

Strategic Transitions: Panama

With the Panama Canal as the principal trade route between the U.S. East Coast and Asia, few countries in the Americas are as strategic to the U.S. economy as Panama. As Panama reached high levels of both per capita income and human development in the 2000s, it was critical for the U.S. Agency for International Development (USAID) to successfully transition Panama to a broader partnership with the United States, which was achieved in 2012.

USAID began its development partnership with Panama in 1962 to advance the nation's economic and social progress. USAID programs initially expanded Panama's infrastructure with the construction of roads, health centers, water systems, schools, and housing that raised living standards. In the 1990s, after the uprising that ended a 20-year military dictatorship, USAID helped rebuild Panama's democratic institutions, civil society, and private sector. In the 2000s, USAID helped Panama preserve its environment, strengthen civil society, and reform the judiciary.

In the years since the 2012 transition from traditional U.S. assistance, Panama has continued to make progress. Social development indicators have continued to rise with Panama ranked 60th on the UN's 2016 Human Development Index, higher than countries like Brazil, Turkey, and China. Panama has near universal access to primary and secondary school, low fertility, a 78-year life expectancy, and an annual per capita income of \$19,470. Panama also raised over \$5 billion from international development banks and private capital markets to fund a complex effort that successfully expanded the Canal.



Full Principles for Strategic Transitions from Development Aid with over 100 endorsers available here: <http://bit.ly/2mMbc0A>.

¹USAID Frontlines Magazine "Your Voice: Panama Stands on Its Own" <https://2012-2017.usaid.gov/news-information/frontlines/new-players-and-graduation/your-voice-panama-stands-its-own>, November/December, 2012

²USAID "History of USAID in Panama" <https://www.usaid.gov/where-we-work/latin-american-and-caribbean/panama/history-usaid-panama>, Accessed January 17, 2018

³Voice of America "USAID's Job is Done in Panama" <https://editorials.voa.gov/a/usaid-s-job-done-in-panama-160272245/1493135.html>, June 23, 2012

How does Panama's transition align with MFAN's Principles for Strategic Transitions from Development Aid?

Advance country ownership: The transition in Panama was jointly planned and agreed to at high levels. Panama had mixed feelings, but as their First Lady announced, Panama ultimately saw USAID's departure as a "reflection of the progress that we have made...we have distinguished ourselves as one of the leading countries in Latin America."¹

Determine transition readiness by development progress: Panama's development metrics and growing economy signaled a readiness to transition from aid. The last years of USAID's work in Panama therefore focused on "building partnerships and strategic alliances towards sustainability"² with national and local governments and civil society so Panama would have the technical and financial capacity to sustain progress on its own.

Safeguard gains and continue progress: Three legacy institutions, including the Ecological Trust Fund, were established with U.S. assistance to continue advancing sustainable development. Other continuing U.S. Government ties to Panama include: a high-level strategic military dialogue, a free-trade agreement which took effect in 2012, anti-money laundering work, and the Smithsonian Tropical Research Institution in the Canal Zone.

Celebrate responsible transitions: Despite the clear indicators of progress in Panama, former USAID officials indicate the transition was resisted by a number of stakeholders, including the U.S. Ambassador and some within the State Department, USAID, and the development community. Ultimately, USAID's leadership was able to celebrate Panama's transition, stating, "Closing the USAID office signals that the means, capacity and commitment to development are strong enough in Panama for us to devote precious resources elsewhere."³ In addition to celebrating the progress of an ally, strategic transitions allow USAID to reallocate its resources to the many development and humanitarian challenges we face today.