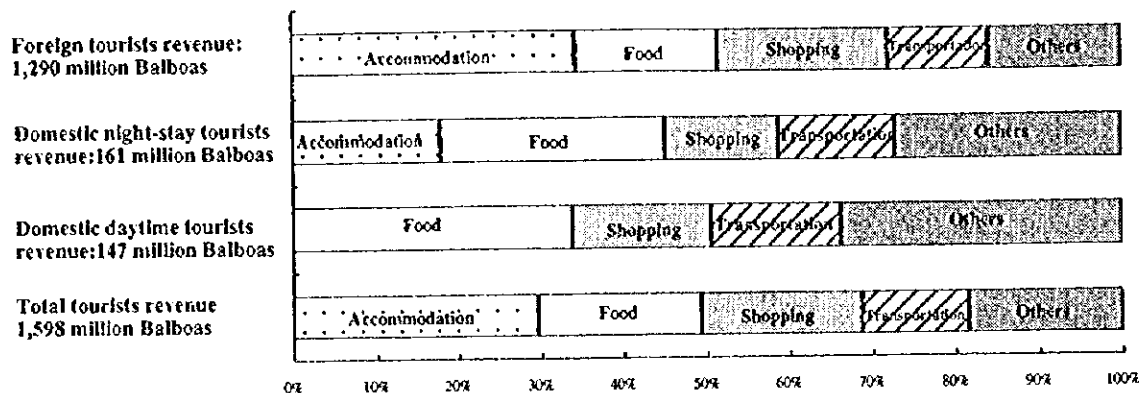
Unit: Bt. 1,000

1. Incremental Foreign Tourist Revenue by Zone								
Year	Zone							Total
	Bastimentos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	Others	
2000	11,378	14,838	26,857	107,587	23,214	19,335	25,523	228,733
2005	40,521	35,403	122,831	337,258	65,252	106,762	83,278	791,306
2010	84,716	49,308	261,926	436,038	134,885	165,348	157,595	1,289,817
2. Incremental Domestic Night-stay Tourist Revenue by Zone								
Year	Zone							Total
	Bastimentos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	Others	
2000	1,358	2,352	283	6,879	1,876	3,753	1,770	18,270
2005	3,188	7,273	4,664	16,477	4,978	8,286	13,817	58,683
2010	7,643	19,299	15,877	40,358	12,807	19,377	45,575	160,936
3. Incremental Domestic Daytime Tourist Revenue by Zone								
Year	Zone							Total
	Bastimentos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	Others	
2000	309	505	2,503	7,548	1,300	572	2,464	15,200
2005	1,003	1,810	8,894	26,767	4,600	1,896	8,732	53,702
2010	2,750	4,964	24,406	73,257	12,545	5,193	23,793	146,908
4. Incremental Tourism Revenue by Zone								
Year	Zone							Total
	Bastimentos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	Others	
2000	13,045	17,694	29,642	122,014	26,391	23,660	29,757	262,203
2005	44,711	44,486	136,390	380,503	74,830	116,945	105,827	903,691
2010	95,109	73,571	302,208	549,654	160,238	189,917	226,963	1,597,660

Source: JICA Study

Table 7.5 Incremental Revenue by Expenditure Item in 2010

Expenditure Item	Zone							Total	
	Bastimentos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	Others		
1. Incremental Revenue from Foreign Tourists									
Accommodation	28,620	17,241	93,545	146,322	48,872	55,861	52,184	442,643	34%
Food	14,310	8,620	46,772	73,161	24,436	27,930	26,092	221,322	17%
Shopping	17,172	10,344	56,127	87,793	29,323	33,517	31,310	265,586	21%
Transportation	13,165	6,207	28,063	40,970	12,707	25,696	27,136	153,944	12%
Others	11,448	6,896	37,418	87,793	19,549	22,344	20,874	206,322	16%
Sub-total	84,716	49,308	261,926	436,038	134,885	165,348	157,595	1,289,817	100%
2. Incremental Revenue from Domestic Night-stay Tourists									
Accommodation	917	2,592	2,071	5,264	1,720	4,375	12,115	29,055	18%
Food	2,038	5,761	4,602	11,698	3,823	4,167	11,538	43,627	27%
Shopping	1,019	2,880	2,301	5,849	1,912	2,084	5,769	21,814	14%
Transportation	1,630	2,304	2,301	5,849	1,529	4,584	4,615	22,813	14%
Others	2,038	5,761	4,602	11,698	3,823	4,167	11,538	43,627	27%
Sub-total	7,643	19,299	15,877	40,358	12,807	19,377	45,575	160,936	100%
3. Incremental Revenue from Domestic Daytime Tourists									
Accommodation	0	0	0	0	0	0	0	0	0%
Food	887	1,773	8,135	24,419	4,326	1,527	8,497	49,565	34%
Shopping	444	886	4,068	12,210	2,163	764	4,249	24,782	17%
Transportation	532	532	4,068	12,210	1,730	1,374	2,549	22,995	16%
Others	887	1,773	8,135	24,419	4,326	1,527	8,497	49,565	33%
Sub-total	2,750	4,964	24,406	73,257	12,545	5,193	23,793	146,908	100%
Total									
Accommodation	29,537	19,833	95,616	151,586	50,592	60,236	64,299	471,699	30%
Food	17,235	16,154	59,510	109,278	32,585	33,625	46,127	314,514	20%
Shopping	18,635	14,111	62,496	105,851	33,397	36,364	41,328	312,182	20%
Transportation	15,328	9,043	34,432	59,029	15,966	31,654	34,300	199,752	13%
Others	14,373	14,430	50,155	123,910	27,698	28,039	40,909	299,514	17%
Total	95,109	73,571	302,208	549,654	160,238	189,917	226,963	1,597,660	100%



7.1.2 Project Cost

(1) Investment Cost

All input and output are evaluated at economic price in the economic analysis to eliminate the distortions created by government interventions in the economy. Some payments are the transfer items in the country's economy, such as tax, import duty and subsidies. In order to convert the costs of the Long Term Development Plan calculated in the previous section, the following conversion factors have been estimated by examining the components of costs and those of import duties.

- conversion factor of the cost for infrastructure development: 0.85
- conversion factor of the cost for accommodation and tourist facility development: 0.90

The disbursement schedule of the investment cost by zone is presented in economic price up to 2010 in accordance with the implementation plan of the Long Term Tourism Development Plan in Table 7.6.

Table 7.6 Economic Investment Cost

Unit: BI. 1,000

Year	Zone						Total
	Bastimentos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	
1996	321	3,051	17,220	120,226	2,119	843	143,780
1997	7,543	7,332	20,168	46,797	13,571	9,223	104,633
1998	14,822	13,888	21,751	40,974	23,333	19,364	134,132
1999	17,624	17,047	19,164	59,966	20,819	22,508	157,128
2000	23,916	19,275	17,307	38,110	21,454	22,393	142,454
2001	18,319	8,605	15,278	20,044	10,447	9,409	82,102
2002	26,700	12,697	50,172	82,752	25,031	34,282	231,634
2003	22,799	12,881	47,270	87,333	19,634	42,371	232,288
2004	22,673	12,772	50,849	86,727	21,156	35,817	229,995
2005	25,510	12,390	49,757	89,759	17,116	43,692	238,224
2006	20,008	2,808	16,202	25,093	6,296	3,850	74,257
2007	36,031	6,740	57,308	33,903	27,147	25,926	187,053
2008	32,884	6,740	54,781	58,445	23,951	25,926	202,727
2009	27,156	7,012	49,933	57,734	23,951	25,926	191,712
2010	24,869	6,927	48,912	57,601	23,874	25,763	187,947
Total	321,175	150,165	536,071	905,464	279,899	347,291	2,540,065

Note: Land cost estimated below is included.

(2) Land cost

In order to estimate the economic cost of land, the opportunity cost of land has approximately been estimated based on the existing land use of development areas as shown in Table 7.7.

Table 7.7 Economic Cost of Land

	Zone						Total
	Basimontos	Arco Seco	Farallon	Metropolitana	Portobelo	Las Perlas	
Area (ha)	300	300	1,100	1,100	100	800	3,700
Unit cost (B1/ha)	1,000	10,000	10,000	100,000	20,000	1,000	
Total cost (B1,000)	300	3,000	11,000	110,000	2,000	800	127,100

(3) Operation and Maintenance cost

The operation and maintenance cost of the Long Term Development Plan consists of the maintenance cost of the infrastructure developed by the public sector and the operating cost of the tourism related sectors which derive revenue from tourists expenditure.

The maintenance cost of infrastructure invested by the public sector is estimated at 5 % of the total investment cost of the public sector.

In order to estimate the operating cost in tourism related sectors, the coefficient of operating cost of the incremental revenues of each tourism expenditure or the total input are calculated as shown in Table 7.8. In the estimation the coefficients of input-table of the related industries have been used (rf. section 7.1.6). The rate of operating cost excluding indirect tax is estimated at 24 % of the total incremental revenue.

Table 7.8 Coefficient of Operating Cost in Total Input

Expenditure item	Incremental tourism revenues in 2010 (B1, 000) 1)	(A)	Coefficient of total value added (B) 2)	Coefficient of operating surplus (C) 2)	Coefficient of operating cost (D)=(B) - (C)	Coefficient of indirect tax (E)	Coefficient of operating cost excluding indirect tax ((D)-(E))x(A)
Accommodation	471,699	29.5%	0.4373	0.2256	0.2117	0.0618	(0.0443)
Food	314,514	19.7%	0.4373	0.2256	0.2117	0.0618	(0.0295)
Shopping	312,182	19.5%	0.6956	0.2893	0.4063	0.1047	(0.0589)
Transportation	199,752	12.5%	0.6956	0.2893	0.4063	0.1047	(0.0377)
Others	299,514	18.7%	0.8379	0.4631	0.3745	0.0226	(0.0660)
Total	1,597,660	100.0%					0.2364

Note: 1) refer to Table 7.5
2) refer to Table 7.14

7.1.3 Foreign Exchange Earnings

Tourism is the leading earner of foreign currency in Panama exceeding bananas and its revenues represent 46.9 % of the total F.O.B. value of exports in 1992.

As shown in Table 7.9, the foreign exchange earnings of tourism is estimated to increase with an average growth rate of 15.0 % p.a. and 13.1 % p.a. during the periods from 1992 to 2000 and from 2000 to 2010 respectively. Its share of the country's GDP will increase from 2.5 % in 1992 to 10.8 % in 2010.

However, it should be noted, that a loss or linkage of foreign exchange will be caused by the need to import goods and services such as foods and liquor required to satisfy the tourists' demands.

Table 7.9 GDP and Foreign Tourist Receipts

	1992	2000	2010
GDP (million Bl. at 1992 prices)	6,001	9,782	14,480
Average growth rate p.a.		6.3%	4.0%
		(1992-2000)	(2000-2010)
Foreign Exchange Earnings from Tourism			
Number of foreign tourists	307,078	800,000	2,000,000
Foreign tourist revenue(million Bl.)	150	458	1,563
Average growth rate p.a.		15.0%	13.1%
Share of GDP	2.5%	4.7%	10.8%

7.1.4 Increase of Employment Opportunities

The unemployment rate in Panama amounted to 16.1 % in 1991. The principal argument for encouraging tourism development is that the tourism sector creates new opportunities for employment in the development zones.

The employment generated by tourism varies widely among the sectors: direct employment such as in hotels, restaurants, transport operations and souvenir shops. Indirect employment is also stimulated by tourist expenditures such as the manufacturing or primary sector which supplies goods and services to the tourism sector, and investment related employment such as for construction of hotels and infrastructure development.

The employment generated by tourism is usually measured based on the average number of employees per hotel room. According to the Study on Plan Maestro de Turismo by IPAT/OEA, the number of jobs created by tourist hotels and restaurants in Panama has been estimated as shown in Table 7.10.

Table 7.10 Employment in Tourist Hotels and Restaurants in 1990

Categories	Number of rooms	Employment Coefficient	Number of employed
1st Class Hotel	1,597 rooms	0.9	1,437
2nd Class Hotel 1)	7,134 rooms	0.5	3,567
Sub-total	8,731 rooms		5,004
Restaurant 2)	451	10.0	4,510

Source: Plan Maestro de Turismo, IPAT/OEA

Note: 1) Second class rooms (1,389 rooms) are not considered as a part of the tourist sector.

2) 37 % of the total restaurants are considered as a part of the tourist sector and 10 employees per restaurant are hired.

The level and structure of direct and indirect employment related to tourism have also been estimated in IPAT/OEA Report. It is consequently stated that for each job in hotels two direct jobs in other tourist services (restaurants, transportation, shops, etc.) are created and that for each direct tourist job, 2.5 indirect jobs in other activities are generated due to the links between tourism and the rest of the economy.

Table 7.11 Number of New Jobs Generated by Each New Hotel Employee

		Number of new jobs
Direct Employment	Hotel	1.0
	Other tourist services	2.0
	Total direct employment	3.0
Indirect Employment	(Direct Employment) x 2.5 times	7.5

Source: Plan Maestro de Turismo, IPAT/OEA

Taking into consideration the above assumption, the new employment which will be created by the implementation of the Long Term Development Plan is calculated by zone as shown in Table 7.12. By 2010, 145,000 new jobs will be generated by the implementation of the Long Term Development Plan.

Table 7.12 Incremental Employment in Long Term Development Plan by Zone in 2010
Unit: employment

Year	Zone							Total
	Basimontos	Arco Seco	Ferallon	Metropolitana	Portobelo	Las Perlas	Others	
Direct employment								
Hotel (H)	448	204	1,043	1,541	757	687	664	5,344
Hotel (M)	550	251	1,637	2,409	943	1,027	1,006	7,820
Hotel (E)	20	61	67	0	80	209	260	696
Other services	2,036	1,031	5,492	7,899	3,559	3,845	3,860	27,721
Sub-total	3,053	1,546	8,239	11,848	5,339	5,768	5,789	41,582
Indirect employment								
	7,634	3,866	20,597	29,620	13,346	14,419	14,474	103,954
Total	10,687	5,412	28,835	41,468	18,685	20,186	20,263	145,535

Note: Hotel (H)/ Number of room x 0.9
 Hotel (M)/ Number of room x 0.5
 Hotel (E)/ Number of room x 0.3
 Other services/ Employment of Hotel x 2.0
 Indirect employment/ Direct employment x 2.5

According to the Socio-Economic Framework examined in Chapter 3, the number of jobs in 2010 has been estimated at 1,315 thousand, of which the aggregate number of new employment in the period from 1991 to 2010 is estimated at 595,000. By adopting the above assumptions, tourism and tourism related industries will absorb about 145,000 new job up to 2010. Consequently, almost one fourth of additional employment opportunities in the period from 1991 to 2010 may be provided by tourism and related industries with the implementation of the Plan.

7.1.5 Increase of Government Revenues

The contribution to government revenues is another economic impact of tourism. Government receives revenues in the form of income tax on tourism enterprises and persons working in the tourism sector, property tax on tourism facilities, import duty on goods and services for the in tourism sector. IPAT, as well as the central government, derives income from several sources of tourism activities. The main revenues of IPAT through tourist activities are as follows:

- 1) Air Ticket Tax (Tasa de Pasaje Aereo): the travel agencies retain an amount or tax paid to IPAT for each ticket sold.(Rate: 4% of monthly sales or \$4.00 for each ticket)
- 2) Accommodation Tax (Tasa de Hospedaje): This is an amount equivalent to 10% of the total accommodation charge which the hotels collect from their clients.(Tax: 10% of Hotel Revenue)
- 3) Rental (Arrendamiento): IPAT receives revenues from State assets that are rented through IPAT for tourist activities.
- 4) National Casino (Casinos Nacionales):
- 5) Tourism Card Sales (Tarjeta de Turismo): This is the revenue from the issue of cards that the tourists purchased, (Rate:\$5.00 for each Tourism Card)

According to IPAT records , the total revenue from IPAT Taxes amounted to 10,506,000 Balboas in 1993, of which "Air Ticket Tax" and "Accommodation Tax" were 33.9 % (3,563,000 Balboas) and 42.0 % (4,410,000 Balboas) of the total revenue, respectively.

In 2010, the tourist revenue from accommodation will amount to 575,608,000 Balboas, of which 52,328,000 Balboas are calculated to be the IPAT Tax as a result of the implementation of the Long Term Development Plan. Regarding the Air Ticket Tax, it is difficult to project the future revenue to IPAT in this Study, because the proportion of international air tickets is very high.

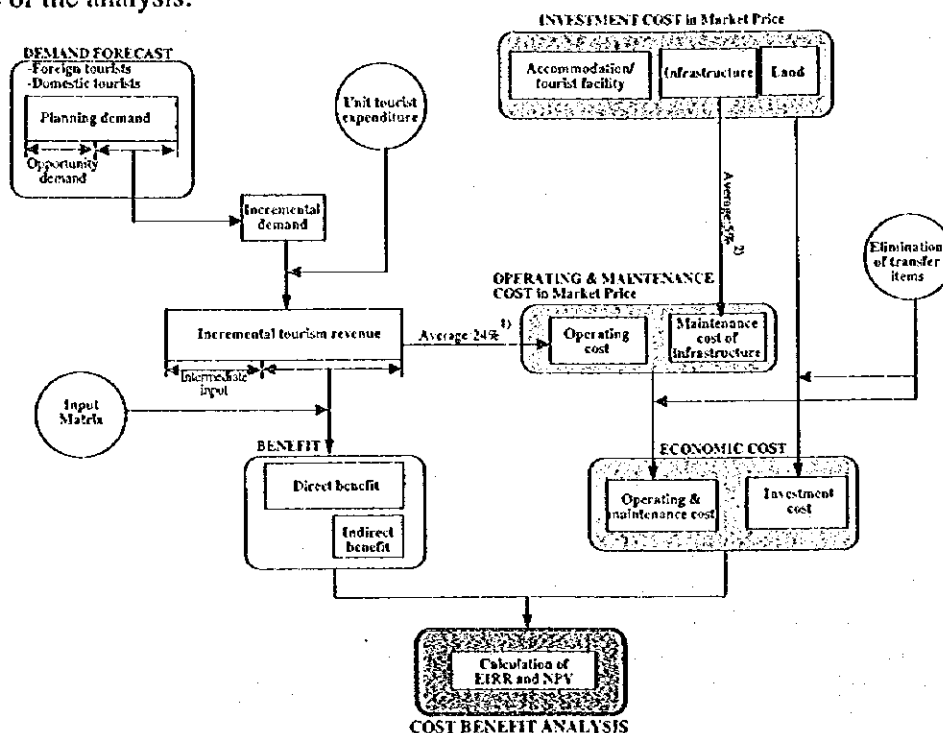
Table 7.13 Tourist Accommodation Revenue and Estimated IPAT Revenue of Accommodation Tax Unit: BI. 1,000

Year	Tourist revenue from accommodation		Estimated IPAT Accommodation Tax	
	Total revenue	Incremental revenue	Total accommodation tax	Incremental accommodation tax
1993	48,510		4,410	
2000	166,806	81,104	15,164	7,373
2005	378,393	280,726	34,399	25,521
2010	575,608	471,699	52,328	42,882

7.1.6 Cost-Benefit Analysis

(1) Methodology

In order to evaluate the investment efficiency of the Long Term Tourism Development Plan by zone, a technique of cost-benefit analysis has been adopted. Figure 7.2 shows the procedure of the analysis.



Note: 1) 24%: refer to Table 7.8 in Section 7.1.1 (3) of Phase II, Main Text
2) 5%: refer to Section 7.1.1 (3) of Phase II, Main Text

Figure 7.2 Procedure of Cost-Benefit Analysis

Economic benefits including the indirect benefits of each zone have been compared with the investment cost including the operating and maintenance costs of each zone.

The main assumptions adopted for the cost-benefit analysis are the following:

- 1) Project Life has been assumed to be 20 years after the target year of 2010.
- 2) Discount Rate of 12 % has been used in the analysis. IPAT also uses 12 % for the evaluation of tourism projects which are submitted to IPAT in order to obtain the investment incentives.
- 3) Inflation has not been taken into account, neither in revenue, nor in expenditure projections.

(2) Benefit

1) Conversion of Tourist Revenue to Benefit

This section describes how the tourism revenue has been converted into economic benefit by using the input matrix in this evaluation.

The tourism industries generate income within the national economy as follows:

- 1) Tourists make initial expenditures for accommodation, food, local transportation and shopping. This initial expenditure is received as income by hotel owners, local tour operators, taxi drivers and shop owners.
- 2) In the first round of transactions, this income is used to purchase supplies, to pay wages and to retain as profits.
- 3) The money that is retained creates further economic activities (multiplier effect.)

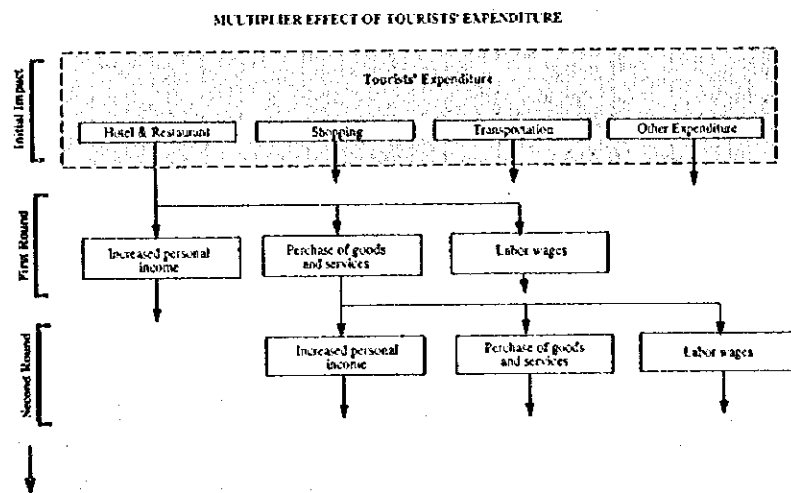


Figure 7.3 Multiplier Effect of Tourist Expenditure

The evaluation and quantification of tourism effects and its links with the rest of the economic activities in the country's economy is difficult. An "Input-Output Matrix" is the most effective and common tool to estimate the multiplier effect generated from tourism.

In this evaluation, the incremental tourist revenue resulting from the implementation of the Long term Development Plan has been converted into a direct and indirect contribution to the national economy.

However, one problem and tourism related industries such as hotel, restaurant and transport services are not always an independent sector in the input-output matrix. The Input-Output Matrix in Panama has been prepared for 15 sectors by CADESCA (El Comité de Acción al Desarrollo Económico y Social de Centroamérica). Tourism related industries are not independent sectors but included in the sector on Mercantile Services. In order to estimate the coefficient of input -table of tourist expenditure in Panama, the following studies have been reviewed for supplementing of the CADESCA Study. The input coefficients of tourism related sectors are estimated in Table 7.14:

- 1) **IPAT/OEA Report**
Besides the limitation of the input-output matrix in Panama, with the existing background, the sample survey of six first class hotels, fourteen second class hotels and some restaurants in Panama was carried out in the Study on "Plan Maestro de Turismo" by IPAT/OEA.
- 2) **Asian International Input-Output Table by IDE**
IDE (Institute of Developing Economies, Japan) has prepared "Asian International Input-Output Table, 1985" for 9 countries in Asia, which provides the coefficients of more than 100 sectors in every country.
- 3) **Tourism Analysis by E.I.U.**
E.I.U. prepared a study on tourism in the Caribbean, in which the financial performance of accommodation services has been reviewed.

Table 7.14 Coefficient of Tourism Related Sectors in Input-Table

	Trade & transport	Hotel & restaurant	Services
Total intermediate input	0.3044	0.5627	0.1621
Total value added	0.6956	0.4373	0.8379
Remuneration	0.3016	0.1500	0.3519
Operating surplus/depreciation	0.2893	0.2256	0.4634
Indirect taxes	0.1047	0.0618	0.0226
Total input	1.0000	1.0000	1.0000

2) Elimination of transfer items

The incremental tourism revenue from foreign and domestic tourists includes the IPAT tax and 5% sales tax, which are transferred from tourists to the Government in the national economy. The IPAT tax and sales tax paid by foreign tourists are income to the Panamanian economy, while the same taxes paid by Panamanians are not regarded as national income, but only as transfer payments within the Panamanian economy. Therefore, the IPAT tax and sales tax paid by domestic tourists have been eliminated from the incremental tourism revenue.

3) Conversion of tourism revenue to benefit

The incremental tourism revenue, after eliminating the transfer items, has been converted into economic benefits as described below.

The incremental tourism revenue, after eliminating the transfer items, has been converted into economic benefits as described below.

The direct economic benefit of the Long Term Development Plan can be measured by converting the incremental tourism revenues into the incremental Gross Domestic Product (GDP) of Panama (or the Total Value Added) by using the Input-matrix estimated above. The average conversion factor of the tourism revenue is calculated by using the following formula:

$$(K) = \frac{E}{J} (EXPj) \times (CVAj)$$

where, K: conversion factor from incremental tourism revenue to direct benefit
 EXPj: share of tourist expenditure of j industrial sector in the total incremental tourism revenue
 CVAj: coefficient of value added of j industrial sector

The value of the conversion factor (K) is estimated to be approximately 0.60 as shown in Table 7.15

Table 7.15 Estimation of Conversion Factor (K)

Expenditure item	Incremental tourism revenues in 2010		Coefficient of total value added		K 1) x 2)
	(Bt. 1,000)	1)	2)		
Accommodation	471,699	29.5%	0.4373		(0.1291)
Food	314,514	19.7%	0.4373		(0.0861)
Shopping	312,182	19.5%	0.6956		(0.1359)
Transportation	199,752	12.5%	0.6956		(0.0870)
Others	299,514	18.7%	0.8379		(0.1571)
Total	1,597,660	100.0%			0.5952

Source: JICA Study

Note: 1) refer to Table 7.5

2) refer to Table 7.14

The incremental tourism revenue by Zone is converted into the direct economic benefits of the Long Term Tourism Development Plan by using the conversion factor of 0.60.

The indirect benefits are estimated by taking into consideration the Input and Output Matrix in Panama and the related studies described above. The value of the conversion factor of indirect contribution to the GDP has been estimated at 30 % of the total revenue.

(3) Cost-Benefit Analysis

1) Calculation and result

The economic benefit and cost of the Long Term Development Plan is calculated in Table 7.16. The results of analysis are represented by using the Economic Internal Rate of Return (EIRR) and Net present Value (NPV). The EIRR and NPV discounted by 12% are estimated at 23.9% and 1,261 million Balboas respectively. The Long Term Development Plan will be viable from the economic point of view as a whole.

The EIRR and NPV of six Zones are shown in Table 7.16. Every zone except Bastimentos shows a considerably high rate of EIRR. The EIRR of Bastimentos is estimated at 11.8 % which is almost the same as the discount rate and is the minimum level to reveal economic feasibility of the Plan.

Land cost is considerably high in the Metropolitana Zone. The EIRR and NPV without land cost have also been estimated in Table 7.16. In the Metropolitana Zone the EIRR will be 38.9% excluding the land cost.

The complete calculation for the six zones is compiled in the Appendix.

2) Sensitivity evaluation

Economic sensitivity is examined to ensure the economic efficiency of the Plan by considering the following assumptions:

- 1) 20% of cost increase including maintenance cost
- 2) 20% of benefit decrease
- 3) a combination of 1) and 2)

The results are also expressed by EIRR corresponding the above changes in Table 7.17. The EIRR remains within a level to reveal economic efficiency in all Zones except Bastimentos from the viewpoint of the national economy when costs increase by 20% and benefit decrease by 20%.

Table 7.16 EIRR and NPV by Zone

	With land cost		Without land cost	
	EIRR	NPV (Bl. 1,000)	EIRR	NPV (Bl. 1,000)
Bastimentos	11.8%	-1,956	11.8%	-1,584
Arco seco	20.3%	53,984	21.6%	57,702
Parallon	24.3%	255,095	26.5%	268,726
Metropolitana	25.2%	619,001	38.9%	755,308
Portobelo	24.5%	142,999	25.2%	145,477
Las Perlas	28.3%	192,263	28.6%	193,255
Total	23.9%	1,261,386	29.2%	1418,884

Source: JICA Study

Table 7.17 Result of Economic Sensitivity Evaluation

	EIRR			
	Base	Cost increase (20%)	Benefit decrease (20%)	Cost increase (20%) and benefit decrease (20%)
Bastimentos	11.8%	8.8%	8.2%	5.5%
Arco seco	20.3%	16.6%	15.7%	12.6%
Farallon	24.3%	20.7%	19.6%	16.5%
Metropolitana	25.2%	22.7%	20.6%	18.2%
Portobelo	24.5%	20.5%	19.5%	16.2%
Las Perlas	28.3%	23.3%	22.2%	18.2%
Average of six zones	23.9%	20.5%	19.1%	16.1%

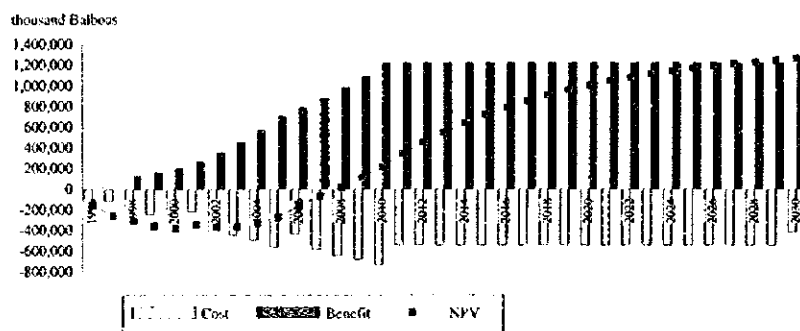


Figure 7.4 Plan Evaluation of 6 Zones Total

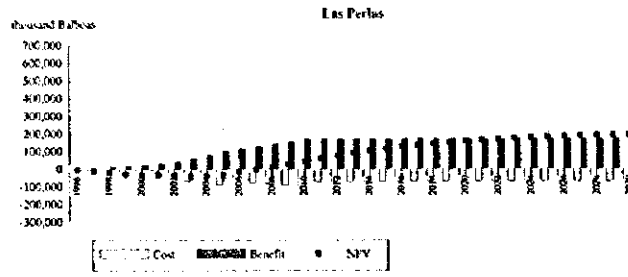
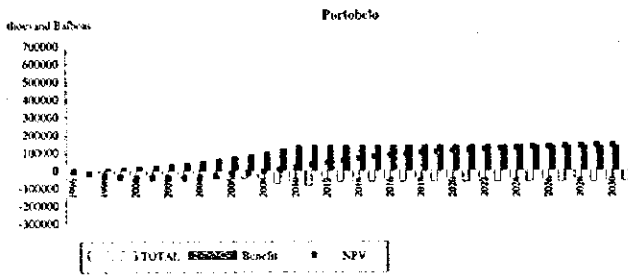
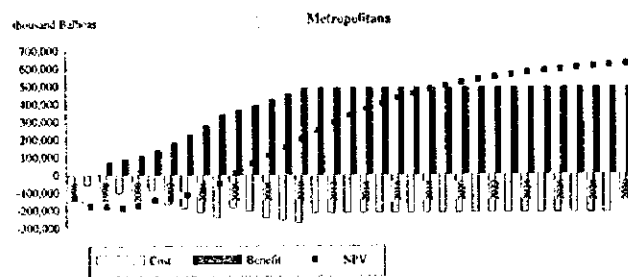
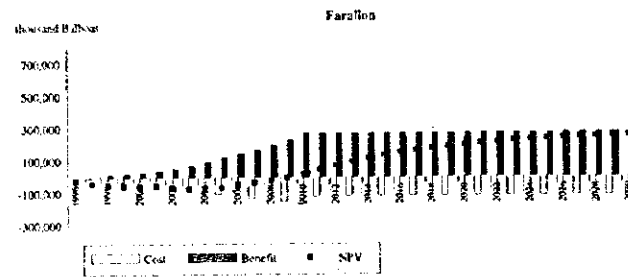
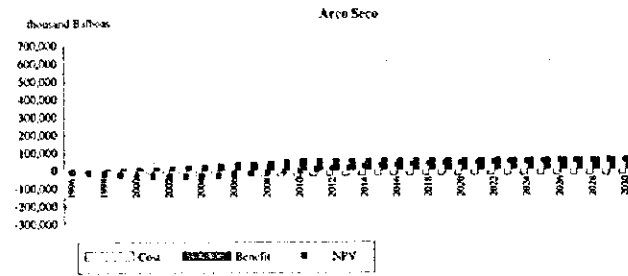
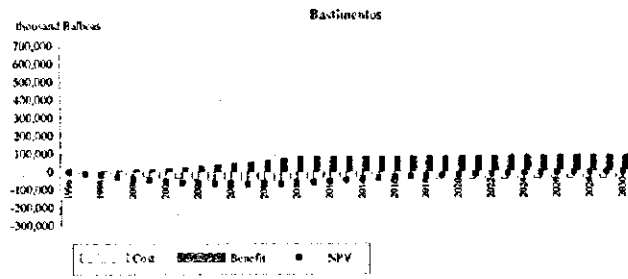


Figure 7.5 Plan Evaluation of Each Zone

7.1.7 Evaluation

The results of economic and financial analysis for the Long Term Development Plan are summarized as follows:

- 1) The total tourist revenue has been estimated to amount to 2,007,027 thousand Balboas, of which 78% will be received from foreign tourists, in 2010, the target year of the Plan.
- 2) The foreign exchange earnings from tourism will be expected to increase to 1,563 million Balboas in 2010 and its share of the country's GDP will increase from 2.5% in 1992 to 10.8% in 2010.
- 3) In 2010, 145,000 new jobs will be generated by implementation of the Long Term Development Plan including indirect employment. This corresponds to one fourth of the additional job opportunities required in the country.
- 4) The EIRR and NPV have been estimated at 23.9% and 1,261 million Balboas respectively in the cost-benefit analysis. This result confirms the economic viability of the Plan.
- 5) The Long Term Development Plan have been evaluated by zone from the view point of the following economic aspects:

- 1) Economic Internal Rate of Return (EIRR)
- 2) Net Present Value (NPV) discounted by 12%
- 3) Generated direct employment
- 4) Investment cost per generated direct employment

Table 7.18 Evaluation of Six Zones

	Total Economic investment cost (B/1,000)	EIRR	NPV (B/1,000)	Generated direct employment	Investment cost/ employment	Economic efficiency of investment
Bastimentos	321,475	11.8%	-1,956	3,053	120,842	xx
Arco Seco	153,165	20.3%	53,984	1,546	110,942	xx
Farallon	547,071	24.3%	255,095	8,239	73,418	xxx
Metropolitana	1,015,464	25.2%	619,001	11,848	85,204	xxx
Portobelo	281,899	24.5%	142,999	5,339	59,243	xxx
Las Perlas	348,091	28.3%	192,263	5,768	67,684	xxx
Total/Average	2,667,165	23.9%	1,261,386	35,793	79,947	xxx

7.2 Environmental Analysis

7.2.1 Objectives and Method

The objective of the environmental analysis in the long term development plan phase is to formulate environmental considerations to be taken into account in plan evaluation and further study.

In each zone, negative impact potentials are identified utilizing an experimental method based on the present condition of the area in consideration of project implementation of both construction and operation phases.

Finally, in order to avoid or mitigate identified negative environmental impacts associated with project implementation, environmental considerations are examined.

7.2.2 Present Feature of Long Term Development Plan Zones

Present environmental conditions are divided into three sections - natural environment, social environment and pollution in the six zones as compiled in the following table. In this section, the existing condition of all the environmental factors are described for analyzing negative impact potentials in the next section.

Description of the Social environment comprises economic activities, inhabitants, public health, cultural and historical heritage. Description of the Natural environment comprises geology, meteorology, river basin, land use, flora and fauna. Description of pollution comprises water, air, noise, vibration and offensive odours. These factors are considered to be affected by development projects.

7.2.3 Environmental Impacts and Environmental Considerations

The results of present conditions in association with the long term development plan are studied. Negative environmental impact and environmental considerations are examined in this section.

(I) Bastimentos Zone

The zone is located in the north-west part of Panama along the Caribbean sea. There is existing abundant rich fauna in association with virgin and matured secondary forest. Indigenous and endangered species which are of scientific interest can be seen in the archipelago area because this area is isolated from the Isthmus. In the field of marine fauna 4 of 8 species of marine turtle and manatee can be observed in this area. Also coral reef is found. The Principal inhabitants are Ngobe and afro-colonial.

In association with these environmental characteristics, most new development will cause the destruction of natural forests, wetlands and coral reef. Also the nesting area of sea turtles and the indigenous culture will be affected. To avoid or mitigate the impact, a zoning plan and the monitoring of affected fauna are required.

(2) Arco Seco Zone

There are a few remaining natural habitats along the coast and river side while other parts have been developed as crop and pasture lands. There is some potential for negative environmental impact, for example, water pollution in rivers nearby towns and adjacent areas of shrimp breeding activities.

Improvement of the existing infrastructure is emphasized in the long term development plan so that the impacts will not be large. However, care should be taken to preserve remaining secondary natural forest and mangrove forest which provides habitats for wild animals. Only one thing that remaining secondary natural forest including mangrove forest where habitat space of wild animals should be preserved. Moreover in consideration of the eutrophic condition of water, the plan should include appropriate treatment facilities for discharge water. In addition monitoring is required for future study.

(3) Farallon Zone

This area has been developed as villas since the 1970's and the remaining area has been developed as pasture land for cattle breeding. Recently, a mangrove forest area in Chame bay has began to be used for shrimp breeding. Along the coast of Punta Chame to San Carlos, marine turtles lay eggs. In the remaining mangrove forest and Cerro Chame, wild animals are seen. A major environmental issue is erosion in various parts of the zone.

In consideration of the environmental impact, monitoring of marine turtles and water quality are required.

(4) Metropolitana Zone

The Metropolitana Zone consists of three distinct areas which are the Pacific side, the Panama Canal area with hilly land and the Atlantic side. The Pacific and Atlantic sides are already developed as urban areas. The Canal zone reserved area and adjacent National Parks have abundant rich flora and fauna while urbanized areas suffer some constraints like water quality, for example, the eutrophic condition of Panama Bay and Colon.

(5) Portobelo Zone

The zone lies along the Caribbean sea with hilly lands leading down to the shore line. Marine fauna including coral reef is a notable characteristic of the zone. Another is the historical nature of Portobelo town with remains of buildings, fort and churches of the colonial era none of which have been maintained. Critical points in this zone are erosion by destruction of natural forest which is related to destruction of marine fauna and water pollution by discharged water. Monitoring of water quality and marine fauna are required in order to identify appropriate countermeasures. Also any new accommodation has to be include on-site treatment system.

(6) Las Perlas Zone

Only one island called Contadora in the Las Perlas archipelago is developed with villas and hotels while the other islands have only small fishing and agricultural villages. Secondary forest dominate in these islands while land degradation by slash-burn agriculture is common. Bird and marine fauna are abundant in this area. The Monitoring of fauna is required in order to create a zoning plan in to enable orderly development.

Table 7.19 Summary of Environmental Condition in Long Term Development Plan Area

	Barranquilla Zone	Atico Seco Zone	Parallon Zone	Metropolitana Zone	Portobelo Zone	Las Perlas Zone
Economic Activities	Main Activities: Agriculture Aquaculture Colon island is used for cattle raising. Major Products: Bananas (Chiqui Land Company)	Main Activities: Services and Commerce. Agriculture, Industries, and fishing. Major Products: Liquor, pottery, handicrafts.	Main Activities: Commerce and Services, Industries. Major Products: Banking services, Canal operations, storage, telecommunications	Main Activities: Commerce and Services. (47.2%), Agriculture (45.3%), fishing (17.6%) Major Products: Fish and Mollusks.	Main Activities: Commerce and Services (47.2%), Agriculture (45.3%), fishing (17.6%) Major Products: Agricultural products.	Main Activities: Agriculture, Commerce and Fishing (31.7%), Fishing (17.6%) Major Products: Fish and Mollusks.
Inhabitants	Total population (Zone): 10,654; 49,270m Races: Guaymies, antillans, mulattos.	Total population (Zone): 74,294; 55,578m Races: Afro-colonial, immigrants.	Total population (Zone): 23,111; 43,05 km Races: Afro-colonial, mulattos and immigrants.	Total population (Zone): 928,648; 257,90m Races: Afro-colonial, Indians, Mulattos, and immigrants.	Total population (Zone): 8,026; 9,892km Races: Afro-colonial, mulattos and other minorities.	Total population (Zone): 2,75; 6,882km Races: Afro-colonial, mulattos
Public Health	Mortality rate: 4.6 deaths/1000 inhab. Malnutrition level: Very high.	Mortality rate: 4.9 deaths/1000 inhab. Malnutrition level: moderate to low	Mortality rate: 4.1 deaths/1000 inhabitants Malnutrition level: moderate.	Mortality rate: 4.7 deaths/1000 inhabitants Malnutrition level: moderate.	Mortality rate: 43.7 deaths/1000 inhabitants Malnutrition level: moderate.	Mortality rate: 5.4 deaths/1000 inhabitants Malnutrition level: moderate.
Cultural/ Historical Heritage	Aguaque peninsula is largest archeological site in the area. (ceramics) (1502) Christopher Columbus reach to Zarabon (Marinera Bay) in his 4th trip Fairs: Fair of the Sea, in Istmito	Azuero has many pre-Hispanic settlements in the whole region. Many folklore traditions as <i>Canandres</i> , <i>Manito</i> género festival, <i>Azuero Fair</i> , <i>Corpus Craci</i> . Monument is the second oldest archeological site of ceramics in America (2100 BC)	Archaeological sites with ruins: from the pre-Columbian period. Panama Viejo Historical Monumental Complex from the colonial period, and the Cuzco Virgo from the 17th century. Remnants of the Camino de Cruces and Camino Real. San Lorenzo the colonial period, at the entrance of Chagres river	Panamá Viejo Historical Monumental Complex from the colonial period, and the Cuzco Virgo from the 17th century. Remnants of the Camino de Cruces and Camino Real. San Lorenzo the colonial period, at the entrance of Chagres river	Colonial structures (Custom House, Santiago, San Jeronimo, San Cosobal and San Fernando castles, forts, churches) Portobelo was in the colonial period the center of commerce and defense in America. Fairs: Black Christ Restory	Colombian ceramics decorated with plastic applications can be found The population of the area are mainly descendants of the fugitive slaves of the colonial period.
Topography/ Geology	Includes Changuinola town, Almirante Bay area, up to Yallemé peninsula. The area contains islands, keys or cay, coasts and two bays: Almirante and Changuinola. Mainly flat plain area.	Includes the area between Punta Chame and Juan Hombroón. It is made up of flatlands and beaches. Includes Chame Bay.	Include the area between Punta Chame and Juan Hombroón. It is made up of flatlands and beaches. Includes Chame Bay.	Metropolitana Zone groups the Panama and Colon cities, its surrounding and the natural areas, including the interoceanic region. The area is composed of plains, low mountains and undulating hills.	Include the coastal area between Maná Chiquita and Santa Isabel. Mainly these are flatlands. Includes several points and one island: Isla Grande	The Zone is composed of the islands in Las Perlas archipelago. Mainly are lowlands with some low hills.
Metereology	Temperature: 26.5-27.7°C Precipitation: 3100-4000 mm Rainy season: May-December Annual average of wind velocity: 4.6 m/sec	Temperature: 27.0-28.3°C Precipitation: 1100 mm Rainy season: May-November Annual average of wind velocity: 1.03 m/sec	Temperature: 27.9-28.6°C Precipitation: 1900 mm Rainy season: May-November	Temperature: 24-22°C Precipitation: 4000mm-4500 mm Rainy season: April-November	Temperature: 26-27°C Precipitation: 2500 mm Rainy season: May-November	Temperature: 26-27°C Precipitation: 2500 mm Rainy season: May-November
River System	Basins: Changuinola basin and Cricamola basin	Basins: Santa Maria, Punta, La Villa and Tonosé.	Basin: Between Anton river and Camilo river.	Basins: Juan Diaz river, and Chagres river basin.	Basins: The rivers between Chagres and Mandinga	Basins: Del Rey Island basin, which is composed of 16 rivers.
Land Use	Bays: Almirante and Chiriquí lagoons	Bays: Perla Bay	Major land use: Pasture for cattle	Major land use: Pastures and forest	Major land use: Temporary crops	Major land use: Temporary crops
Flora	Major land use: Pasture for cattle. Flora with scientific interest Mangrove	Dry tropical forest and very dry tropical forest Mangrove forest in mouth of the river	Dry tropical forest and savanna tall woods Near Punta Chame, a mangrove area and <i>Carelia</i> and <i>Byrrhinia curvella</i> forest, fire-resistant species Forest with short and bifurcated trees (<i>Miconia</i> , <i>Gerardinia</i> , <i>Miconia bicolor</i>) Animals as the tin monkey, white-tail deer, <i>Agouti pacca</i> , and <i>Nasua narica</i> are endangered by the hunting. Fishes, mollusks, and birds live near the beaches and mangrove areas	Tropical humid forest in the Atlantic side and several trees are planted along the roads of Panama city and in some of Colon	Tropical Rain forest (former and mostly) Pico Mountain humid forest (north) Characteristic vegetation is tall wood and small mangrove areas	Tropical Rain forest (former and mostly) Pico Mountain humid forest (north) Characteristic vegetation is tall wood and small mangrove areas
Fauna	Large diversity of birds, such as quetzal Marine turtles as <i>Caretta caretta</i> , <i>Chelonia mydas</i> , <i>Dermochelys coriacea</i> nest along the coast Near San San river, a huge group of	Of hawks, migrant falcons, fishing eagles, ducks, waterfowl and native cranes. Also some mammals exist. Rich bird fauna in Isla Iguala	Conservation areas: Barro Colorado, Galun Lake and other forest has preserved the fauna. Many reptiles as turtles, coconides, frogs. Great diversity of birds, especially migratory birds.	Important for the reproduction of turtles, especially the curly turtle. Many reptiles as turtles, coconides, frogs. Great diversity of birds, especially migratory birds.	Important for the reproduction of turtles, especially the curly turtle. Many reptiles as turtles, coconides, frogs. Great diversity of birds, especially migratory birds.	Pelicans, especially the brown pelican, nest in the islands. Aquatic birds (fishing hawk, hupso albonotatus, <i>Actinia plumbea</i>) migrate to the islands. Pachoa Island wildlife refuge
Designation Area	Sapientia National Park. Barranquilla Island National Park.	Sapientia National Park. Isla Iguala Wildlife Refuge	Chame mining reserve Mangrove area is proceeded to preserve some species of the area	Sapientia National Park, Barro Colorado Island National Monument, Metropolitan Natural Park, Chagres National Park	Portobelo National Park	Pachoa Island wildlife refuge
Water	Inadequate collection of wastes and wastes thrown to the sea and road sides	The most important problem is the water pollution caused by residual waters.	Solid wastes are dump to the rivers and roadsides.	Residual water pollution Panama Bay and in the rivers	Residual water pollution Panama Bay and in the rivers	Inadequate disposition of the solid wastes
Air	Residual waters discharged to the beaches	Problems with the disposition of solid wastes.	The treatment of the residual waters is very poor.	Deficiency in waste collection and the responsibility of the population.	Deficiency in waste collection and the responsibility of the population.	Disposition residual waters to superficial currents pollute the water, specially beaches.
Noise						
Vibration						
Offensive odor						

Source: JICA Study Team

Table 7.21 Summary of Environment Analysis

Zones	Negative Impact Potentials	Environment Considerations
1) Bastimentos Zone	<ul style="list-style-type: none"> • Destruction of coral reef for aggregate materials used for construction. • Destruction of wetland, forests, other unique habitats. • Endangered and indigenous species affected. (Manatee, Dwarf Armadillo, Nose bat, Giant Tylomys, Night Autos, White wing vampire, Jaguar) • Sea Turtles (4 of 8 sea turtle species) nesting affected. • Native Indian (Ngobe) culture affected. 	<ul style="list-style-type: none"> • Submission of plans in accordance with local ordinance on beach sand mining. • Areas considered for development should have zoning plans to account for natural geographic and socioeconomic conditions. • Monitoring for endangered species protection. Zoning plans and development guidelines to preserve the natural environment should be made. • Beach monitoring for turtle protection coupled with beach zoning and development guidelines to preserve the natural beach environment from the primary dune seaward. • Areas considered for development should have zoning plans to account for their culture.
2) Arco Seco Zone	<ul style="list-style-type: none"> • Water pollution from inappropriate sewage or solid waste disposal. • Destruction of remaining wetland, forests, other unique natural habitats (mouth of the rivers, valleys, Coast area, Isla Iguana). 	<ul style="list-style-type: none"> • Allowance made for use of existing regional disposal system or construction of on-site sewerage treatment plant. • Areas considered for development should have zoning plans to account for natural conditions.
3) Parallon Zone	<ul style="list-style-type: none"> • Eutrophication in Chame Bay by untreated direct discharge water • Erosion of coast by mining aggregate materials used for construction. • Sea Turtles (2 species) nesting affected. 	<ul style="list-style-type: none"> • construction of on-site sewerage treatment plant. • Submission of plans in accordance with local ordinance on beach sand mining. • Beach monitoring for turtle protection coupled with beach zoning and development guideline to preserve the natural beach environment from the primary dune seaward.
4) Metropolitana Zone	<ul style="list-style-type: none"> • Encouraging Eutrophication by untreated direct discharge water. (Rivers, Panama bay nearby Panama City) • Destruction of wetland, forests, other unique habitats. Adjacent area of designated area and other valuable area) 	<ul style="list-style-type: none"> • construction of on-site sewerage treatment plant. • Zoning plans and development guidelines to preserve the natural environment should be made
5) Portobelo Zone	<ul style="list-style-type: none"> • Water pollution from inappropriate sewage or solid waste disposal. • Sea Turtles nesting affected. • Afro-colonials culture and historical structure affected 	<ul style="list-style-type: none"> • Construction of on-site sewerage treatment plant. • Beach monitoring for turtle protection coupled with beach zoning and development guidelines to preserve the natural beach environment from the primary dune seaward. • Areas considered for development should have zoning plans to account for their culture and historical structure.
6) Las Perlas Zone	<ul style="list-style-type: none"> • Destruction of reef for aggregate materials used for construction. • Destruction of wetland, forests, other unique habitats. • Afro-colonials culture affected • Water pollution from inappropriate sewage or solid waste disposal. 	<ul style="list-style-type: none"> • Submission of plans in accordance with local ordinance on beach sand mining. • Zoning plans and development guideline to preserve the natural environment should be made. • Areas considered for development should have zoning plans to account for their culture. • Construction of on-site sewerage treatment plant.

8. Tourism Promotion Plan

8. Tourism Promotion Plan

Because of an economic recession, the Panamanian government could not afford to make investments in establishing adequate infrastructure for many years in the past. The tourist facilities, especially in rural areas have therefore been insufficient.

On the other hand, because of the increased income generated by stable growth of the economy in recent years, it appears that young people are gradually becoming interested in outdoor leisure. It can be expected that day trips and short family trips will soon gain popularity.

The Master Plan made by IPAT and OEA is giving us food for thoughts about the present situation of tourism in Panama. It is reported that foreign visitors to Panama mostly consist of business and shopping travelers. Under these circumstances, it is quite clear that overseas tourism promotion has not been effectively undertaken.

No matter how splendid a tourist development is created, it will be of little use unless potential tourists are informed. Therefore, tourism marketing and promotion are essential to tourism development.

According to the announcement of the President last year, tourism development is now to be considered as one of the most vital issues in the country. It is a matter of great importance to attract private investment for establishing tourism facilities. Confidence in the quality of services related to tourism is crucial for effective implementation of tourism promotion.

8.1 International Market

8.1.1 First Target Countries

(1) North America (The United States of America and Canada)

Because these are the largest of the target countries it is necessary to deal with this market accordingly. The following are the most recent statistics on international departures.

Table 8.1 International Departures in North America

(Unit:1000)

Year	The United States			Canada		
	1991	1992	1993	1991	1992	1993
International Departures	41,138	44,623	43,895	20,415	21,937	21,681

Source:WTO

In the United States, the amount of paid vacation days is decided by negotiation between the employer and the employees. It is common practice to take all of the paid vacation allowable in one year. The majority of enterprises have adopted a paid vacation system that allows employees to take a full holiday. The average yearly amount of paid vacation for a white collar worker is 9.7 days. The amount of paid vacation varies in proportion to the length of employment. For example, the percentages of full-time white collar workers employed in the metropolitan areas that receive three weeks paid vacation are as follows:

Employed for 1 year : 2%
Employed for 5 years : 56%
Employed for 10 years : 95%

On average, the percentage of white collar workers receiving four weeks paid vacation is 38%, and the percentage receiving five weeks is 33%. The amount of paid vacation per capita in the United States is broken down as follows:

6 - 7 days	14%
8 - 9 days	32%
10 days	28%
11 days	15%

Overall, the number of people who can take a full eight to nine days is the largest. Including Saturday and Sunday this amounts to almost 132 days per year. In addition, 57.7% of workers use their paid leave with the aim of taking a vacation. With this background in mind, package tours have been created for all regions and industry publications are filled with of these package tours.

In recent years, there has been rapid growth in the amount of cruise travel. Currently, cruise travel makes up 16% of all sales in the travel industry(1992 Travel Weekly). Thus it is vital to incorporate cruise travel in any proposed travel plan. There has been no slowdown in this rapid increase in the last few years.

In Canada, nearly 85% of overseas travelers have been visiting the USA. Because of severe winter, and one third of tourists take their vacation from July to September, and the third (about 22%) is from April to June. The length of stay is as follows:

7 nights to 13 nights	36.0%
14 nights to 20 nights	29.9%
21 nights or more	28.0%

(2) Central and South America and the Caribbean

The main characteristic of foreign visitors to Panama is the large number of business people. This is the result of government policy implemented over a long period of time. According to statistics, the number of visitors from Central and South America and the Caribbean that visit Panama for shopping or business is very large. It will be necessary to make more effective use of this characteristic. According to the "2010 Two Million Plan", the number of business visitors should reach 30% of the total target number of visitors to Panama. It will become necessary to devise policies to entice these visitors to other tourism development zones. Cooperation with the approximately 1500 companies of the Colon Free Zone and more than 110 banks is important.

The improvement of public safety in Colon, needless to say, is an issue that needs to be considered. Specific target markets should include Colombia, Ecuador, Chile, Venezuela, Guatemala, Costa Rica and the Caribbean nations.

The market is not expected to grow rapidly, but, it will remain constant market and could prove to be a good resource for the creation of events in the future.

8.1.2 Second Target Countries (Europe)

Recent conditions in three representative countries have been considered below:

(1) Germany

Nearly half of the population of Germany travel abroad once a year and together with the United Kingdom, the United States, and Japan, it is one of the four countries that has the most nationals traveling abroad (in 1991, 31,100,000 nationals traveled abroad, with 2,700,000 traveling outside Europe). In addition, it is a relatively mature market. Large numbers of charter flights and outbound travelers are characteristic of this market.

About 23% of vacationers use air services as their main means of traveling, 16.8% of which use charter flights. It is desirable to establish regular flights between Panama and Germany, though the package tours that use these flights would be expensive. Some form of dealing with LTU etc, a large charter flight company, may be the key. In the future, the market of the former East Germany is expected to expand, though not in the immediate future.

Paid vacation in Germany is about 30 days and the company must pay the staff in lieu of holidays that are not taken. Germany has a system where different states have holidays at different times. For tourism facilities, this is an extremely convenient system. The main vacation times in former West Germany are as follows:

June : 13.6%
July : 27.8%
August : 23.1%

Nearly two-thirds of the total holidays are in these months. Generally, the year's vacation is decided in March. Roughly one third take between 13 to 15 days vacation, and 25.1% take between 20 to 22 days as their main vacation.

The majority take on average 17.3 days which means they enjoy relatively long holidays in general. In former West Germany, the average amount spent for their main vacation is DM 1,370. The most popular tourist areas, according to the statistical report, are scenic beach resorts with a lot of sunshine and mountain resorts. Lying in the sun and relaxing is the usual way they prefer to spend their vacation.

(2) France

Accompanying the birth of the Mitterand Administration, statutory working hours were set at 39 hours per week, under a new law of January 1982. As of January 1990, white collar workers work 38.9 hours per week and blue collar workers 39.1 hours per week. This is one of the shortest working weeks in the developed world. Workers have five weeks paid vacation per year.

By law workers are entitled to take four weeks in a row and they are obliged to take at least two weeks in a row at any one time. As in Germany, school vacations differ from region to region and the holiday periods are announced at the beginning of each year.

Nearly all households use this vacation to travel somewhere. Divided largely into two categories, 27% travel during the winter vacation(October-April) and 55% travel during the summer vacation.

In 1991, the number of people traveling abroad on vacation was about 10,100,000, and there has been little change in that figure over the last few years. The average length of vacation is approximately 14.1 days. The most popular tourist areas are beach resorts(45%), followed by countryside(25%), and mountain resorts (16%).

(3) England

In 1935, a law on paid vacation was enacted. In 1991, nearly all of the workers(99%) were receiving more than four weeks paid vacation per year and of those, 20,500,000 traveled abroad on vacation. However, the rapid pace in the growth of the overseas travel is not expected to continue. The total number of people traveling on vacation is about 31,000,000, which means that about two-thirds are traveling abroad on vacation.

According to the statistics from the British Tourism Authority, 65% or 11,500,000 use package tours. A Majority of people take vacation in July(around 30%), and including June and August, 70% vacation during three month period. It is reported, according to the questionnaires to tourists, the most popular destinations are the places with sunshine and warm weather(nearly 50%) Recently, there has been a trend toward taking a second holiday, but generally this one is shorter in length. Though travel overseas for vacations has become more diverse, it appears unlikely that there will be growth as rapid as has been seen previously.

8.1.3 Third Target Countries (East Asia : Japan, Korea, Taiwan, Hong Kong etc.)

In recent years, the number of package tours to the Caribbean has been increasing rapidly as a result of campaigns by airline companies in Japan aiming at honeymoon trips. The East Asia region is also experiencing remarkable economic growth. The strategy of focusing on the honeymoon market has been quite successful.

Taiwan Market

Because of stable growth of economy for decade, 4,654 thousands people enjoyed overseas travel, increasing by almost three times as much as in much in compare with the year of 1992, 89% have visited South East Asia in 1993. New airline companies, such as EVA and Mandarin Airlines, have been established and expanding their networks.

Japan Market

In 1993, the number of Japanese overseas travelers reached a new record total of 11,933 thousands, representing only a small increase of 1.2% over previous year. The biggest market segment consists of the middle aged and the elderly group (26.6%).

Korean Market

In 1993, 2,430 thousands people enjoyed traveling abroad. 70.7% of them traveled in Asia, 18.4% in North and South America. 38.3% spent less than 5 days, 30.5% spent during from 6 days, 27% spent during from 10 days to 15 days. Honeymoon trips are rapidly increasing in recent years in Korea.

It is recommended for IPAT to educate the staff of Panamanian overseas diplomatic offices or to station the tourism experts for the purpose of tourism and investment promotion.

8.2 Domestic Market

In recent years, it seems that many Panamanians are becoming wealthier and living in comfort in urban areas, owing to the steadily rising national income accompanying economic growth.

The desire of the general population to travel is naturally increasing. Already there are signs of this phenomenon and there is no doubt that travel will slowly become an integral part of their lifestyle.

The young will be getting more and more active on weekends and holidays. The family market will follow them for day trips or short trips in the near future. Many developing countries have been experiencing the same phenomenon. People will be certainly looking for places to enjoy. There is a need to supply adequate facilities to meet this expected demand.

It is also necessary to begin with relatively simple development, if possible, that coincides with the overall development plan. According to the long term development plan, it is predicted that the number of domestic tourists will reach approximately 1,500,000 in 2010.

8.3 Overview of Tourism Marketing and Promotion

The marketing of tourism for the region is quite essential to inform tourists about developing areas, as well as to induce them to visit. The target markets must be determined in accordance with market analysis. Establishing the marketing strategy means specifying the timing and scheduling of promotional activities to target markets effectively. Careful analysis of market sectors will also help to determine the promotional activities to be undertaken.

Target markets will be decided by analyzing the data collected through questionnaires not only to tourists but also to travel agencies.

Basic data from tourists has been collected through embarkation/disembarkation cards on their arrival at Tocumen International Airport. In addition to the above, more detailed information is required for establishing a marketing policy. Questionnaires to tourists should be circulated and analyzed every three years. Also it is recommended that IPAT carry out activities confidence in the target markets.

The Following items should, at least, be included in the questionnaires.

- (1) Why did you choose Panama as a destination ?
- (2) By regular flight or charter flight ?
- (3) By package tour or other?
- (4) How did you travel and where did you spend time while in Panama ?
- (5) What do you feel about Panamanian hospitality ?
- (6) Any suggestions to Panamanian tourism authorities?

- (7) What did you buy for souvenirs in Panama ?
 (8) How much money did you spend while in Panama ?

In overseas markets, questionnaires to the public will be necessary at the same time. In this case, the main purpose is to find out how much they know about Panama as a tourism destination and what kind of image they have been of Panama. The public awareness of Panama as a tourist destination must be enhanced by advertising. It is important for IPAT to know if the advertising has been done effectively.

Questionnaires to travel agencies in each of the campaign countries listed in The Master Plan by IPAT/OEA, will be of assistance to IPAT for carrying out an effective approach.

Assessment and analysis of competitive neighboring tourist destinations are also indispensable for marketing.

Assessing support services, tourist facilities, and related infrastructure are also important.

8.4 Characteristics of Developing Areas

8.4.1 Type of Developing Areas

Development will be made in accordance with the characteristics of each zone, which can be divided into four types. These are the Island, Coastal, Lake, and Urban types. Some zones can be subdivided into two or more types. These characteristics will determine the direction of development and to a certain extent the construction concept. They will also suggest how to prepare advertising material. Details of each zone are shown in the following matrix.

Table 8.2 Types of Developing Area

Study Zone	Island	Coastal	Lake	Urban
Bocas del Toro	⊙			○
Arco Seco	○	⊙		○
Farallon		⊙		
Metropolitana	○		○	⊙
Portobelo	○	⊙		
Las Perlas	⊙			

Note: ⊙: Primary ○: Secondary

8.4.2 Market Segmentation and Potential Markets

Market segmentation for effective promotion in target countries would be as follows.

(1) The United States of America and Canada

- Aged peoples of over sixty
- Family groups focused on the thirties
- Eco-tourists

- Incentive tours
- Top four users: Insurance, Auto-parts, Electronics, Car
- Special interest tour such as fishing enthusiasts
- Convention tourists
- Long stay vacationers for hibernation

(2) Central and South America and The Caribbean

- Business traveler
- Shopping traveler
- Family group
- Convention tourists

(3) Europe

- Aged peoples of more than fifty
- Middle and lower class
- Special interest tour
- Eco-tourists
- Family group
- Long stay vacationers for hibernation

Potential markets, for instance, will be as follows:

Table 8.3 Markets by Developing Area

	USA & Canada	C/S America & The Caribbean	Europe
(Island type) Bocas del Tero Las Perlas	Swimming Fishing Diving Adventure Eco-tourism Surfing Hibernation		Eco-tourism Fishing Swimming Adventure Hibernation
(Coastal type) Arco Seco Farallon Portobelo	History Ruins Culture Swimming Fishing Cruising Eco-tourism Surfing Diving Hibernation	Shopping Business Convention	History Ruins Diving Fishing Eco-tourism Hibernation
(Urban type) Metropolitana	Business Convention Eco-tourism Canal Touring Bird watching Culture	Shopping Business Convention	Business Eco-tourism Canal touring Bird watching Culture

8.5 Promotion Plan for International Market

8.5.1 Establishment of Overseas Promotion Offices

Promotion activities must be sustained continuously. Establishing overseas offices is one of the most important methods for overseas promotion. It is also necessary to educate Panamanian diplomats for tourism.

(1) New York Office

At present, IPAT has one overseas office Panamanian Government Tourism Bureau in Los Angeles, California. Also IPAT has contracted with M. Silver Associates Inc. in New York for public relations and marketing communications. They report on the highlights of the public relations activities performed on behalf of IPAT, including press releases, media visits and promotions etc.

As mentioned before, the United States of America and Canada are the most important markets. It is recommended that a New York office be started in 1996 soon after the decision on tourism development is made by the government.

In the first stage, five staff members including one for investment promotion will be required for the office. Two can be added later as needed. The office must maintain contact with large wholesalers for promoting package tours to Panama. It will be very important to cooperate with the airlines to set up tours to Panama from major cities in North America. When seaside resort projects approach completion, aggressive promotion activities to cruise ship companies should be undertaken.

(2) Bogota Office

As mentioned before, foreign visitors to Panama largely consist of business and shopping travelers. Mainly they come from Central and South America, and the Caribbean. Those kind of to Panama will contribute to Panama's main stream tourism continuously in the future. Business travelers generated by the nearly 1500 companies registered in the Colon Free Zone, and about 110 banks, would be the most appropriate target market. Therefore, establishment of a Bogota office in 1997 is recommended for the purpose of increasing the number of visitors to Panama. That office could cover the South American market.

It should also collaborate with authoritative organizations to provide useful information to the markets. At the same time, it should provide information on package tours and accommodation facilities in cooperation with COPA.

It should be possible to induce these tourists to visit newly developed areas. The market is not expected to grow rapidly. However, it will remain an important and constant market and could prove to be a good resource for the creation of events. The office could be established at an early stage because the related facilities are in operation now.

(3) Frankfurt Office

According to statistical reports, the number of visitors to Panama from European countries is very small at present.

However, examining the present situation of Caribbean tourism, it is reasonable to expect an increase in tourists from Europe to Panama. Therefore, a Frankfurt office should be established to cover promotion European countries.

The office should be started in 1998. In the beginning, four staff members would be sufficient including one member for investment promotion. Large wholesalers will be the key target. Madrid will be suitable when establishing the second office in Europe.

8.5.2 Stationing of marketing and promotion specialists

Promotion must begin with marketing and IPAT must include experts among its staff. There should be feedback about the data received and reviews of activities according to the results.

8.5.3 Strengthening the Role of IPAT

Because of little awareness about Panama as a tourist destination among overseas markets, IPAT must strengthen its role in the ways suggested below:

- 1) assist travel agencies to create attractive tours for each area in Panama and construct retail systems.
- 2) request overseas travel agencies(wholesalers) to create package tours to Panama.
- 3) request airline companies to create tours to Panama.
- 4) try to combine overseas wholesalers with Panamanian travel agencies.
- 5) collaborate on promotion with neighboring countries, for example, Costa Rica, creating a new circuit tour of ecotours in Bocas del Toro.
- 6) train guides for special interest tours such as ecotours.
- 7) improve quality of tourism related facilities and services.
- 8) take countermeasures for the off-season.
- 9) maintain close consultative relations with tourism-related organizations.

8.5.4 Development of IPAT Tourism Information Systems

Tourists and investors must be provided relevant information to facilitate pleasant stays and effective investment, which has not yet been systematized by IPAT. This information must be centralized and maintained appropriately. Therefore, it is recommended to construct IPAT tourism information systems. Related data base management systems seem to be suitable for them. The concept, in brief, will be as follows:

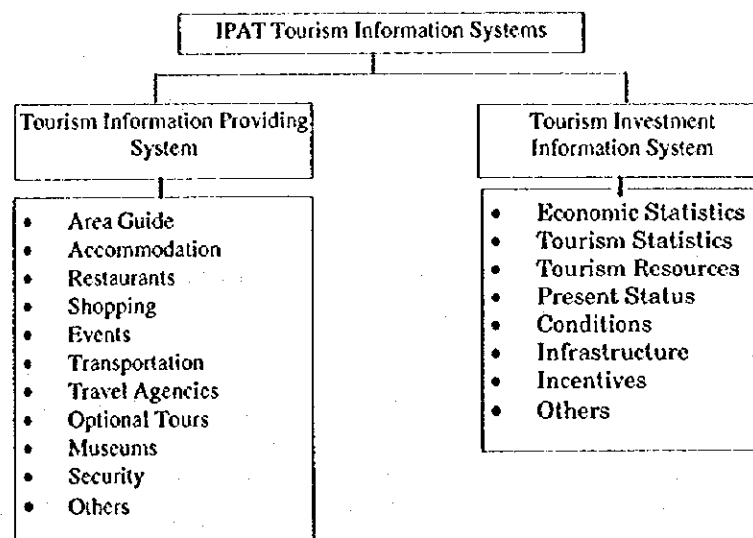


Figure 8.1 IPAT Tourism Information Systems

8.6 Promotion Plan for Domestic Market

Owing to economic growth in recent years, many people are beginning to engage in outdoor activities. They will, at first, purchase a car, and enjoy driving. But it seems there are no places for them to go and enjoy because of insufficient facilities. Therefore, in addition to development projects, it is strongly recommended that IPAT meet the desire of the public by developing adequate facilities such as youth travel villages and family travel villages equipped with comprehensive sports grounds and camping sites. Domestic tourism exhibitions are also effective for promotion.

It is also recommendable to use the school system to encourage the schoolchildren to know more about their country through outdoor activities, and to appreciate and natural sites. In accordance with the progress in tourism development, IPAT should encourage rural travel agencies to provide package tours to the tourist sites. For example, one day or two day trips to El Valle, or to Portobelo, or two day trips to Bocas del Toro might be useful. The same type of tour would also be applicable to foreign tourists. In any case, the domestic market should be expanded in the near future.

8.7 Implementation Plan for Overseas Tourism Promotion

8.7.1 Promotion Target

(1) Target numbers of tourist by regions

The number of tourists by target market region in 2010 is predicted as follows.

North America	: 800,000 (40%)
C/S America	: 600,000 (30%)
Europe	: 400,000 (20%)
Others	: 200,000 (10%)

(2) Channels for promotion in major markets

In The United States of America, there are about 10 large scale tour operators(mega agencies) such as AMEX, Carlson Travel Group, Travel Network, Thomas Cook, US Travel systems etc., and more than 40 thousand retail agencies of small scale, and some middle scale agencies who have been handling special interest or regional markets. In addition a few consortiums have been organized in the late 1980's to compete with the mega-agencies. These are Woodside Travel Trust, GIANTS, Hickory Travel Systems, Corp-Net International etc. In any case, a majority of the travel agencies have been organized or franchised vertically. AMEX has about 1,700 franchisees, Carlson Travel about 1,400 and GIANTS about 1,900.

On the other hand, it is worth noticing that there are a few travel agencies specialized in handling incentive tours. These are Marritz and Business Incentive, Inc., etc. There are several cruise ship companies who have been supplying cruise tours to this market. A famous operator is Royal Caribbean Cruise line, who has been running nearly 45 tours a year with nine cruise ships. US Tour Operators Association estimated that ten leading operators have a 30% share of the tour market and the leading 50 operators have an 80% share.

To achieve the tourism objectives of Panama in The United States and Canada, promotional activities must be carried out among these channels. IPAT and Panamanian travel agencies must cooperate with these organizations to create inclusive tours to Panama from major cities. Both regular flights and charter flights from the US and Canada should be used.

In Central and South America, main target markets are no business and shopping travelers. It is necessary to attract them to Panama as many and as frequently as possible. To achieve this object, it is recommended to reach the customers in each country with the cooperation of the Colon Free Zone Authority. They must be provided with useful information like package tours, which could be produced by COPA and other airline companies. Mobilizing travel agencies in each country will be of help for promotional activities. Incentive schemes for bulk sales should be taken into consideration. Establishment of Duty Free shops in Panama city and Farallon for the convenience of tourists is also recommended.

In Germany, there are about 8,600 retail agencies and 45 tour operators. Four large scale tour operators, TUI, NUR, LTU, and ITS, currently dominate the package tour market. Almost all retail agencies belong to one of these large scale operators. As an example, TUI alone handled about 3.44 million tourists in 1992 including domestic travel(10.6%). The tour price of international travel on average was DM1,200 per person. TUI has been producing promotional pamphlets twice a year, one December for summer vacationers, the other in August for winter vacationers. More than 60% of its package tours are by air. They charter from Hapag Lloyd and LTU. Recently, C/S America especially the Caribbean is becoming popular as a destination. Their strategy is to provide inexpensive tours for the family market. In conclusion, these large scale operators hold the key to promotion. IPAT should continuously solicit them for setting up tours to Panama by charter.

In England, as in Germany, five large scale operators are dominate the package tour market. They are Thomson, Owners Abroad, Air Tours, Cosmos and Best Travel. Thomson, the largest, had a share of 26.5% of total sales in 1991, and the five operators held nearly a two third share of the market. Retail agencies have been organized by those operators in accordance with the development of computerized reservation systems. Thomson has its own retail company(LUNN POLY) and air charter company(BRITANIA AIRWAYS). They targeted lower and middle classes offering excellent quality holidays at competitive prices as a strategy. 95% of the tours use beach resorts for staying of 12 days in average. On the whole, they have been using three-star hotels with excellent services for accommodation. Recently, they began operating package tours to East Asia, the Caribbean and Miami. It is necessary to cooperate with these large scale operators for tourism promotion to Panama.

There were 2,417 travel agencies in France in 1991. Almost all of them are small scale agencies. There are no mega-agencies as in Germany and England. Some have also been wholesaling package tours. These are Club Mediterranean (Club MED), Nouvelles Frontieres, MVM, ASIA, etc. They have been providing tours to the market with a particular concept. Middle class and aged people are the target markets for their package tours. Club MED. is famous for its exclusive club operations. They have been constructing bungalow villages at selected resort locations. They are now operating 106 village facilities with 68,754 beds all over the world.

8.7.2 Promotion Techniques

Promotion activities to be undertaken will be related to target market and market strategy. It is recommended that a basic promotion plan be prepared every three years at least. As the results of promotion appear in room occupancy rate, adjustment should be required every year after the evaluation of results. For policy making, it is important for IPAT to integrate all information which has been acquired through worldwide promotion activities.

Preparation of additional promotional material should be made in accordance with images reflecting the characteristics of each zone. There are two ways of designing promotional material. One focuses on location, arranging information geographically. The other focuses on the purpose of trips, indicating the areas that appeal to special interest groups all over the country. Promotional materials should include comprehensive guidance to Panama, including maps, pamphlets, posters, videotapes, slide presentations etc. A special edition for travel agencies must also be created.

It is important, when preparing this material, to cover all the information which it is considered is required from the point of view of consumers.

Size of display racks and distribution methods must also be determined. Distortion of facts will result in lost customers. Common promotion techniques include the following:

- Advertising in travel publications used by travel agencies, and other organizations.
- Advertising in newspapers and magazines, which is an effective way of reaching special interest travel.
- Advertising in mass media such as TV and radio, which is effective but expensive.
- Attendance at international travel trade fairs, such as ASTA, Expo Vacation(New York) and Sea Trade(Miami)in the United States, FITUR in Madrid, ITB in Berlin, World Travel Mart in London, SMTV in France, ANATO in Colombia, Expotour in Costa Rica, Vitrina Turística in Venezuela and Focus Latin American Seminar, etc.
- Dispatching promotional caravans to the target countries and areas, and holding sales seminars. Target areas include Costa Rica, Colombia, Ecuador, Venezuela, Dominican Republic, Puerto Rico, New York, Miami, Houston, Toronto, Montreal, London, Paris, Rome, Milan, Frankfurt, Dusseldorf, Vienna and Madrid.
- Inviting and hosting tour operators for familiarization, travel writers and photographers for publicity.
- Releasing news for the travel publications.

8.7.3 Promotional Campaigns

Nation-wide promotion campaign for the international markets should, for instance, be held as follows:

(1) Target numbers of tourists by regions by year

The Table below show the target numbers of tourist by campaigns based on the long term development plan.

(2) Implementation of the campaigns

Proposed duration of campaigns

1st campaign: Jan. 2000 - Mar. 2000, 3 months

2nd campaign: Dec. 2005 - Mar. 2006, 4 months

3rd campaign: Dec. 2010 - Apr. 2011, 5 months

Table 8.4 Campaign Targets

(Unit:1000)

Year		N. America		C/S America	Europe	
2000	By Regular	USA	90	180	England	10
		Canada	20		Germany	10
					France	5
					Spain	
2005/6	By Charter	USA	25		England	
		Canada	10		Germany	
					France	
					Spain	
	Total	350	145	180		25
2005/6	By Regular	USA	180	300	England	15
		Canada	40		Germany	15
					France	10
					Spain	5
					Others	
2010/11	By Charter	USA	80		England	25
		Canada	30		Germany	25
					France	10
					Spain	10
					Others	5
	Total	750	330	300		120
2010/11	By Regular	USA	200	330	England	20
		Canada	60		Germany	20
					France	20
					Spain	10
					Others	10
2010/11	By Charter	USA	150		England	35
		Canada	50		Germany	35
					France	25
					Spain	25
					Others	10
	Total	1000	460	330		210

- Establishment of an executive committee by IPAT with related organizations
- Support of expense for tour operators when preparing brochures
- Offering promotional room charges and airfares, etc.
- Preparation of model tour plans including newly developed areas
- Involvement and cooperation with carriers, BA, LH, AF, IB, AA, UA, CM, etc.
- Advertising in tourism publications with special editions such as Travel Weekly.
- Advertising advertising in the mass media
- Dispatching promotional caravans to New York, Washington, Chicago, Houston, Toronto, Montreal, London, Paris, Frankfurt, Madrid, Central and South America, and the Caribbean countries, etc. and holding promotional seminars.
- Participation in travel fairs in the target countries

- Producing promotional materials such as audio-visual, pamphlets, posters, etc.
- Initiation and familiarization tours for travel planners and journalist, etc.
- Cooperation with Panamanian overseas offices
- Training of employees of travel industries in hospitality with manuals
- Producing domestic events

8.8 Tourism Investment Promotion

A Committee for promotion of foreign private investment has been established in Panama in 1994. The chairman is the Minister of Foreign Affairs. Promotion activities have been carried out by each sector separately until now. IPAT has contracted with M. Silver Associates Inc. in New York for that purpose. They organized an investment mission from the US to Panama. An incentive law for investment was enacted in 1994 and regulations pertaining to financing should be added to that law.

The table below show the amount of investment by the private sector to tourism. Compare with 1993, 1994 saw an increase of seven times because of economic growth and enactment of the law.

Table 8.5 Tourism Projects by Private Sectors

Years	N. of Project	Amount
1990	3	1.4
1991	3	8.3
1992	8	7.8
1993	4	12.8
1994	22	90.4

Source : IPAT (Unit: Million)

According to IPAT statistics, 22 projects have been raised by the private sector in 1994. 54 tourism projects were put forwarded the end of June in 1995. Among them 42 projects, have been or will be approved by the incentive law, and the amount of investment will be b/. 118.8 millions altogether. This includes 27 hotel projects and 38 projects in the Metropolitan area.

It is most important to attract investment to developing projects. The investment promotion flow chart follows:

After a detailed plan is fixed, investment promotion activities must be started without delay. IPAT should obtain preliminary information about investors, then dispatch promotional caravans to the targeted countries and hold presentations and seminars with descriptive booklets on the projects.

The United States of America, Canada, Mexico, Spain, Germany, England, France, Italy, Japan, Korea and Hong Kong etc. should be targeted for inviting investment. It is more effective to set up presentations and investment seminars in the respective countries in cooperation with their investment promotion organizations such as OPIC in USA, ICO in Spain, DEG in Germany, IMI in Italy and JOI in Japan.

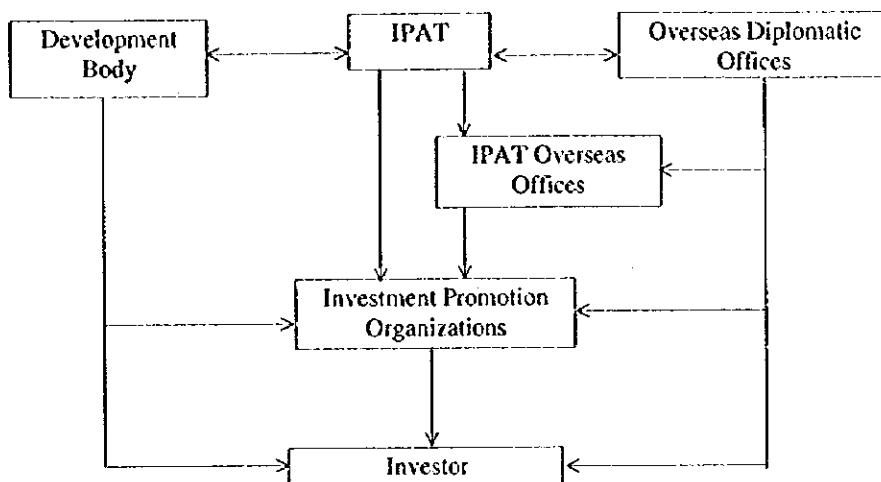


Figure 8.2. Investment Promotion Flowchart

Advertising in the newspapers and collecting information about investors through direct mail to hoteliers and other enterprises related to tourism are also useful for this purpose.

The overseas offices of IPAT must have the role of promoting investment. It is also necessary to educate Panamanian diplomats about getting information about investors. This information should be presented to the development body (TDC), which can follow it up and realize development contracts. For this purpose, they must have experts in evaluation of the hotel business.

It is also necessary to hold presentations for domestic investors. Investment procedures should be simplified as much as possible.

8.9 Maintaining of the quality of Panamanian tourism

Tourism is an industry that thrives on peace and security. Many countries have experienced decreasing inflows of tourists because of disorder. About two hundred tourist police have been stationed for the security of metropolitan tourist areas. Security in Panama seems have improved as a result. IPAT should maintain these systems.

Equally, the quality of products for tourists is important for the purpose of promotion, so IPAT should give this matter careful consideration. There is keen competition with the Caribbean and Mexico. In order to make improvements, IPAT and other related organizations should pay attention to the opinions and complaints of tourists.

Employees education must be provided continuously. Having experience of excellent services will be useful to them for this purpose.

The Flower and Green City Plan will contribute to forming the first impression of tourists.

9. Tourism Institutional Development Plan

9. Institutional Development Plan

9.1 Present Tourism Policy

In 1993 the Panamanian Government drafted a Master Plan for Tourism Development (Plan Maestro de Desarrollo Turístico -- P/M-Instituto Panameño de Turismo [IPAT]/OEA) in cooperation with the Organization of American States (Organización de los Estados Americanos [OEA]). Since then the Government has identified inadequacies in Panama's general preparedness for tourism promotion and made proposals regarding directions and policies to improve conditions over a ten-year target period ending in the year 2002. The Government of Panama itself is now working to implement the policies proposed by P/M-IPAT/OEA .

9.1.1 Policies

Previously, a policy tourism was apparently nonexistent in Panama. Normally, the state drafts long-term development plans in which the basic motivations, aims, and measures of development are spelled out for each specific area and based on this, development concepts and plans are established for each area. (See Figure 9.1.)

Panama, however, lacks item (2), a long-term national development plan and concepts. In addition, with regard specifically to the field of tourism, it also lacks item (3), basic laws for specific areas. Hence, it is not possible to identify a clear Panamanian policy on tourism. Presently, organizations to carry out specific policies and a few individual systems and measures are operating in the absence of an integrated plan. It is hoped, therefore, that the Panamanian Government will formulate a long-term plan for the country's national economic development.

9.1.2 Legal System

From our study of the laws and legal system of Panama in the area of tourism, we know that the highest law in Panama is the Constitution, in which Title 10, Article 278, Paragraph 4, cites commerce, agriculture, livestock raising, and tourism as the main pillars of the national economy. The next highest law is that establishing the Instituto Panameño de Turismo (IPAT), Decreto Ley No. 22 of September 15, 1960, which also defines IPAT's functions as one of the country's "instituciones descentralizadas." IPAT's administrative duties are defined by the specific scope of jurisdiction set forth by 19 items in Article 2 of the said Decreto Ley No. 22. Other laws contain provisions concerning a hotel tax, the classification of public facilities, and systems and measures for special tourism zones. What should be pointed out here is that there is no legislation upon which IPAT's administrative functions can be based, nor are there any higher laws to which the twenty individual laws, orders, and ordinances conform. Legislation is needed to express the nation's intent to promote and develop tourism, namely by stating clearly the need for, the aims of, and the measures related to tourism's promotion and development: in short, laws to show basic directions. The above points have been raised in the P/M-IPAT/OEA also.

It is praiseworthy that of the twenty types of systems and measures mentioned above, legislation related to tax incentives to encourage investment has been consolidated on the basis of improvements proposed in the P/M-IPAT/OEA Chapter 34 (1) and (2), and has been

enacted as the Tourism Industry Promotion Law (No. 8 of June 14, 1994): "Why Tourism Activities Are To Be Promoted in the Republic of Panama."

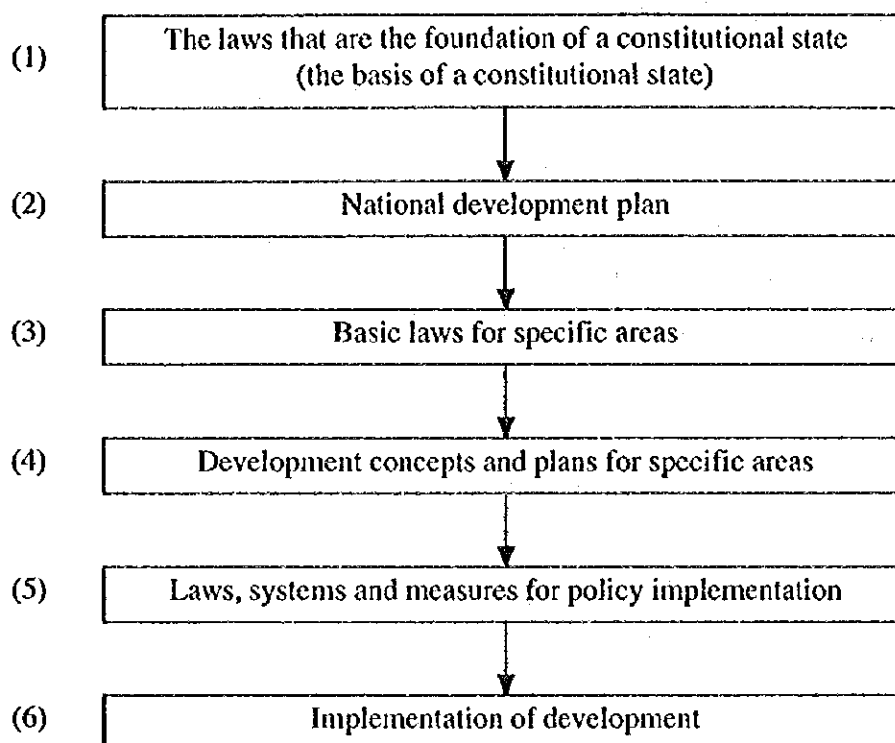


Figure 9.1. Correlation between laws and development plans

9.1.3 Administrative Organizations

Administration related to tourism in Panama is carried out by the IPAT, which was established (by Decreto Ley No.22, as described in 9.1.2) as one of the "decentralized administrative institutions" spun off from the Ministry of Commerce and Industry; that decree has been amended several times, reaching its present institutional form in May 1994 (Figure 9.2(1)). Since then, efforts have been made to improve IPAT's organization by making it more responsive in fields related to promotion of tourism, investment, and tourism consciousness as proposed in the P/M-IPAT/OEA, especially in Chapters 31, 32, and 33. In September 1994, with the inauguration of a new president, Dr. Ernesto Perez Balladares, and under the leadership of a new IPAT director, IPAT launched its new organization (Figure 9.3). (Confirmation-in January 1995.).

Major changes in the new organization are as follows:

- Establishment of a new Technical Directorate of the Master Plan (Dirección Técnica del Plan Maestro)
- Stress on compatibility with the entire Master Plan
- Establishment of a new Public Relations section (Relaciones Públicas)
- Stress on stimulating national interest in tourism
- Establishment of a new Marketing Directorate (Dirección de Mercadeo)
- Stepped up overseas publicity efforts to promote Panamanian tourism

- The previous organization, the Directorate of Tourism Promotion (Dirección de Fomento Turístico), is in charge of improving the domestic reception structures for tourists coming to Panama.

Improvement of ATLAPA (Conference Center): Creation of a financially independent system
 There is still no office specifically in charge of active development of tourism, however. A study should be undertaken to prepare the establishment of such an office in order to promote development actively from a long-term perspective and to define and identify promoters.

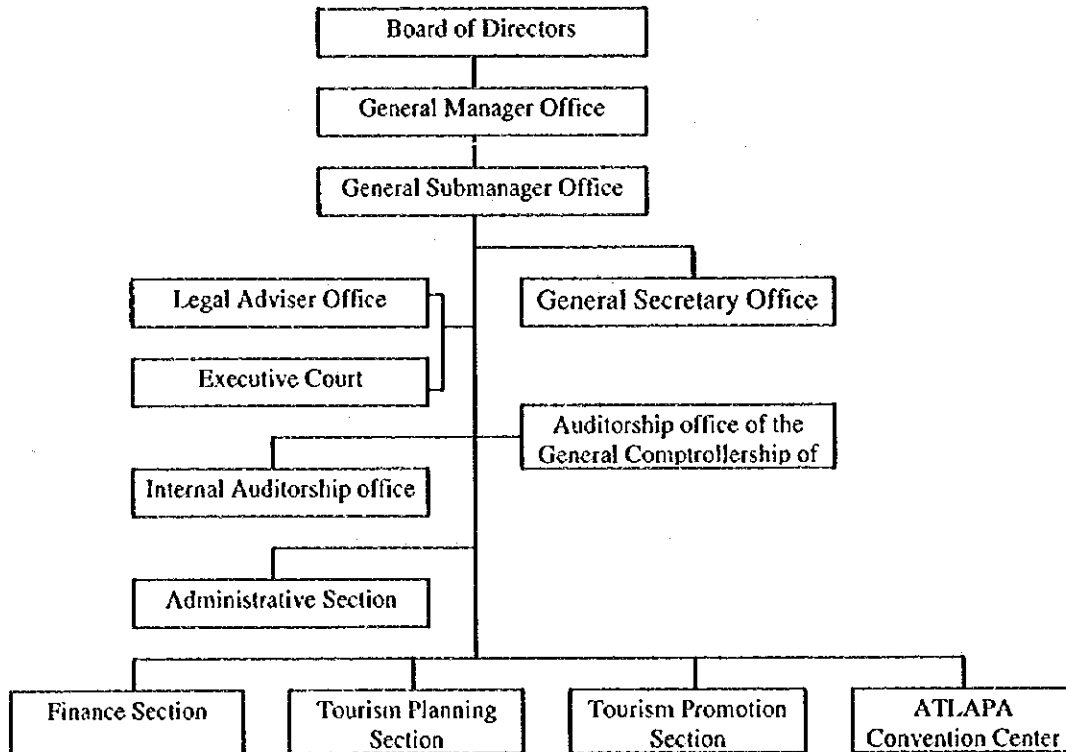


Figure 9.2 Panamanian Institute of Tourism, General Organization

Promotion of tourism clearly requires action by the nation as a whole. As we explain later, in 9.2. it is people who engage in tourism and it is also people who serve tourists. It is clear that foreign tourists' impressions of Panama depend greatly on the quality of their relationships with the people involved. Judging from studies at the present stage, these interpersonal relationships do not appear to be very good. Observation of officials' and service workers' attitudes toward tourists and customers (when visitors go through customs and immigration at the airport and when they are served in hotels or use taxis, for example) indicates that on-the-job training, as well as training and education at vocational schools could lead to direct improvements. Such training could also be assisted indirectly by raising the social standing of those who engage in this work: by fostering a greater awareness of tourism among citizens, employers running tourism businesses, tourism administration staff, and administrative officials. Fostering a greater awareness of tourism is very closely tied to other issues: prevention of political conflict, visitors' safety, and the nation's overall hospitality. It also greatly influences investment activities related to tourism. Both training and supplying staff to investments and the ability to supply personnel are factors that promote investment and are important requirements for promoting further development and related investment.

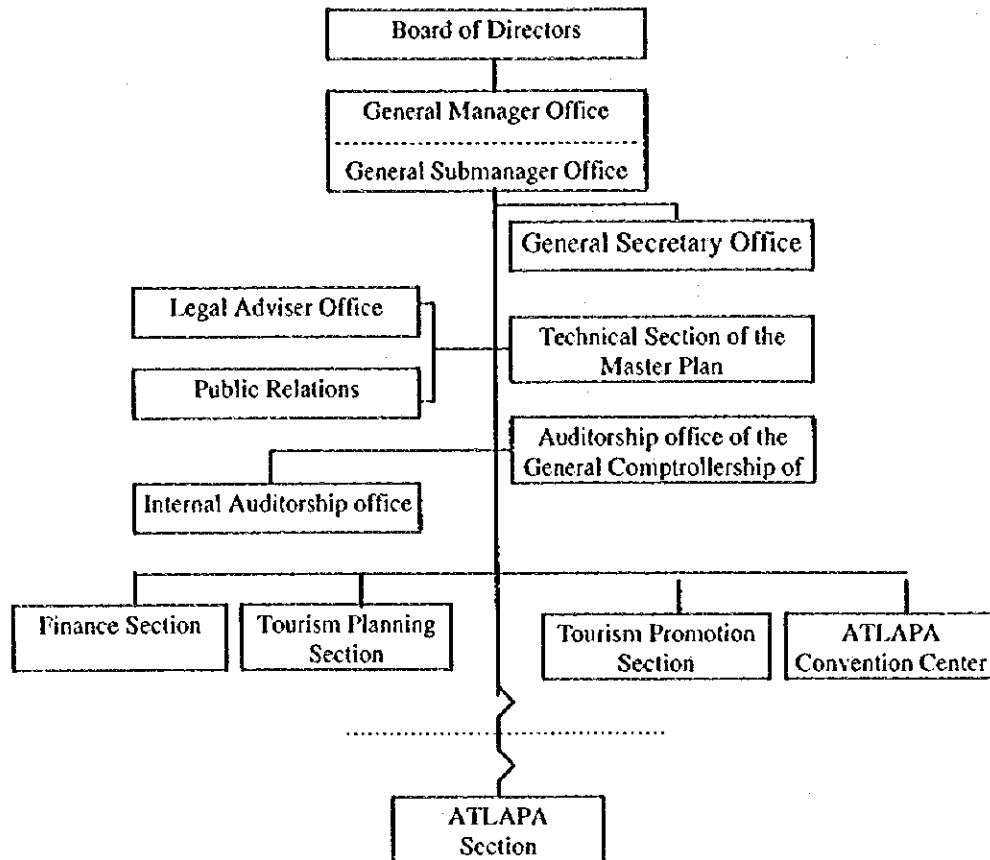


Figure 9.3 Panamanian Institute of Tourism, Proposed Structural Organization

9.1.4 Stimulation of Awareness of Tourism and the Education and Training of Personnel

IPAT is now carrying out activities designed to foster a greater awareness of tourism in Panama. These activities target school children and their parents when they visit the ATLAPA Conference Center and on other occasions, but their scope should be systematically broadened and concretely enhanced. The following organizations offer programs in the area of education and training in the field of tourism.

Higher education:

- Universidad Santa Maria La Antigua, Licenciatura en administración de empresas turísticas
- Universidad Latinoamericana de Ciencia y Tecnología, Licenciatura en administración de empresas y hotelería
- Universidad Interamericana de Educación a Distancia, Licenciatura en administración de empresas hoteleras y turísticas

Higher technical schools

- Instituto Superior de Turismo
- Instituto Interamericano de Turismo y Hotelería

Basic vocational education

- Escuela Internacional de Nuevas Profesiones
- Instituto Nacional de Formación Profesional

Other institutions

- Instituto Fleming, Edecán en protocolo y turismo

These institutions are mentioned in the P/M-IPAT/OEA, Chapter 35, with reference to the content of the training and trends related to educational and training institutions, where a national strategy and guidelines are suggested for staff training and an action program. IPAT should attempt to harmonize private-sector needs with the administrative agencies that oversee education, and to train and recruit personnel in accordance with the development program proposed by the survey mission. An order of priorities is to be put forth based on consideration of 9.3.3 and 9.3.4. The shortage of personnel is currently especially acute in the basic technology department. Accordingly, expansion of INAFORP and other facilities and personnel training must begin immediately.

9.1.5 Investment in Tourism

Investment in Panama's tourism industry has begun to become active around the canal zone, which is scheduled to be returned to Panama by the United States in 1999. Plans are being made for tourism development of the Amador district in Panama City, and talks on private sector investment are beginning to take shape. At the time of the study in preparation for private-sector-side hearings (the hotel association, etc.), Law No.8 (the Tourism Industry Promotion Law) was drafted, and it attracted great hopes from the private sector. This law's enactment and enforcement is expected to stimulate private investment.

The following points must be kept in mind, however:

- Even if a system of investment incentives is implemented, conditions must be modified to facilitate the supply of funds by investors. A company's funds on hand are usually insufficient, especially when it is attempting to promote major progress in development, and the shortfall must be made up by development fund loans or subsidies.
- The canal zone due to be returned is property of the State, and given that it is national policy to promote tourism, the use of areas suitable for tourism is subject to the approval of the administrative agency in charge of tourism or to direct decision of the President. The same is true of all State-owned land. The sale of or cession of long-term rights to use State property is temporary State revenue and does not lead to stable annual income. Instead, the value of this State land could be enhanced before it is leased to the private sector; this would be preferable because it would lead to stable annual income. Despite Resolution No. 46 of February 19, 1992, the agencies responsible for managing state land are selling land off in an uncoordinated way, perhaps because they did not receive a request for cooperation from IPAT. Based on Resolution No.46, IPAT must actively urge other administrative agencies to use land appropriate for tourism for that specific purpose. Administrative agencies and officials should be able to engage in dialogue with IPAT provided that they recognize tourism as a national policy. That this is not the case is due to the lack of an expressed desire by the State to promote and develop tourism, and the lack of a basic law on tourism that is binding on all administrative agencies.

- The disposal of state land suitable for tourism by the administrative agencies that now control it without a clear national objective would make it impossible to fully use the tourism resources surrounding that land, prevent tourism's potential benefits to society from being exploited, and render inaccessible tourist destinations that should be left open to ordinary citizens. This, in turn, could lead to random and disorderly development.

9.2 Tourism Structure

In this section, based on the assumption that it is Panama's national policy to promote tourism, we list the items that the country's legislators and administrators should fundamentally recognize. It is important that administrative agencies and their officials, in particular, understand these items. At the same time, it is important that these items are understood by the private sector as well.

9.2.1 Structures of Tourism

In order to establish tourism, there must be both people who want to visit a country and people who want their country (or a part of it) to be visited. Countries that want to promote tourism or want to receive tourists must first make known their desire to promote tourism as a nation and then strive to satisfy the following requirements, or at least attain acceptable levels with respect to them (see Figure 9.3).

- (1) The country must be stable, the society safe and hospitable.
- (2) Employees of the tourism industry must be able to offer adequate services.
- (3) Means of transportation to tourism sites must be available.
- (4) Accommodation and other tourist facilities must be available.
- (5) Tourism resources and other motivations to travel to the country must exist.

Tourism travel is almost impossible if even one of these five conditions is not met. Travelers to a country must also have a feeling of satisfaction that a balance exists among these five conditions and that the degree of satisfaction is commensurate with the costs of traveling to the site. Accordingly,

- (6) Travel costs must be appropriate.

Because travelers make their plans based on some type of information and motivation, adequate information must be provided via tourism promotion activities. In other words:

- (7) Tourism information must be provided.

Travel to a place about which basic information is unavailable cannot be called tourism.

9.2.2 What Tourists Seek

What tourists seek is accommodation of the requirements set forth in paragraph 9.2.1; the response of the receiving side should entail the following types of action:

TOURISM STRUCTURE AND THE ROLE OF THE PUBLIC AND PRIVATE SECTOR

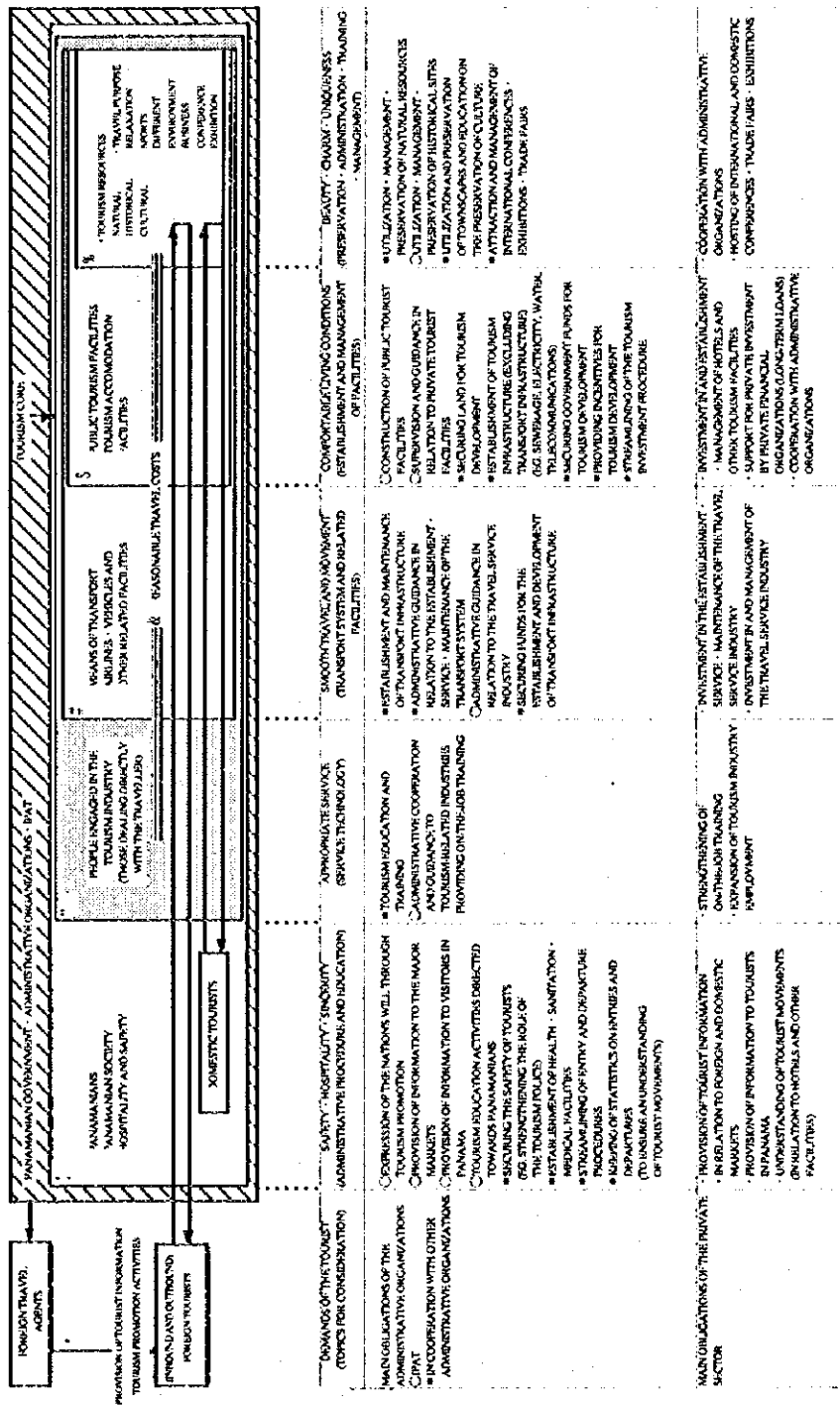


Figure 9.4 Tourism Structure and the Role of the Public and Private Sector

What the traveler wants	What the tourist service provider must offer
(1) Safety, courtesy, hospitality	Simplification of immigration and emigration procedures, stimulation of popular awareness of tourism, training of personnel
(2) Adequate services	Improvement of customer relations techniques
(3) Good transportation	Improvement of transportation infrastructure and facilities
(4) Pleasant accommodations and surroundings	Improvement of tourism-related facilities
(5) Beauty, fun, etc.	Conservation, management, cultivation, and operation of resources
(6) Reasonable travel costs	Assurance of reasonable prices
(7) Accurate basic information	Production of accurate advertising tools and implementation of advertising campaigns

9.2.3 The Role of Administration

Figure 9.3 classifies and lists the responsibilities that are incumbent mainly on national administrative agencies. The issues that a tourist service provider confronts and the items that administrative agencies must address, listed in the previous paragraph 9.2.2, include items that are IPAT's responsibility and items that require coordination and collaboration between IPAT and other administrative agencies. According to this, IPAT is clearly responsible for a variety of items. Many others must be dealt with in conjunction with those that fall under the jurisdiction of other administrative agencies. IPAT will be called on in the future to perform especially remarkable feats of coordination when carrying out active tourism promotion and development activities. As the administrative agency responsible for tourism, IPAT must deal with the following areas:

- Conservation, protection, and cultivation of tourism resources (including the natural environment),
- Construction of tourist facilities and related social infrastructure
- Construction of transportation and related social infrastructure
- Education and vocational training related to tourism
- Ensuring the safety of tourists, controlling immigration and emigration, and providing health care and sanitation
- Supervision over the tourist industry and investment in tourism
- Providing information about tourism to potential overseas tourists

For IPAT to promote the administration of tourism in all of these fields, the following items must be addressed:

- Legislation must be drafted that IPAT should conform to in its administrative activities and that expresses Panama's desire to promote tourism (including tourism's significance, goals, and measures) in a manner compatible with regulations in other related fields.
- It must envisage and undertake reform if necessary -- transforming itself from a peripheral administrative agency into a ministry, for example -- in order to carry out its coordinating functions.

9.2.4 The Role of the Private Sector

Promotion of tourism clearly cannot be accomplished solely through administrative efforts: it requires the dynamism of private sector enterprises in the tourist industry. Therefore, in the determination of tourism goals and policies administrators must take the views of the private sector into account and make decisions in consultation with the private sector. A Tourism Promotion Association or similar consultative organ could be set up, for example. The private sector must actively take part, voice its opinions, and seek to reach a consensus with the government.

On the basis of policies drawn up through such consensus, the active investment activities described below and the following items can be organized as in Figure 9.3 classifying responsibilities that are incumbent mainly on the private sector.

- Improvements and investment in tourist facilities other than public facilities (infrastructure).
- Improvements and investment in the tourist industry other than facilities (infrastructure).
- On-the-job training of tourist industry workers and customization of individual facilities
- Active organization of and participation in tourism "events" (campaigns)
- Cooperation with tourism administration toward consensus building;
- Provision of information to travelers and identification of individual enterprises' distinctive characteristics

Our impressions thus far, judging from interview questionnaire surveys of private sector institutions, is that coordination has not been established between government and the private sector.

9.2.5 Requirements for Investment in the Tourist Industry

Private sector investment, especially in hotel facilities, is necessary for promotion and development of tourism. The following principles governing investment ensure adequate private sector investment. They are premised on the existence of a social environment that meets all these requirements.

- Profits must be foreseeable.
- Invested capital must be securely protected.
- Repatriation of earnings must be allowed.
- Businesses must be able to operate freely.
- Businesses must be free to discontinue their operations.
- Hireable staff must be easily available.

It is important for the government also to create a favorable environment for investment and desirable that the following points especially be kept in mind:

- Adopt incentive measures regarding investment-related imports, taxation, and hiring. (This has already been incorporated into Law No.8 of June 14, 1994.)
- Provide low-interest, long-term financing to facilitate the funding (excluding funds on hand) needed for the investment.
- Allow ownership of or the right to use real estate for as long as deemed necessary.
- Build the social infrastructure needed to build facilities for tourists, because the investment risks for private enterprises are too great if they must also assume the costs of building peripheral infrastructure, since the payback on investments in hotels and other accommodations is very long.
- Prepare sites with investment potential.

9.2.6 The economic effects accompanying tourism

To promote and develop tourism, it is necessary; to foster citizens' awareness of tourism; raise tourist industry business owners' and workers' social status, and help sustain their pride in their work; and stimulate domestic and foreign capital's will to invest and expand investments in tourism-related industries by establishing domestic legislation and related systems, upgrading the administrative capabilities of agencies in charge of tourism, and seeking cooperation between the government and the private sector. The effects of these efforts can be further heightened by fostering a recognition of the social and economic impact of tourism among not only people engaged in tourism but all other citizens as well. If officials and members of the business community who lead the promotion and expansion of tourism in Panama, at least at the present time, come to understand the structure of tourism and the roles of the government and the private sector, and act based on their recognition of even the basic concepts behind tourism's social and economic effects, this could give them an added stimulus and incentive to pursue promotion and development of Panama's tourism.

To describe the economic effects of tourism, we have cited some analogous examples of tourism in Japan's Okinawa Prefecture in the late 1980s to illustrate the possible effects of this report's scenario based on almost 2 million foreign visitors to Panama in the year 2010. The examples are drawn from a report on the economic impact of tourism revenues carried out by Rikkyo University Sociology Professor Yoshitaka Mizoo and commissioned by the Okinawa Bureau of Tourism and Culture. (The report does not include data for Okinawans traveling in Okinawa.)

According to Prof. Mizoo's report, tourism has the following economic and social effects:

- (1) Economic effects
 - Investment effects and consumption effects
 - Raw material ripple effects
 - Income effects
 - Employment effects
 - Foreign currency earning effects (from foreign visitors)
- (2) Characteristics of the economic effects of tourism
 - Affect many types of businesses
 - Have major internal impact on the region itself
 - Are dependent on other industries
 - Have major impact on employment

(3) Social effects

- Contributes to the fame of the region and the nation overseas
- Stimulates exchange with other regions and nations

The combined primary and secondary multiplier effects of ¥194,300,000,000 in sales to tourists (taking the above-mentioned economic and social effects into account) amount to ¥342,700,000,000. The effects on employment total 34,011 jobs (19,253 primary, 14,458 secondary multiplier effects).

Assuming that sales to tourists entering the region are 100 (Factor A); the resulting primary multiplier effect on sales of raw materials is assumed to range between 60 and 70; the primary multiplier effects on business and personal income are assumed to range between 30 and 40.

After subtracting the effect on locations outside the region (and outside the national economy) of the primary raw material multiplier effects, the remaining impact on the region (and country) ranges between 45 and 50 and affects industries in the region. Add to this the secondary and subsequent raw material multiplier effects of 45 to 55, and the combined multiplied effects range from 90 to 105.

The primary income multiplier effect ranging from 30 to 40 affects regional industries through household spending and corporate reinvestment; this generates secondary and subsequent multiplier effects on income ranging from 40 to 50, for a combined total ranging from 70 to 90. The combined raw material and income multiplier effects can be expected to range between 160 and 195. If we assume that the raw materials effects are confined to the region and that the bulk of the raw materials are likewise procured within the region, the economic multiplier effects may turn out to be even larger, ranging from 200 to 210 or more.

As for the effects on employment (Factor B), if we assume that employment by hotels and other accommodation facilities is 100, employment by transportation and other tourism-related industries will be 155 and the primary multiplier effects on employment 255. The secondary and subsequent multiplier effects on employment generated by the primary multiplier effects on raw materials sales and on income will be 195, which, combined with the primary effects on employment, may reach 450.

9.3 Way to Tourism Promotion

Preceding sections have dealt with "Tourism Policy and the Present Situation" and "Tourism Structures and the Role of the Government and Private Sector" in Panama. They have specified problems with the legal system and organizational problems, and touched on the economic and social effects of tourism.

Of importance here for the tourism industry is not that Panama should generate a sharp increase in the number of tourists. Rather, it is of critical importance that Panama should maintain the number of tourists currently visiting different parts of the country -- particularly overseas tourists -- and work toward a gradual increase in their total. A temporary increase in the number of tourists would impose inefficient costs on the tourism industry as it tried to respond to this increase. This effort would involve excessive risk from the standpoint of tourism's economic ripple effects.

Therefore, if the Republic of Panama now designates tourism as an important national industry for its future, we propose the provision and implementation of the following basic items to promote it. Our proposal will maintain at least the current level of domestic and international tourists while generating a steady increase in their numbers. It will also be an indispensable element of the basis of a plan for the rapid expansion of Panamanian tourism in the near future.

9.3.1 The Enactment of a Tourism Law

As a state government by the rule of law, if Panama is to attempt to promote international tourism in order to receive tourists in greater numbers and to enable the Panamanian people to make positive gains from tourism, it must state so clearly, by declaring tourism promotion to be a national policy. It also must enact a Tourism Law (provisional name) as a government policy to increase the citizens' awareness of tourism. This law would specify basic elements related to tourism. The content of this law should be presented according to the following categories.

(1) Preamble

This section will state the reasons and the background for enacting a law for the political effects gained by Panama through its awareness and promotion of international tourism as a nation.

The following items are being considered for the content of the law:

Political Effects	Effects Generated by International Tourism and Their Characteristics
- Stabilizing the lives of Panamanians.	Increased income and the generation of employment through tourism
- Promoting mutual understanding in international society (world peace)	Interaction with international tourists
- Improving the international balance of payments	Obtaining foreign currency through international tourism
- Promoting regional development (Ameliorating differences in income levels)	The characteristics of tourism (Territoriality)
- Harmonization of Panamanian citizens (Peaceful co-existence of different races)	Equalization of income through tourism
- Improving the status of women in society	Expanding work opportunities for women through souvenir sales, and other tourist-related industries
- Other political effects for the state likely to be promoted by the social and economic effects accompanying international tourism	

(2) Policy Objectives

This section will clearly establish the will and identify the objectives for the promotion of international tourism as a nation. These objectives will include the following elements that can be expected from the political, social, and economic effects of international tourism as noted in the preamble:

- Promoting international tourism
- Expanding citizens' travel for the purpose of tourism
- Cultivating higher, more congenial levels of mutual understanding and friendship in international society
- Improving harmony among the citizens and providing improved stability to their daily lives
- Improving the international balance of payments, and developing the national economy
- Minimizing regional disparities to the greatest extent possible

(3) Policy as a Nation

To achieve these objectives, the law must denote those measures that should be taken by national and local governments to clearly shape the policies formulated by the state. The following items will be included in the content of these measures:

1) National Policy

- Promoting visits by international tourists
- Promoting travel by Panamanian citizens for their health and recreation
- Improving the service given to both foreigners and domestic travelers
- Insuring the safety of travel for tourism
- Providing convenient, easy methods of transportation for tourists
- Preserving and fostering tourism resources, and maintaining scenic areas
- Creating internationally-recognized tourist destinations
- Promoting the expansion of tourism to outlying areas, etc.

2) Local Government Policy

It will be clearly stated that local governmental bodies will cooperate with national policies.

3) Measures to be Taken by the Government

This section will identify those measures that should be taken by the government to implement the policies identified in [1]. The fields for the measures to be taken are as follows:

- The legal system
- Public finance and taxation
- Finance

4) Steps to be Taken by the Government

It will be mandatory for the government to hold hearings of the provisionally-named Tourism Council (to be described later) at the beginning of every fiscal year to allow opinions to be heard on specific measures and policies to be implemented for the promotion of international tourism. After these opinions are reconciled, the government shall present them to Parliament. It also shall be mandatory for the government to report after each fiscal year the policies and

measures implemented, and their results. The reports shall be thoroughly examined, and used to create effective policies for future adoption.

(4) Identifying Specific Policies

The preceding has addressed generalities. It is also necessary to identify all the specific items related to each of the aforementioned policies that are needed for promoting international tourism as a nation. For example, for "Promoting visits by international tourists", it is necessary to:

- Strengthen overseas advertising,
- Improve immigration and emigration procedures,
- Provide an international transportation system network and facilities.
-

(5) Establishing Public and Private Organizations for Tourism

On a national level, the central administrative agencies should cooperate among themselves and with the central and regional governments to implement the policies identified for promoting tourism. It should be clearly stated that organizations for the administration of tourism will be established and equipped. These organizations must cooperate with private-sector tourist organizations and give consideration to their opinions. Further, it will provide support enabling them to promote international tourism.

(6) Tourism Council

It will be extremely difficult to promote international tourism without the cooperation of the private sector. Therefore, it will be necessary to fully incorporate private sector opinions into specific policies. To accomplish this, the following must be done:

- Establish a council within the administrative organization that oversees tourism
- Provide the council with a structure and functions

When establishing this council, its structure and functions should allow it to coordinate a relationship with the presidential advisory committee described in the president's inaugural address of September 1994, "Políticas Públicas para El Desarrollo Integral: Desarrollo Social Con Eficiencia Económica IV: Políticas Económicas y Sociales, Política Microeconómica 3".

One method for selecting the members of this council shall be nomination by the president on the recommendation of the person heading the administrative organization that oversees tourism, from among those people in the private sector with scholarship and experience.

The proposal envisioned for the structure of the functions of this council is as follows:

If this Tourism Council is created as an advisory committee directly accountable to the president, one plan would be to maintain complete contact with the administrative body controlling tourism by including the Council in the article establishing it.

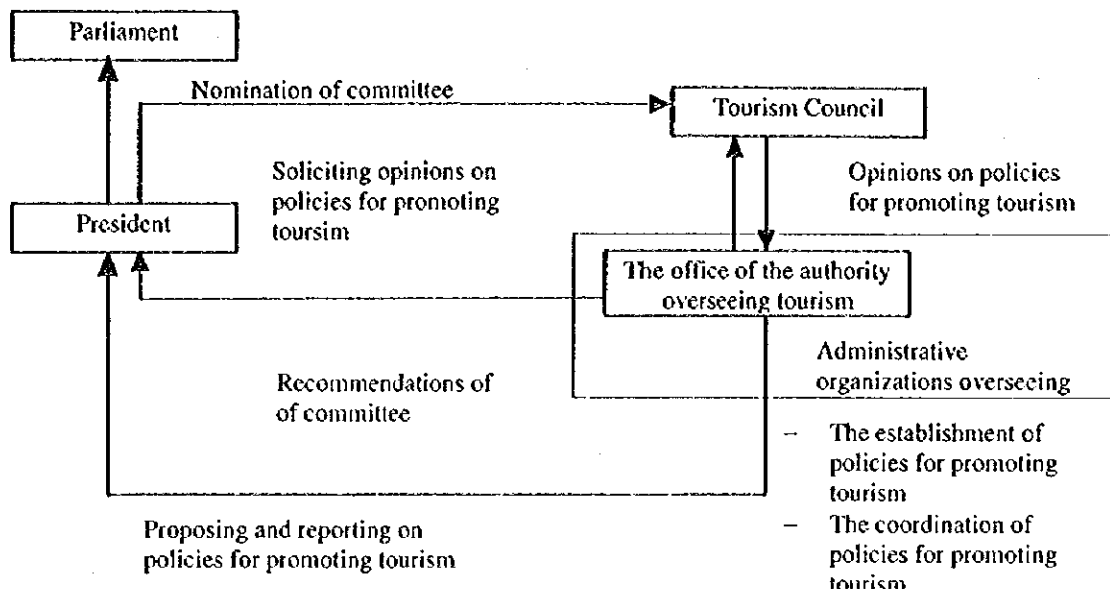


Fig. 9.5 Organization and Function Charts of the Tourism Council (Provisional Name)

In case of choosing an alternative to raise the general manager of IPAT to the rank of Minister as is mentioned in 9.3.2(1), it is necessary to insert a clause in the Tourism Law reading “the person heading the administrative organization that oversees tourism shall have the status of Minister”.

9.3.2 Enhancing the Tourism Administrative Function

It will be important to establish and operate an administrative organization suitable for enforcing the provisionally-named Tourism Law. The following considerations would be required for establishing and improving a tourism administration organization from the standpoint of tourism industry characteristics.

(1) Items Related to the Administrative Organization as a Whole

1) To integrate and coordinate the will of the people:

A Tourism Council will be established. As previously described in 9.3.1 (6), a tourism promotional policy will be established that fully incorporates private-sector opinions.

2) To enhance the coordination function:

IPAT will be elevated to a cabinet level agency. The promotion and development of tourism will mean a deeper involvement with the oversight of programs run by other government agencies and generate more issues that need to be reconciled. The elevation of IPAT, an autonomous administrative agency, to the level of cabinet department would enable it to deal with other departments on an equal basis and facilitate the coordination process.

The department would thus be able to express itself at cabinet meetings. Further, it would consolidate its function of opinion taking and strengthen the cooperative relationship among cabinet departments under presidential approval. It also would give greater force to its decisions. The organizational chart described above is as noted in Figure 9.6.

However, depending on the situation it may choose an alternative to raise the general manager of IPAT to the rank of Minister, attending the Cabinet Council.

(2) Items Related to Individual Organizations

If IPAT is to be elevated to a Department of Tourism, in recognition of those functions that IPAT must currently supplement, we propose the strengthening and reinforcement of related divisions in the current organization.

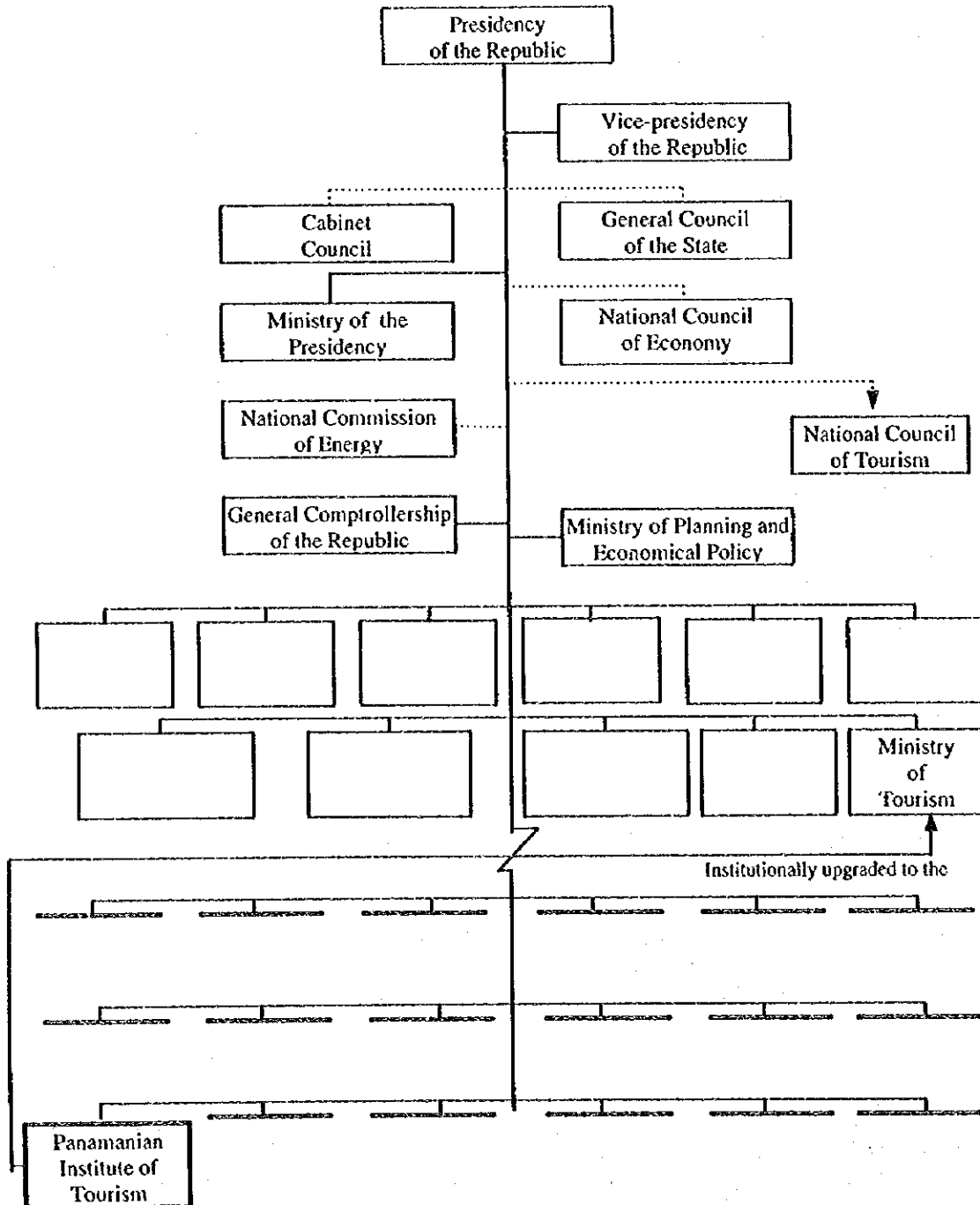


Figure 9.6 Proposed Organization

1) To enhance the public image of tourism:

Several officers whose duties would be to improve public awareness of tourism will be assigned either to Relaciones Públicas or to a division suitable for conducting these activities.

2) To reach an agreement among all the administrative organizations for promoting and developing tourism:

A liaison and coordinating council for each department will be established in the Dirección Técnica del Plan Maestro, the Dirección de Planificación, or a division that oversees all the functions for promoting or developing tourism.

3) To promote tourism investment:

An official responsible for each investment will be assigned to the Departamento de Evaluación y Ejecución or a division suitable for promoting investment. This official shall consistently follow up each specific investment plan, the implementation procedures, and the tax incentive benefits following the investment.

4) To carry out new tourism development:

Either a Departamento for the development of sites and new tourist resort areas will be established as a part of the Dirección de Planificación, or a separate Dirección will be established for that purpose. It will make and implement preparations for the legal groundwork for development, land acquisition, and the management and oversight of development of a public corporation, as described in 9.4.

9.3.3 Engendering and Fostering an Awareness of Tourism

To promote and develop tourism in Panama, important issues for the government will include, as discussed before, fostering Panamanian hospitality, improving the social standing of the people employed in the Panamanian tourist industry, promoting people's understanding of the social and economic effects of tourism, and promoting awareness of the importance of investments in tourism. This is also as noted in the P/M-IPAT/OEA Chapters 31.5.8 and 33.

Government ministers, public employees, public corporations, influential people, the general public, and people and groups engaged in public and private tourist businesses will be the subject of efforts to promote awareness of tourism via the P/M-IPAT/OEA, which describes the means and methods for engendering this awareness in each group. It is recommended that the following in particular be the subjects of activities for promoting awareness and that they should begin at once.

1) People Employed in Government

Public employees and local government officials engaged in administrative duties can generate greater effects for coordination and integration through a common awareness of the nature of tourism, namely that it is a general goods and services industry. Particular priority should be given to training those people who come in direct contact with tourists, such as public employees working in customs and immigration, and the tourist police, who are responsible for tourists' safety. Public employees involved with the administration of tourism naturally must share this awareness.

2) Operators of Businesses in the Tourist Industry and Leaders of Organizations

The operators of tourist businesses must, needless to say, improve services by striving to improve their techniques for serving tourists and to improve the quality of their products based on a thorough understanding of the significance of tourism for Panama. They must also make tourism more appealing through differentiation of individual businesses and diversification of services.

3) The Leaders of Economic Organizations

The leaders of economic organizations must be aware of the economic and social effects of tourism, and understand that tourism cannot be promoted unless private-sector investment is encouraged. Provided they realize this, however, we can expect operators to develop joint public/private cooperative arrangements and encourage private-sector investment.

4) Teachers at Tourism-Related Universities and Vocational Schools

The people who train those who will sustain the tourism industry in Panama in the near future should naturally carry out their instructional roles based on a full understanding of tourism's special requirements.

5) Teachers at the Elementary and Intermediate Levels

Because the promotion of tourism is one of Panama's national stated aims, educators of the people who will assume the responsibility for Panama's future should involve themselves in their educational roles based on a full understanding of tourism. This responsibility is particularly important with respect to the teachers of social studies, geography, history, and science at the elementary and intermediate levels.

This educational process will be important for instilling an awareness in Panamanian children of Panama's history: it is important that they know that their country is a wonderful country, one in which they can take pride, about which they can talk proudly with visitors, and one that knows how to welcome foreign guests. Three facets especially deserve mention:

- Respect for other races:

There are people of many different cultures in Panama, and this is an appealing tourism resource.

- The Panama Canal:

The canal is the culmination of several historical processes. It now links two oceans and two continents. It is a vital link in the global economy, offering dramatic scenic views, with ocean-going vessels set uniquely against mountain backdrops.

- Appreciation for nature:

Panama's geographic location provides it with many unspoiled natural areas and an abundant, beautiful, and unusual flora and fauna that many of the world's people are eager to see.

It is important to make Panama's children feel that the country they live in is a wonderful place, a country they can take pride in internationally, a country they can speak of with their heads held high, a country to which they can welcome overseas visitors.

9.3.4 Training Personnel Involved in Tourism

To foster training of personnel involved in tourism and meet the industry's requirements, the P/M-IPAT/OEA Chapter 35 have performed analyses of current conditions for tourism industry employment, made hiring forecasts until the year 2000, and evaluated current educational levels. This involves identifying areas that need improvement at all educational levels and indicating a national strategy and basic policy for personnel training.

The tourism industry needs business people, managers, middle managers, and technical staff at all levels to meet the needs of and to serve tourists. Another vital element is the acquisition of guest service techniques (except for specific sectors that do not feature direct contact with tourists, such as food preparation) as well as basic techniques by field through the training process.

The golden rules of customer service are to respond to tourists' requests i) with a smile, ii) exactly as requested, iii) promptly, iv) quietly, and v) with cleanliness.

Therefore, in the implementation of the P/M-IPAT/OEA proposals, it is urgent to increase the time spent on acquiring customer service techniques at all levels of tourism personnel instruction, regardless of differences in total time spent on this training and the fields involved, or to allot time for customer service technique acquisition if none is presently scheduled.

1) Higher education:

Establish on-the-job, practical training sites for each new specialty, including hotel administration, and incorporate them into the regular curriculum (two-four units).

2) Higher vocational training:

Incorporate customer service techniques into the curriculum for each technical field and course, combined with repeated on-site training.

3) Basic vocational training:

Conduct actual training in each technical field, stressing repeated practice in customer service techniques.

Because guidance in customer service techniques is most effective when provided by people with experience in that field, those with actual experience must be given positions as training center instructors and teachers at all educational levels.

Regarding the Basic Objects of the National Policy for Human Resource Development (P/M-IPAT/OEA35.5.2), it is particularly desirable that the construction of restaurant schools indicated in Action Plan No. 4 commence immediately.

9.3.5 Tourism Investment and Financing

As previously noted, the promotion of tourism necessitates tourist facilities, particularly accommodations and sightseeing and recreational facilities. Much will depend on private sector investment to improve facilities in this area. As already noted in 9.2.5, some requirements for private sector investment, namely investment-related employment, taxation,

and import incentives, are viewed as met in institutional terms by the existing "Ley No. 8 de 14 de junio de 1994--Por la cual se Promueven las Actividades Turísticas en la República de Panamá." Other measures, however, namely long-term financing to provide investment funds other than funds on hand, have not been taken. We therefore propose that measures be taken to enable investors to receive long-term, low-interest financing, including funds from private-sector financial institutions, to promote private-sector investment in the tourism industry.

One such measure is the establishment of a Fondo Fiduciario de Desarrollo (FFD), proposed in the new president's inaugural address under the heading "Políticas Públicas para el Desarrollo Integral: Desarrollo Social Con Eficiencia IV. Política de Reestructuración de las Empresas Públicas." Another would provide long-term (10-15 year) financing from private-sector financial institutions via FFD loan guarantees to investors in the tourist industry.

9.4 Way to Tourism Development

We can expect the number of tourists visiting Panama to remain steady and to rise gradually in the short term if the Panamanian government enacts a Tourism Law (provisional name) and begins to inform its citizens about tourism, to train personnel for jobs in tourism, and to lay the groundwork for investment by improving tourism administration. Private-sector investment in lodgings and other facilities can be increased to enable the industry to meet the needs generated by this gradual increase in the number of tourists.

If Panama decides to accelerate tourism promotion as a national policy and provide the infrastructure for tourism through increased public-sector investment, however, it will have to concurrently develop attractive tourist destinations. Private-sector investment and participation is indispensable for this.

Consequently, if the Panamanian government wishes to implement the development plan proposed in this report, it is vital to prepare and make available institutions, structures, and funds for development adapted to present conditions in Panama. These elements are shown in the following sections.

9.4.1 Enactment of a Tourism Development Promotion Law

The first step in the development of new tourist regions is the enactment of a Tourism Development Promotion Law (provisional name) in accordance with the terms of the previously described Tourism Law. This law must include the following:

- (1) Preamble: The background to and the reasons for the necessity of development in accordance with the terms of the Tourism Law.
- (2) Objectives: The development of new tourist regions
- (3) Measures:
 - [1] To designate development districts.
 - [2] To recognize the right of priority use of government-owned land in designated districts.
 - [3] To recognize the right of negotiation to acquire priority rights to private land or to use private land for these designated districts.
- (4) Establishment of a development council: The formation of consensus for development within the districts in question

- (5) Establishment of a development authority: The establishment of a public corporation to carry out development (established separately under the Law Establishing a Public Tourism Development Corporation)

Next, the Law Establishing a Public Tourism Development Corporation (provisional name) will be enacted based on the Tourism Development Promotion Law to establish a development authority. This law will cover the following:

- (1) Objectives of its establishment
- (2) Capitalization (including the government's contribution)
- (3) Form of the public corporation (stock, etc.)
- (4) Officers and board of directors of the corporation
- (5) Limitations on areas of operation
- (6) Relationship with the development council
- (7) Definition of its activities
- (8) Role after its activities are completed: changes in its activities

N.B.: The areas of operation are assumed to be limited to the central part of Panama: Portobelo, the Canal Zone, Rio Chame, Metropolitana, Las Perlas, etc.

9.4.2 Organization and Functions of the Development Authority

An organization appropriate for conducting development operations will be set up based on the law establishing the development authority (public development corporation) noted in the previous section. It will conduct these operations based on the Tourism Development Promotion Law. This public development corporation's functions will be broadly divided into construction and post-construction investment recouping and loan repayment.

The structure of the public development corporation and the administrative organization providing management and oversight, as well as their functions, are as noted in Figure 9.7. This also describes the structure and the functions of the public development corporation after its development projects are completed.

The operations of the public development corporation will include procuring land for development districts and laying the groundwork for facilitating private-sector investment in that land by making loans to private-sector investors.

Because direct investment and operation of hotels and other facilities by the public development corporation, the administration of facilities under contract with private sector firms, participation in joint ventures with the private sector, and making loans and loan guarantees to the private sector will all be determined by capabilities, funds, and personnel, these issues should be examined separately.

In the course of planning and implementing projects, the public development corporation will set up within the tourism development council separate district subcommittees for Portobelo, Gamboa-Summit, and Rio Chame, as well as in other districts not noted in this report as necessary, in order to promote a consensus with and among district administrations at the city, town, or village level and with residents.

9.4.3 Procurement of Development Funds

When the Panamanian government establishes the Law Establishing a Public Tourism Development Corporation (provisional name) based on the Tourism Development Promotion Law, it must at the same time either establish a fund or provide the capital needed to establish a public development corporation and the funds needed to carry out development activities. The sums involved will vary depending on the type of project involved and the degree of involvement (e.g., granting credit for loans to the private sector).

In this section, we will examine three different cases of development in other countries. They were selected in terms of the requirements of land preparation for development by a public development corporation and construction of the types of buildings (excluding facilities for lodging) that will be operated under contract with private-sector firms and of facilities and buildings (public buildings, museums, etc.) that will be operated directly by the public development corporation.

Case A: México

Self-financing (fund): 58%

Funds borrowed: 32% (74% domestic, 26% overseas)

Supplemental government financing: 10%

This case was described in *La Modernización de Mexico a Través Turismo: Evolución de FONATUR, Diciembre 1988-Agosto 1994*. Given the need to recoup funds invested, the self-financing ratio was slightly higher in the initial stages of development; with supplemental government financing added, the government's share of funding is estimated to have accounted for 70% to 80% of total project funds. The ratio of borrowed funds is believed to have been 20% to 30%.

Case B: Indonesia

Self-financing (in the form of shares): 50%

Funds borrowed: 50%

A breakdown of the funds of the Bali Tourism Development Corporation (BTDC) shows that all shares were owned by the Indonesian government; the remaining funds (50%) needed for projects were borrowed from the World Bank.

Case C: Malaysia

Self-financing (Government): 10%-25%

Domestic and overseas private sector funds: 25%-40%

(Self-financing + domestic-overseas funding = 50%)

Funds borrowed (private sector, international financial institutions): 50%

In this case, the funding ratio differed in each project. The Langkawi Tourism Development Corporation, a government-affiliated public corporation, acquired land for development districts, provided it as an in-kind investment, and took part in development projects by organizing consortiums with the private sector through an investment-in-kind arrangement.

The flow of funds for these three cases, including the collection of tax revenues and development funds of the type of development considered for Panama, are shown in Figure 9.8 for Case A, Figure 9.9 for Case B, and Figure 9.10 for Case C.

Of the examples presented in these cases, the public corporation for tourism development for land investment as shown in Figure 9.10 in Case C would not be necessary if the Panamanian government could take a direct stake in the public-private joint venture company.

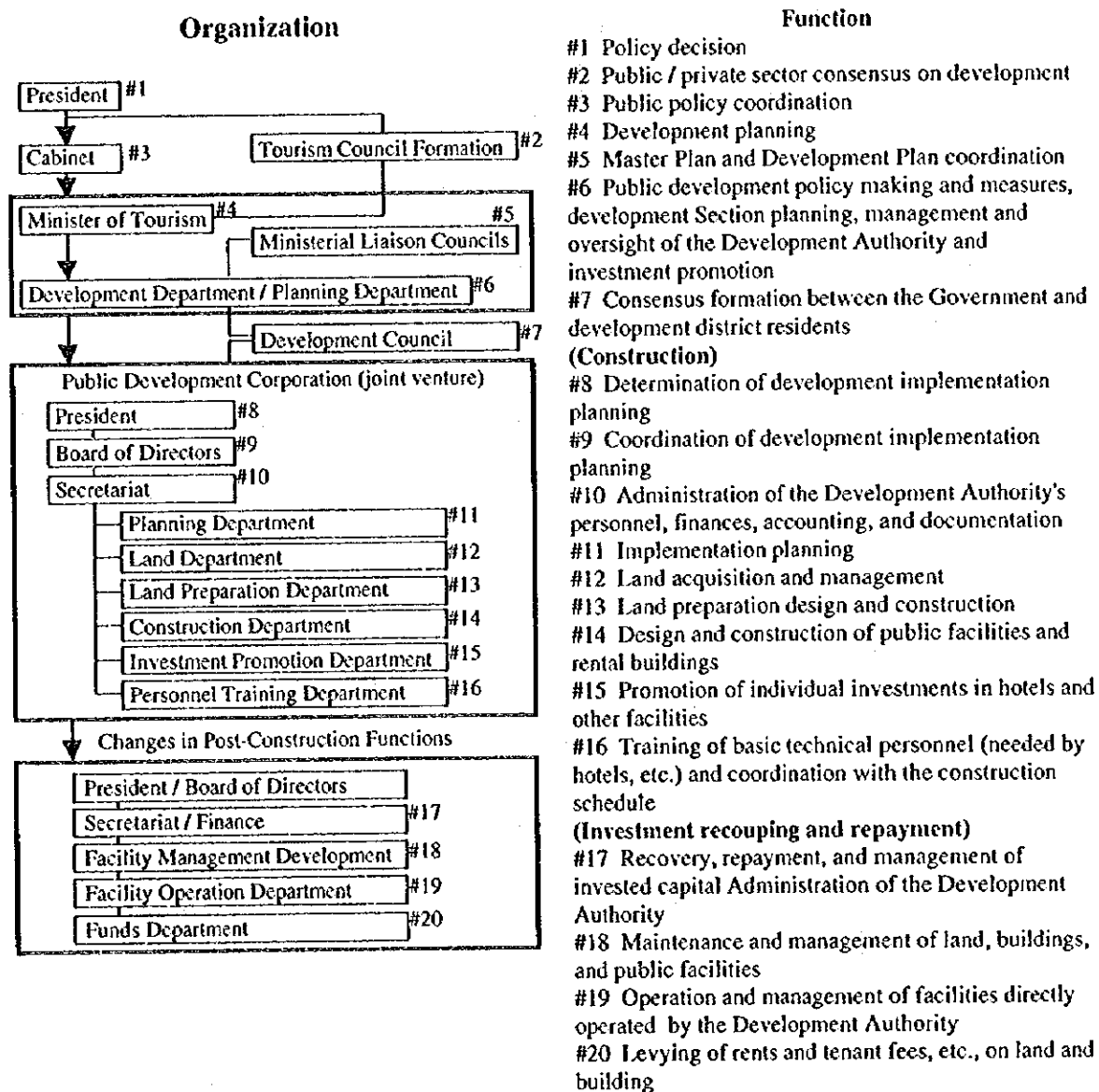


Figure 9.7 Development Organization and Functions

CASE-A FLOW OF DEVELOPMENT FUNDS AND COLLECTION OF FUNDS

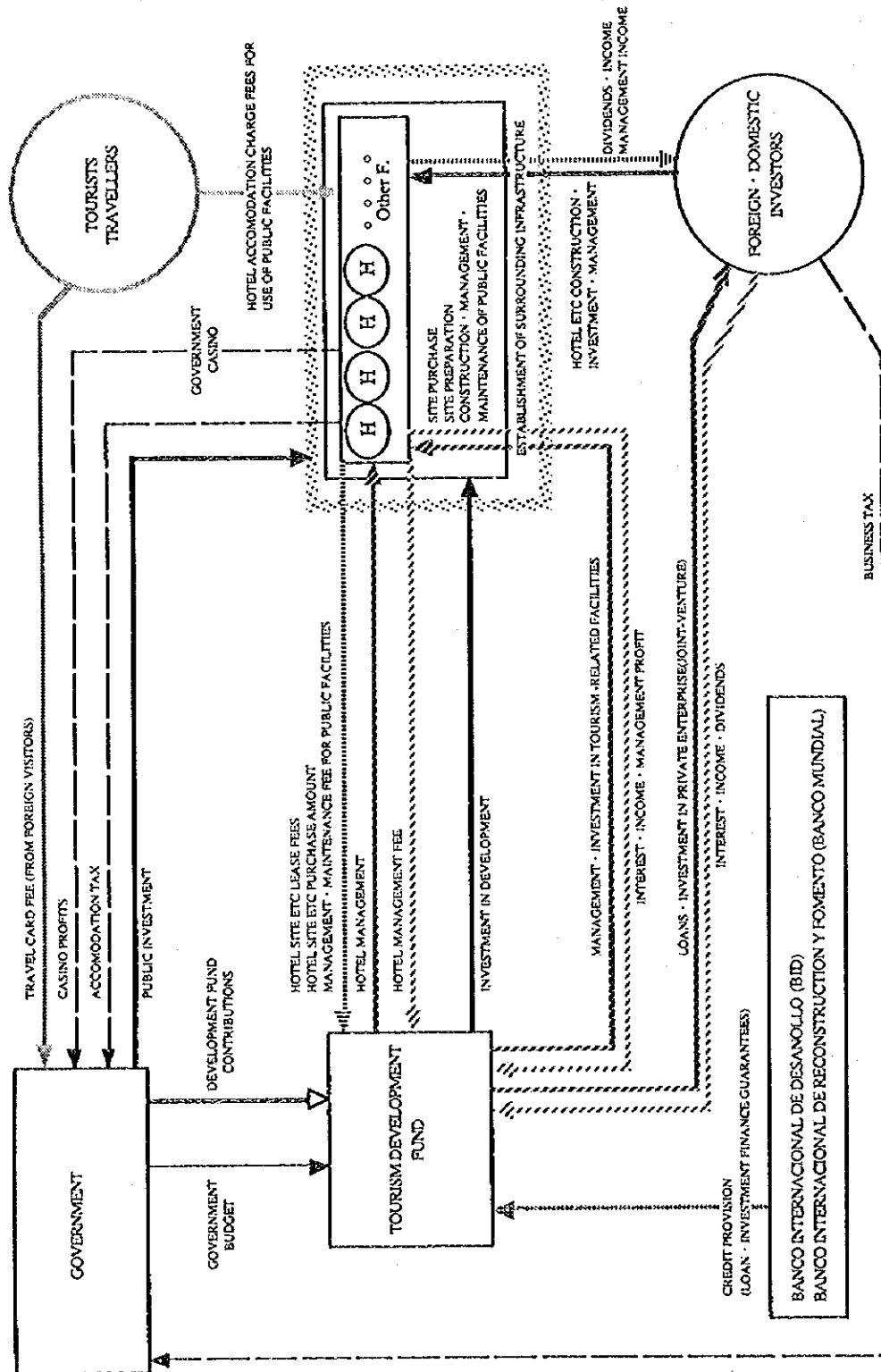


Figure 9.8 Case A Flow of Development and Collection of Funds

CASE-B FLOW OF DEVELOPMENT FUNDS AND COLLECTION OF FUNDS

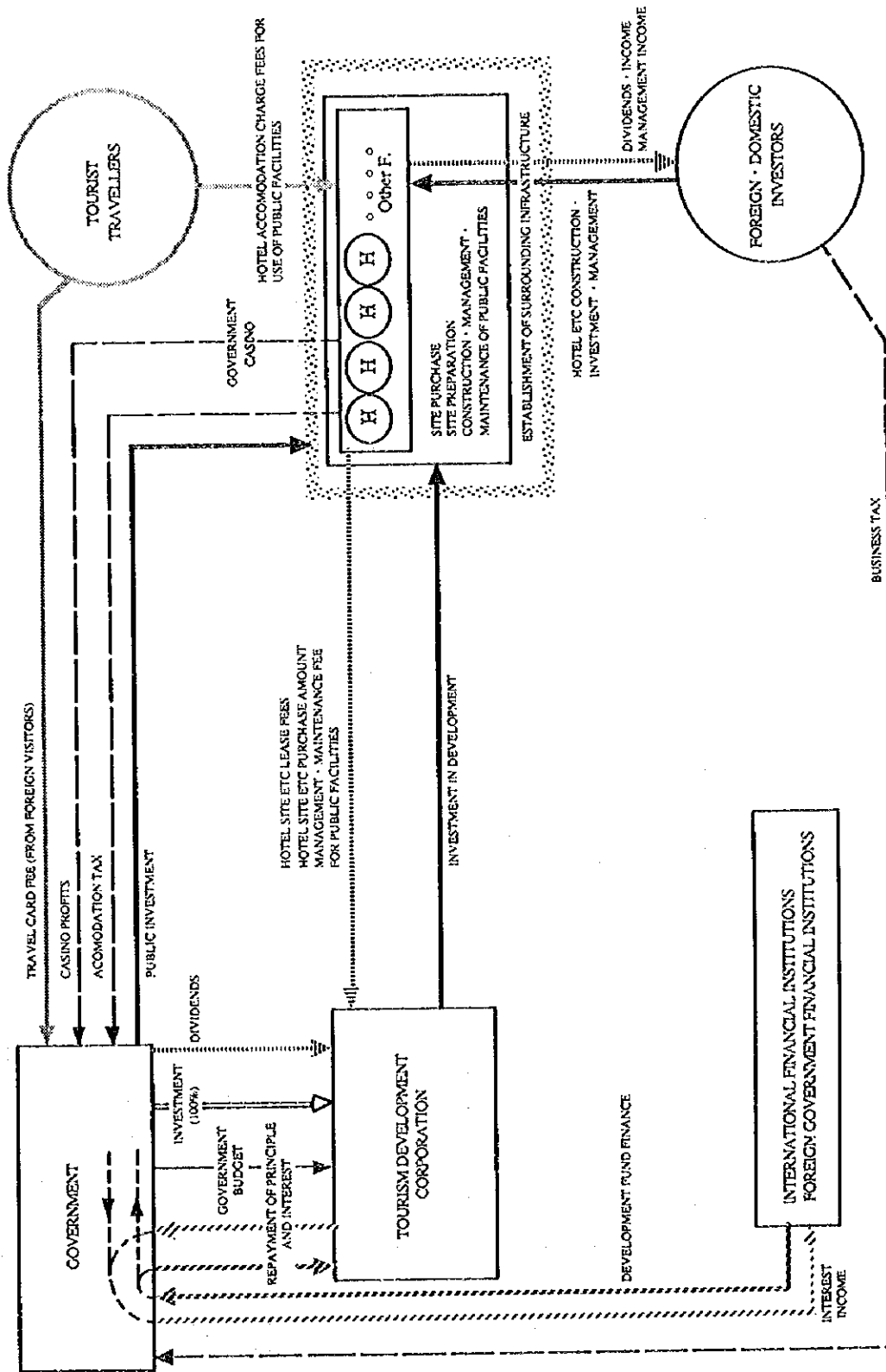


Figure 9.9 Case B Flow of Development Funds and Collection of Funds

CASE-C FLOW OF DEVELOPMENT FUNDS AND COLLECTION OF FUNDS

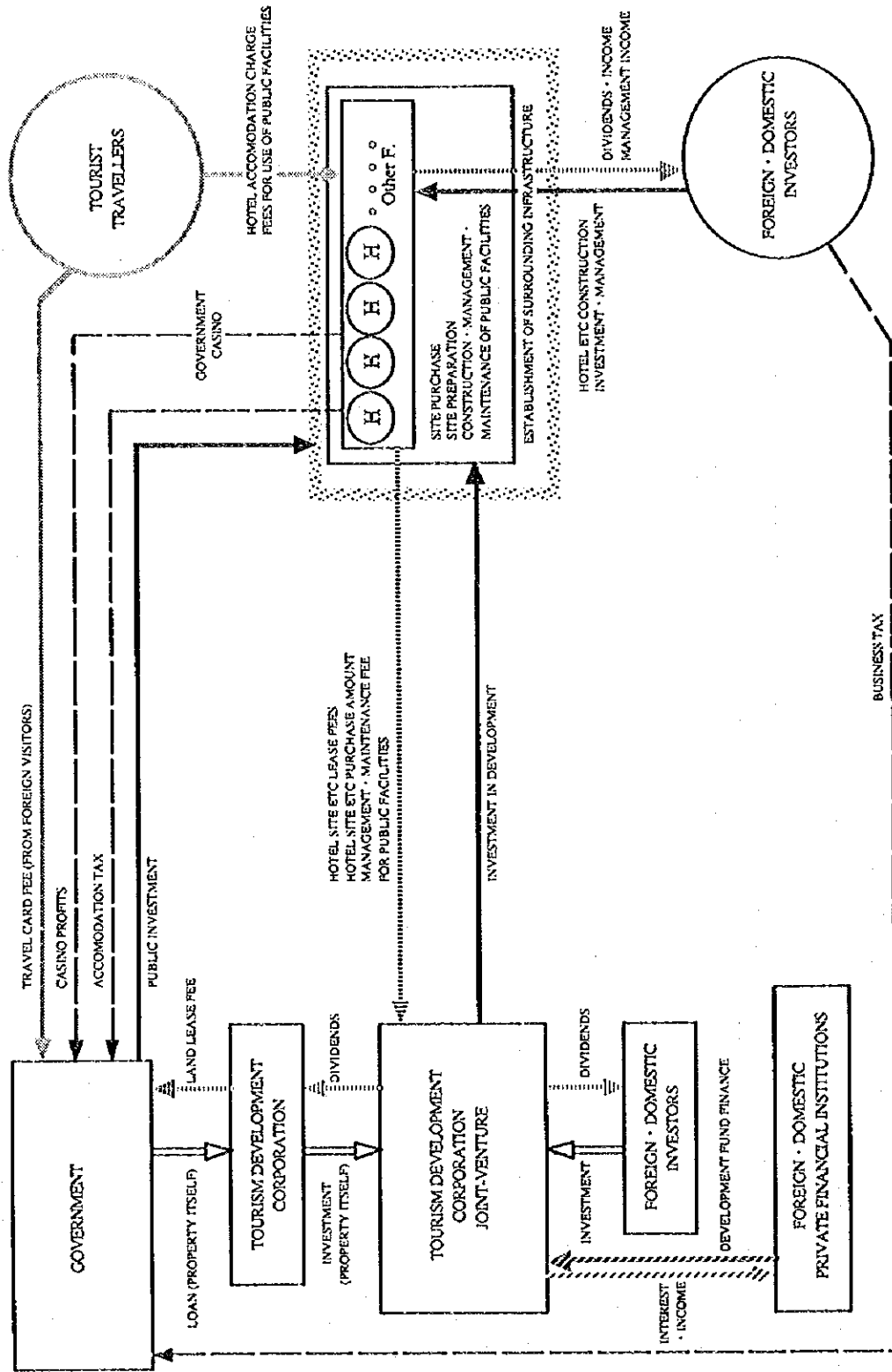


Figure 9.10 Case C Flow of Development Funds and Collection of Funds.

Case A

1. Large government fund outlays in the initial stages of development
2. Rapid recouping of investments due to the low level of borrowing
3. Recouped investment funds immediately available for reinvestment

Case B

1. Government funds account for about half the total
2. Recouping of investments (after payment of principal and interest on loans) foreseeable about 10 years after completion of construction
3. Slow reinvestment of recouped investment
4. Many loan conditions imposed on construction by international financial institutions

Case C

1. Government funds accounting for about one-fourth of total project expenditures (investment in kind and land also possible)
2. Agreement on introducing private-sector funds
3. Delay in recouping of investments of at least 10 years forecast before principal and interest on loans are repaid and dividends on private-sector investments are paid
4. Tardy reinvestment of recouped investments
5. Borrowing from international financial institutions as in Case B

The above are the primary characteristics of each case. All, except the first, depend on whether the national treasury recovers the government funds it invested rapidly or more slowly. Much also depends on whether projects start immediately or in stages, the nature of the projects conducted by the public development corporation (whether or not it participates directly), and the lease terms.

The Panamanian government can select from among the three. Considering the financial situation of the Government it is desirable to make maximum use of private-sector funds. Therefore, Case C is recommended with the following provisos.

1. Priority should be given to using state-owned land suitable for tourism.
2. A consensus should be sought with the private sector about the private sector's level of investment in the public development corporation.
3. Loans should be procured from domestic Panamanian sources (private banks) N.B.: Items 2 and 3 call for the use of private-sector funds for development.
4. The FFD (development trust fund) resources should be used by the government to develop tourism.

These three cases have been studied and commented on by the Ministerio de Planificación y Política Económica, which also believes that Case C is the best course.

9.4.4. Investment Solicitation Activities and Training Hotels Employees

As the public development corporation starts preparing land for hotel construction and building hotels, it should at the same time make concerted efforts to attract both domestic and overseas investors for these and other facilities using this land and ensure their participation in these projects. The public development corporation's projects cannot take place without investors participating in tourism development and promotion. This need has already been

described in 9.2. It also has been explained that the availability of staffing for planned hotels and other facilities will be an important factor in attracting investors.

The following activities must therefore take place to ensure the success of the public development corporation and its operations.

(1) Investment Solicitation Activities

As noted in the Tourism Investment Promotion Plan the public development corporation must be linked with IPAT or the cabinet-level ministry to which it has been elevated to carry out its activities for promoting investment in Panamanian tourism. Solicitation of individual investors will be carried out based on the investor information obtained from this linkage. Staff will be assigned to individual investors. PR tools must also be created for these solicitation activities.

Suggestions for the PR tools include:

- Plans showing a bird's-eye-view conception of all the completed development districts
- Planning maps drawn to scale showing all the completed development districts (including lease districts)
- Plans of existing infrastructure (electricity, telephones, water) in all the development districts
- Sketches of tourist resources and scenic areas in the areas surrounding the development districts.
- Leasing fees for the districts
- Staffing requirement projections

(2) Training personnel for hotels

The public development corporation will train hotel staff as required by the stage of construction of development districts and investment solicitation. This will necessitate establishing temporary training facilities as well as bringing in instructors from existing hotels in Panama City and other locations.

Hotel staff should be recruited from among the people who live in the development districts. It is important to bear in mind the need to organize development so as to bring social and economic benefits to these areas.

The primary fields of training for hotel employees will be the jobs for which training is particularly required. We believe these will be:

- Front desk staff (including bellhops)
- Food and beverage (bar) services
- Guest room services

These will account for 55%-60% of a hotel's payroll.

Food service personnel should be supplied by the restaurant schools and other sources as mentioned in 9.3.4. Management staff should be supplied mainly by the institutions of higher education in Panama.

The number of people to be hired as hotel staff will be determined by the number of guest rooms in the hotels for which investment is planned. For a 300-unit hotel, calculations can be made from the following breakdown.

The allotment by section of employees in a regular 300-room four-star hotel
Management (10%-15% of the total)

- Administration (general affairs, accounting)
- Facilities
- Procurement
- Transportation services, including vehicles

Jobs (85%-90% of the total)

- Front desk (including bellhops) 12-14%
- Food and beverage services 25-27%
- Cooking 25-27%
- Guest rooms 17-20%

Personnel training should start one year before the hotel is completed. It would be desirable to have staff report to the hotel and begin on-site training one month before the hotel is completed. Decisions must therefore be made on the length of training and the number of people to be trained in accordance with the hotel construction schedule. This will determine the scale of the necessary training facilities.

9.5 Proposal for Institutional Development

In order for the Panamanian government to spur the promotion and development of tourism as a national policy, it is important to give priority to tourism in state economic development planning and to devise and implement feasible measures to bring these projects to fruition.

As stated before, several factors must be considered in conducting these tourism promotion and development activities: first, tourism is linked to many sectors, including education, labor, infrastructure development, the environment, and local government, and governmental administrative bodies oversee each of these areas; second, tourism is closely tied to the lives of the people of the country and the local community; third, the tourism industry requires massive private-sector funds and cannot establish itself without the participation of both domestic and overseas private-sector funds.

Based on the awareness of these linkages with tourism, the study group proposes the following in relation to institutional development for the promotion and development of tourism.

Basic Proposals:

(1) Enactment of a Tourism Law

- Setting of tourism policy targets
- Cooperation among administrative bodies and central and regional government bodies
- Forging of a public-private sector consensus

(2) Elevation of IPAT or its General Manager to ministerial level

- Strengthening of coordination based on public-private sector consensus
- Improvement of tourism administration

Secondary Proposals

- (3) Promoting activities to develop awareness of tourism
 - Promoting P/M-IPAT/OEA proposals
 - Better guidance for public employees in customs, immigration, and quarantine sections and the tourist police
 - Better guidance for society's leaders
 - Better guidance for educators and instructors at all levels
- (4) Promoting tourism staff training
 - Promoting P/M-IPAT/OEA proposals
 - Advising staff on service technique improvements
- (5) Providing advice about tourism investment and financing
 - FFD (development trust fund) activities

Proposals for Development

- (6) Enactment of a Tourism Development Promotion Law
 - Designation of development districts
 - Granting of preferential rights to use government-owned land
 - Creation of consensus with people living near the development districts
 - Establishing a Development Authority
- (7) Enactment of the Law Establishing a Public Tourism Development Corporation
 - Objectives, officers, capitalization, and restrictions on areas of operation
- (8) Proposal regarding public development corporation organization and functions
 - Development, recouping of investment, and repayment
- (9) Advice and proposals for development funding
 - Case histories of development funding in multiple countries
 - Individual characteristics and fund flows in specific cases
 - Selections from among the cases
- (10) Advice regarding campaigns to attract hotels, etc.
 - Assignment of a separate staff member to cover each potential domestic or foreign investor
 - PR tools
 - Training staff for companies (or individuals) investing in projects

10. Conclusion and Recommendation of Long Term Tourism Development Plan

10. Conclusion and Recommendation of Long Term Tourism Development Plan

The long term Tourism development plan for tourism targets two million of foreign visitors visit to Panama annually by the year 2010 and 1.5 million domestic tourist by the year 2010. To fulfill the target six long term Tourism development plans were formulated.

The key point towards achievement of the target is to implement development plans. Realizing these development plans can only be achieved with the concerted efforts of the Panamanian government, such as cost sharing of investment in infrastructure and tourism facilities , legal system improvement to support the tourism development strategy, tax privileges for private investment in tourism facilities, etc.

Moreover, in order to achieve the target, an improvement of safety and security conditions for tourists in Panama, and increased promotion in principal markets (USA and Europe) are suggested.

Therefore, it is recommended that following items are proposed for realization of the long term tourism development plans.

(1) Improvement of Tourism Institutional system and Organization

Especially the following three items are very important for achieving tourism development in Panama.

- Enactment of comprehensive tourism development policies and laws.
- Promoting IPAT to ministry level
- Establishment of institutional system and organization for tourism development.

(2) Commencement of the Projects Implementation

1) Establishment of Tourism Development Corporation (TDC)

In order to implement the comprehensive tourism development plan, it is necessary to have land for projects and infrastructure, and to establish a development entity which is responsible for construction of major facilities, leasing and selling the land or facilities, and moreover, for encouragement of private investment and tourist promotion to Panama.

2) Procurement of Investment Funds

Foreign funds especially lower interest funds are essential for encouragement of project implementation by the government, TDC and private sectors.

3) Procurement of Development Lands

When the comprehensive tourism development plan is implemented, the necessary public land should already have been transferred to the private sector and subdivided.

(3) Execution of feasibility studies for priority projects

The importance of tourism development is high in Farallón, Metropolitana, and Portbelo selected as priority zones, which configure a reversed "Z" shaped zone, and early execution of the selected priority projects, which have a strategic importance in promoting tourism development in this area is proposed. Therefore, feasibility studies for these priority projects should be executed as the next step following the long term Tourism development plan study.

III. PROJECT FEASIBILITY STUDY

1. Priority Zones and Projects

III. PROJECT FEASIBILITY STUDY

1. Priority Zones and Projects

1.1 Priority Zone

1.1.1 Development Potential

The development potential of each study zone must be studied to determine its development suitability according to the market. Thus, an assessment of the main areas of attraction in each zone is carried out in order to get an indication of their relative potential for tourism development, based on the following criteria:

(1) Significance of the tourist destination

- Tourist arrivals : the number of existing tourists in the various places of attraction, classified into domestic and international tourists.
- Resource potential : the dominant character of the places of attraction including the beauty of natural attractions, fishing spots, national park, flora and fauna, the invaluable antiquity of historical, religious, and architectural monuments, and industrial places of attraction are subjects to be evaluated in this category.
- Facilities development : for this evaluation, tourism related facilities such as accommodation, restaurants, sports and recreation, souvenir shops, convention facilities, and services such as tourist agencies and guides, etc., are given a rating factor at each area of attraction according to the level of development.

(2) Development opportunity

- Land availability : suitable land nearby coastal areas which may be available for tourism development is examined through photographic interpretation.
- Water supply resources : areas of attraction are assessed according to the availability of water resources, for example whether a water supply is already available, whether potential water resources such as a large reservoir is available nearby, or if utilization of underground water for consumption is possible.

(3) Accessibility

- Land transport : a coefficient of relative accessibility for each province is formulated taking into account road surface condition (paved or unpaved).
- Sea transport : the two elements of sea transportation which are assessed are local ferry and cruise ship routes, and also port facilities, to give a measure of relative sea accessibility for each province.
- Air transport : seating capacity and the number of flights per week are considered in the evaluation.

(4) Limitation of development by environmental conditions

The potential for tourism development in some areas will be limited by the existing environmental conditions and the need to conserve and protect valuable or sensitive areas of natural environment such as forests, flora and fauna, etc. from degradation.

(5) Impact on tourism development

The likely impact that development of an area would have on further development of the same area and surrounding areas is considered. Development of some facilities can often have a flow-on effect, supporting existing facilities and promoting additional development.

Based on the above-mentioned criteria, a development assessment has been carried out for each zone focusing on the main areas of attraction in each zone. The main resource areas in each zone were divided into "Urban type", "Coastal type", and "Island type" for the comparison. Each place of attraction was allocated a rating of between +5 and -5 for each of the selection criteria listed above. The ratings and the aggregate resource evaluations are given in tables (Table 1.1 ~ 1.3) for each resource type. The areas with the most development potential according to the criteria have been rated as "High Potential" and are listed below:

(1) "High Potential" rating for Urban type areas

- a. Panama City 42 points
- b. Colon City 38 points
- c. David City 28 points
- d. Chitré / Los Santos 26 points
- e. Bocas del Toro 24 points
- f. Las Tablas / Guararé 22 points
- g. Volcán, Bajo Boquete 21 points
- h. Changuinola 20 points
- i. Puerto Armuelles, La Concepción 18 points

(2) "High Potential" rating for Coastal type areas

- a. Canal Zone 32 points
- b. Antón - Chame 29 points
- c. Costas de Portobelo 22 points
- d. Guarare - Las Tablas, Santa María - Los Santos 21
- e. Pocrí - Pedasí, Costas Tonosí, 17 points

(3) "High Potential" rating for Island type areas

- a. Isla Colón 27 points
- b. Isla Taboga 25 points
- c. Isla Grande 23 points
- d. Isla Contadola 21 points
- e. Isla Bastimentos, Isla del Rey 19 points
- f. San Blas 17 points

Table 1.1 Development Potential Analysis: Urban Type Area

Present status	Focas areas	Significance of tourist destination			Dev. opportunity		Transport access			Elimination of dev. by conservation	Impact on development	Level of Significance
		Tourist Arrivals	Resource	Facility dev.*	Land availability	Water Supply	Land	Sea	Air			
Level - 0 No dev.	Changuinola	1	3	3	3	3	1	1	5	-3	3	20
	Chiriquí grande	1	1	1	5	3	3	3	1	-3	1	16
	Puerto Armuelles	1	3	3	3	1	3	3	1	-1	1	18
	La Concepción	1	1	1	5	3	3	1	1	-1	3	18
	Pedasi	1	3	1	5	1	3	1	1	-3	3	16
	La Palma	1	1	1	5	3	1	1	3	-5	3	14
	El Real/Yaviza	1	1	1	5	3	1	1	1	-5	3	12
Level - 1 Small dev.	Bocas del Toro	1	5	3	5	3	1	3	3	-3	3	24
	Volcán	3	3	3	5	3	3	-	1	-3	3	21
	Bajo Boquete	3	3	3	5	3	3	-	1	-3	3	21
	Las Tablas/Guararé	3	5	3	3	1	3	1	1	-1	3	22
Level - 2 Medium dev.	David City	3	1	3	3	3	5	3	5	-1	3	28
	Chitré/Los Santos	3	3	3	3	3	5	1	3	-1	3	26
	Colón City	3	3	3	5	5	5	5	5	-1	5	38
	Panamá City	5	5	5	3	5	5	5	5	-1	5	42

Table 1.2 Development Potential Analysis: Coastal Type Area

Present status	Focas areas	Significance of tourist destination			Dev. opportunity		Transport access			Elimination of dev. by conservation	Impact on development	Level of Significance
		Tourist Arrivals	Resource	Facility dev.	Land availability	Water Supply	Land	Sea	Air			
Level - 0 No dev.	Chiriquí West	1	3	1	5	1	1	-	-	-	3	15
	Chiriquí Central	1	1	1	5	3	1	-	-	-	3	15
	Chiriquí East	1	1	1	5	3	1	-	-	-	1	13
	Costas Tonosí	1	3	1	5	1	3	-	-	-	3	17
	Costas Santa Isabel	1	1	1	5	3	3	-	-	-	1	15
	Puerto Pina	1	5	1	5	1	1	-	-	-	1	15
Level - 1 Small dev.	Poerí-Pedasi	1	3	1	5	1	3	-	-	-	3	17
	Canal Zone	5	5	5	5	5	5	-	-	-3	5	32
	Costas Portobelo	5	3	3	3	3	3	-	-	-	5	22
	Guararé-Las Tablas	1	1	3	5	3	3	-	-	-	5	21
Level - 2 Medium dev.	Santa María Los Santos	1	1	3	5	5	3	-	-	-	5	21
	Anton-Chame	5	5	3	3	3	5	-	-	-	5	29

Table 1.3 Development Potential Analysis: Island Type Area

Present status	Focas areas	Significance of tourist destination			Dev. opportunity		Transport access			Elimination of dev. by conservation	Impact on development	Level of Significance
		Tourist Arrivals	Resource	Facility dev.	Land availability	Water Supply	Land	Sea	Air			
Level - 0 No dev.	Isla Iguana	1	3	1	1	1	-	1	1	-5	1	5
	Cayos Zapatillas	1	3	1	1	1	-	1	1	-5	1	5
	Isla Chapera (I)	1	5	1	1	1	-	1	1	-5	1	7
	Isla Bayoneta	1	5	1	1	1	-	1	1	-5	1	7
	Isla Othoque	1	3	1	1	1	-	1	1	-3	1	7
	Isla E. de Veraguas	1	5	1	1	1	-	1	1	-5	1	7
	Isla Pedro González	1	1	1	1	1	-	1	1	-5	1	3
	Isla San José	1	5	1	5	1	-	1	1	-3	1	13
	Isla Bastimentos	1	5	1	5	1	-	3	1	-3	5	19
	Isla del Ray	1	3	1	5	3	-	3	3	-3	3	19
	Isla de Coiba	1	5	1	5	3	-	1	1	-5	1	13
	Level - 1 Small dev.	Isla Colón	3	3	3	5	3	-	5	3	-3	5
Isla Taboga		5	3	3	3	1	-	5	1	-1	5	25
Isla Grande		5	3	3	1	1	-	5	1	-1	5	23
San Blas		3	3	3	3	3	-	1	3	-5	3	17
Level - 2 Medium dev.	Isla Contadora	5	5	3	1	1	-	3	3	-1	1	21

1.1.2 Regional Development Orientation

Each study zone has its own natural and socioeconomic background, and there are differences of regional development level among the study zones. The development of tourism will have great impact on regional society and the economic future. Since the development of tourism should be coordinated with regional development, the orientation of regional development for each study zone should be examined carefully.

(1) Bastimentos

Bocas del Toro Province is the least developed region with many social and economic problems to be solved. Therefore, a plan for an integrated regional development program is recommended, so that tourism development will take its place as one sector of the integrated program.

(2) Arco Seco

The Arco Seco Zone which consists of Herrera and Los Santos has been developed as a cattle breeding area for many years, but with recent economic developments in the country, other kinds of industry should be developed. Tourism related industries, such as a souvenir craft industry, should be established.

(3) Farallon

The Farallon zone which extends along the Pan-American highway, provides scope only for transport related industries other than coastal tourism development. The shape of the zone is long and narrow, therefore some development poles should be created.

(4) Metropolitana

The Metropolitana zone has not only many kinds of tourism resources, but also well developed infrastructure and tourism facilities. Beyond this, the large area of the old canal zone is being reclaimed with the possibility of future land use. The reclaimed land can offer great opportunities for tourism development. However Panama City suffers from many kinds of urban problems, such as traffic congestion, pollution and so on, so the development of tourism should cope with such kinds of problems.

(5) Portobelo

In the Portobelo zone, there exists an historical monument of a Spanish Colonial town, but it has been occupied by town inhabitants. The location of the zone is not far from the Panama Metropolitan area by land transportation, so that it has a high development potential. The development of this zone should be coordinated with the natural and social environment.

(6) Las Perlas

Las Perlas has magnificent marine tourist resources. However its population is sparse and its infrastructure is poor. For the development of this zone, first of all, a development core should be prepared, then other parts can be developed.

1.2 Priority Project

1.2.1 Selection of Feasibility Study Projects

(1) Selection Criteria

In the previous chapter Farallon, Metropolitana and Portobelo were selected as priority zones, therefore priority projects should be selected according to the level of significance indicated in the project list within priority zones.

There are many significant projects to be implemented urgently, however, according to the Scope of Work, six projects are to be examined for feasibility study, therefore we have made the selection according to the following criteria.

1) Select from each Priority Zone.

At least one project should be selected from each of the Farallon, Metropolitana and Portobelo zones.

2) Development Frame Considerations

Project should be selected from the short to medium term implementation plan and programmed which will satisfy multiple tourist demands - local residents, domestic and foreign tourists.

3) Select Optimum Scale

Project costs are too high for existing resources, therefore, some of these projects are listed as national projects, which will be recommended for implementation under a nation wide consensus.

In principle, feasibility studies are not required for some of the small scale projects but, if these can be packaged with other projects to create an optimum scale, they will be selected.

4) Project Triggering for Tourism Development

For overall regional tourism development, projects which can foster other projects should be created. The nature of the projects should be a key to the development of future tourism demand.

5) Effects of the Regional Development

One of the principal objectives of tourism development is to serve for rural development, therefore, the selection should be integrated with multi-sectoral and/ or basic infrastructure development.

6) Land Priority

Development site areas already owned by Government and/or immediate acquisition necessary to preserve tourist resource and/ or facilities/ qualities of the development site or to prevent non-tourist site development.

Using these criteria, six projects have been selected for feasibility study.

(2) Selected Projects

The market projections indicate the need for development of international resort complexes on a large scale in the priority zones. There are many small sites available, but their sizes are not

with sufficient room for further expansion and also appropriate important tourism supporting projects.

Considering the above-mentioned criteria, the following six projects are selected for feasibility study in the next stage.

However, the existence of important and urgently required projects in other study zone, such as Bastimentos, Arco Seco, and Las Perlas should not be forgotten for further studies.







- 1) Chame Resort Development (Development Package)
- 2) Panama Canal Tourism Development (Development Package)
- 3) Flower and Green City Development (Packaged Project)
- 4) Portobelo Tourism Development (Packaged Project)
- 5) Caribbean Costa Arriba Road Development
- 6) Maritime Triangle Development

(3) Character of Each Project

Development characteristics of the 6 selected projects are as follows:

- New tourist accommodation oriented development projects, such as Chame, Panama Canal and resort complex of Portobelo.
- Reorganization and reutilization of present tourism resources both natural and cultural, such as flower and green beautification of Panama City and historical township project of Portobelo.
- Development of tourist transportation network projects of Caribbean Costa Arriba road and maritime triangle of Gulf of Panama.

Table.1.4 Selected Priority Projects and Development Form

form	Projects
	1. Chame Resort Development Plan (Farallón zone)
	2. Panama Canal Tourism Development Plan (Metropolitana zone)
	3. Flower and Green City Plan (Metropolitana zone)
	4. Portobelo Tourism Development Plan (Portobelo zone)
	5. Caribbean Coast Arriba Road Development Plan (Portobelo zone)
	6. Maritime Triangle Development (Metropolitana, Farallón, Las Perlas zones)

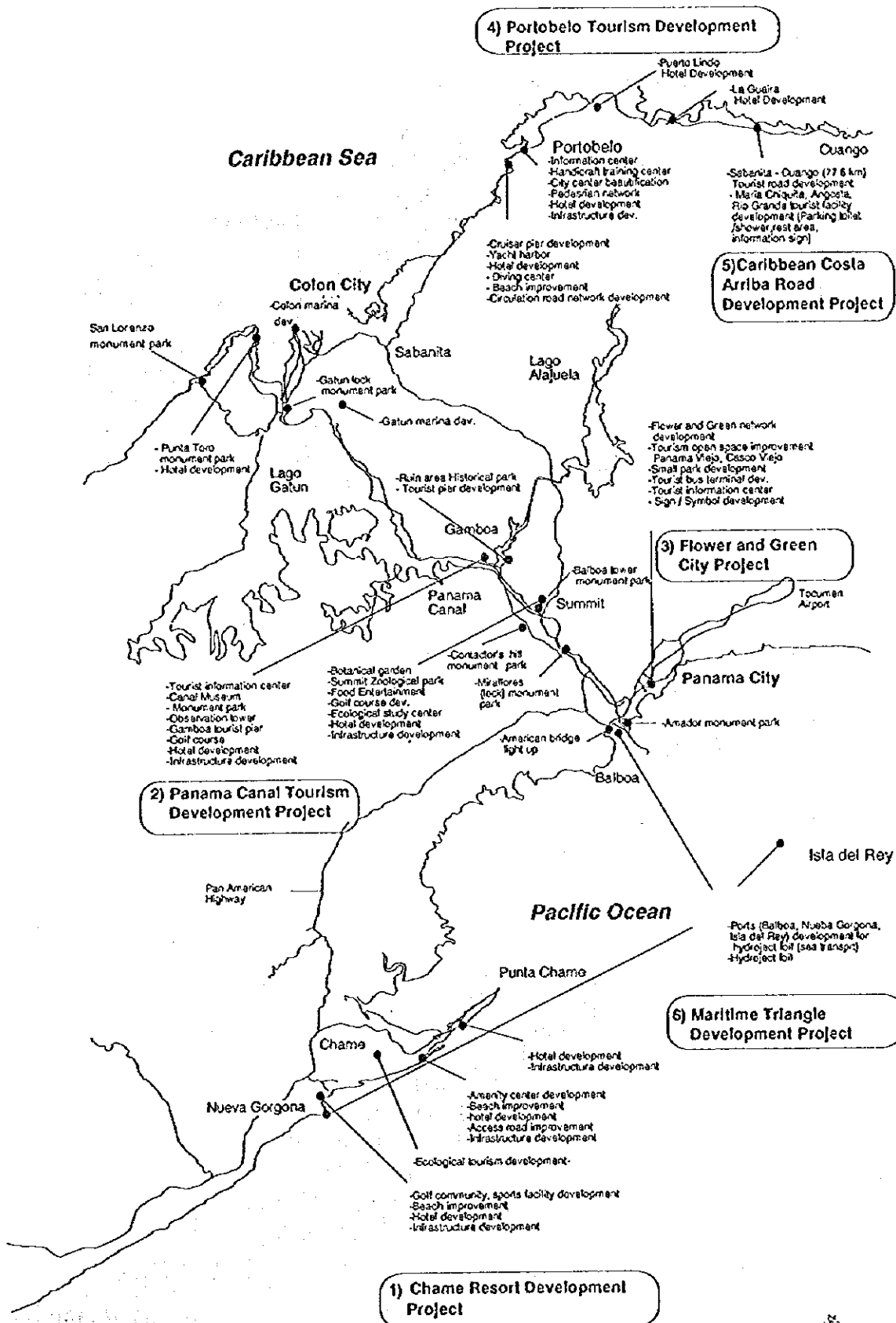


Figure I.1 Selected Priority Projects