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We understand that the daily average number of deeds received for registration is about sixteen. We believe that one Elliott-Fisher book typewriter which can be purchased for about B.200.00 would be amply sufficient to do all of this work. In other words, the work now being performed by six copyists (escribientes) could be done by one trained typist. There would need to be also in this office one employee to receive the deeds and fees, one clerk to prepare the indexes which should be on cards rather than in bound books and to verify the work of the typist.

A still more efficient method of recording instruments than the one previously suggested is to abandon registering them in bound books and to copy them directly by typewriter on a sheet which can later be bound into books - the loose-leaf system. If such a system is inaugurated the copying can be done much more rapidly, all instruments pertaining to a particular piece of property can be conveniently assembled and waste of space in the expensively bound books can be eliminated. It is sometimes objected that under the loose-leaf system there is danger of loss of the records. But it has been found from actual practice where this system prevails that no losses of records or changes in text occur. Moreover, binders can be secured which may be locked so that removal of sheets is impossible except by tearing, a risk that must be taken with bound books also. We believe that this latter method should be used by the Republic of Panama in the registration of deeds, titles and other instruments.

CIVIL REGISTER (Registro Civil). (B)

The office of the Civil Register records all births, deaths, marriages, divorces, naturalization papers, and identification papers. Bound books are maintained for each class of record and as the reports are received from local officials they are copied into the bound volumes. Since most of the data is recorded in stereotyped form the books are made up of printed forms and the copyist needs merely to fill in the proper wording. There are twenty-five employees in this office and the number of papers recorded during 1928 was as

follows:

Births	16,384
Marriages	1,060
Deaths	6,404
Citizenship Papers	30
Identification Papers	444

As in the case of the office of the Public Register we feel that appreciable savings can be made in the cost of operating this office by using loose-leaf binders and typewriters instead of the present method of hand-copying in bound books. If this plan is adopted the number of employees on duty in this office could be reduced by at least half.

NATIONAL ARCHIVES (Archivos Nacionales). (B)

We feel that a very useful and valuable purpose is being served by this office which is classifying and filing historical documents concerning the Republic of Panama, and the records of all government offices, including court records and papers. We were struck, however, by the fact that no scientific classification or index had been evolved for filing most of the historical records and documents. The present plan is to develop the index and classification as the work progresses and as new questions arise, a plan which seems to us too casual, considering the importance of the whole effort. It is obvious that there is no need of filing these documents at all unless it is done in such a way as to enable any one of them to be found with a minimum of effort at any time in the future when they may be wanted. The scheme under which they are classified and filed must be simple and comprehensive, readily understandable, and undeviatingly followed. A competent and experienced person should be employed to prepare a classification and filing plan for these documents if full value is to be obtained from the moneys expended for this office. The individual who is engaged in indexing and classifying the books in the library of the National Institute might be able to give some valuable suggestions along the lines indicated.

We question the advisability of trying to restore some of the records which have become illegible or have been almost destroyed by insects. Only in those cases where a record is known to be of great value should there be expended the large amount of painstaking effort required to restore it. Moreover none of this work should be done, it seems to us, until all of the accumulated records have been at least tentatively classified and filed.

The need for modern filing cases for the national archives is urgent. What is the use of expending a large amount of effort in classifying and indexing these documents if they are not then to be placed where they will be safe and accessible?

NOTARIES (Notarias). (B)

Prior to the passage of Law 15 of 1926 (Ley 15 de 1926) the notaries received no salaries from the National treasury. They were wholly dependent for their compensation upon the fees they received from persons who went to them to have some document drafted, copied or authenticated. During the biennium ending June 30, 1927, a total of B.13,430.77 was expended for salaries of notaries and their assistants and for their office supplies. It is estimated that this amount will reach B.25,000.00 during the present fiscal period.

From our investigation of the character of the work done by these notaries - and the amount of their fees - we have been convinced that they are in no need of financial assistance from the government. Their position would be considered highly remunerative even though they received no compensation from the national treasury. We have been told, and our investigation bears out the statement, that some of the notaries receive considerably more in compensation than do members of the President's Cabinet. We think, therefore, that the policy of paying a salary to the notaries from the national treasury should be discontinued.

POSTAL SERVICE: (B)

The expenditures of the Postal Service of the Republic of Panama have

exceeded by far the postal receipts as may be seen from the following tabulation:

	<u>1923-1925</u>	<u>1925-1927</u>	<u>1927-1929</u> <u>(To Feb. 28, 1929)</u>
Salaries - Panama City	38,666.61	49,475.85	41,379.00
Salaries - Interior	120,975.42	160,704.33	133,646.00
Rent	3,253.12	9,828.90	8,360.50
Transportation of mails	102,812.00	113,528.00	89,256.61
Miscellaneous	<u>57,661.98</u>	<u>63,076.65</u>	<u>74,463.79</u>
T O T A L -	323,367.13	396,613.73	347,106.90
Revenue	<u>108,537.46</u>	<u>98,155.37</u>	<u>81,729.65</u>
Deficit	B.214,829.67	B.298,458.36	B.265,377.25

From the foregoing table it can be seen that the deficit for the ordinary operations of the Postal Service has been increasing during the past three biennial periods. Since the figures for 1927 to 1929 include only those accounts which had been audited up to February 28, 1929, it is estimated that the probable deficit during the current biennium will be nearly B.300,000.00. Operating expenses have been increasing and revenues decreasing since 1923. While it is doubtful if the Postal Service of Panama can for many years be completely self-supporting it seems to us that the operating losses are much too large. In considering this deficit it must be remembered that in Panama there is no city carrier service, no railway mail service, no rural free delivery, no parcel post insurance, no system of postal savings, and no regulatory work carried on by the Postal Service. It is these latter services which ordinarily increase so appreciably the operating costs in most countries. It must be remembered also that a large part of the mail received in the postal system of Panama is for transmission to foreign countries. Most of this mail originates in the cities of Panama and Colon and little expense is involved in transmitting it. The foreign mails received are almost entirely for delivery in the cities of Panama and Colon. There it needs only to be sorted and placed in boxes.

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While Panama does not give certain services rendered ordinarily by the Post Office Departments of other countries, it must be borne in mind, on the other hand, that the cost of transporting the mails in the interior of Panama is high. As the country in many places is undeveloped, and as there is only one artery of improved roads, much of the mail must be transported either by coastal vessels or by horseback, or by portage over trails. This naturally increases the cost of transportation. Nearly one-third of the amount expended annually for the transportation of mail is paid to the Compania de Navegacion Nacional. The contract for this service is, we understand, to some extent an additional subsidy to the one of B.36,000 a biennium, an appropriation carried elsewhere in the budget for the encouragement of a coastal navigation service. Since the Compania de Navegacion Nacional is now in process of liquidation, comment on this policy would seem to be unnecessary. We also understand that a number of the contracts now in force for the transmission of mails in the interior are to be cancelled and a system of government operated trucks is to be substituted. It is to be hoped that this plan will reduce the cost of carrying the mails in the interior. Consideration should also be given to the possibility of using for the transportation of mails, the busses ("chivas") which operate between Panama City and different parts of the interior.

REDUCTION OF EXPENSES. (C)

However, despite the heavy charge of carrying mail to and from the interior, substantial savings in the cost of operating the postal service can be made in two ways: first, through the introduction of more modern methods of handling the mail; and, second, by reducing the surplus personnel. If modern methods are adopted, the number of people required to do the work will be, of course, considerably fewer than are now required.

Of the approximate sum of B.150,000 expended for salaries of postal employees in local post offices, nearly B.100,000.00 is spent in the three cities of Panama, Colon and Bocas del Toro. The Post Office in Panama City seems to us to be

overmanned and lacking in modern machinery. The hand cancelling of mail should be discontinued and automatic cancelling machines should be purchased for these offices. More modern sorting racks to permit the distribution of mail directly in pouches should be installed, and the sorting cages should be reconstructed so as to permit more direct methods of sorting. We feel also that many of the operations to which the mail is subjected are unnecessary and could be eliminated. Perhaps it is not too much to say that the number of employees could be reduced by one half if a careful study of each operation were made. More than likely the same savings which we feel confident can be made in the Post Office in Panama could also be made in Colon, Bocas del Toro and other places.

REVISION OF POSTAL RATES. (C)

The postal rates ought to be revised. At present most of the material transmitted to the interior by mail goes free. Printed matter (impresos - periodicos, libros, revistas y literarias de cualquier naturaleza) which is allowed the free use of the mails, constitutes, so far as bulk is concerned, the principal portion of the mail entering the interior. The reason given for this free transmission of printed material is probably the argument that it is of an educational or instructive nature, and that the government should do everything possible to encourage the people to keep informed on public questions. Much more could probably be done toward educating the public if the money thus expended were used for the school system. But whatever may have been the idea which prompted this system of free distribution of printed material, there seems to be good reason now for discontinuing it in view of the present large deficit in the operations of the Postal Service.

Another large portion of mail matter which is shipped at a very low rate is printed matter such as visiting cards, advertising matter, catalogues, and the like (impresos - tarjetas de visita, de felicitacion, de pesame, de propaganda commercial, papeles de negocio, muestras y objetos agrupados, etc.). While this material should not, of course, bear the same rates as first class mail (cartas)

nevertheless the present rates for transmitting this material seems to us unduly low.

It seems to us that the postal rates of Panama might well be as high as those of the United States. The rates cannot of course be any higher in Panama than they are in the United States for the reason that all of the foreign mail would then be sent through the Canal Zone Post Office. Certainly, however, they ought to be just as high.

DISCOUNT ON STAMPS.

The Government of Panama is also losing a considerable amount of revenue each year through its practice of selling postage stamps at a discount. During the calendar year 1928 this discount amounted to B.2,191.44. The discount which is allowed to all of those who purchase stamps in wholesale quantities was evidently inaugurated because the Government wished to encourage a wide distribution and sale of stamps by the merchants. This system also operates, incidentally, to give the use of the mails to those who purchase their stamps in large quantities at a lower rate than the general public enjoys. We doubt if the public receives any benefit or advantage from this policy, and therefore recommend that it be abandoned. No stamps should be sold to anyone except at the regular rate.

AUDIT OF POSTMASTERS ACCOUNTS. (C)

We think also that there should be a more systematic and regular audit of the stamps and cash accounts of all postmasters. We found that the stamp custodian in the Panama Post Office had not had an audit made of his books for years. Many of the stamps he is carrying on his books have been eaten by insects so that they cannot possibly be used. There is no check whatsoever on the number and value of the stamps which he receives from the manufacturer, although the stamps have the validity of currency. Receipts are deposited in the Banco Nacional only once a month. If there have been no serious peculations of the public funds, it is not due to the efficiency of the system of control but rather to the honesty and

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integrity of the employees who have custody of the funds. We have been advised that substantially this same situation exists in every post office in the Republic. This failure to protect the public revenues will inevitably result in losses.

Conclusions Re Postal Service. (C)

The whole Postal Service of the Republic of Panama should be reorganized and improved. There is no good reason for its being such a drain on the public treasury. The Panama Postal Service has too large an overhead, it is greatly overmanned, the rates are not properly adjusted, the revenues are not adequately protected, and the service is slow and unreliable. The remedy is through a complete survey and reorganization of the service by a competent man to whom full authority is given.

Telephone and Telegraph Service. (B)

Communications with the interior of the Republic of Panama is maintained through a system of telephone and telegraph lines owned and operated by the government. It is a costly service. The following statement shows that operating expenses on this system have exceed almost fivefold the receipts:-

	<u>Telegraphs 1923-1925</u>	<u>1925-1927</u>	<u>1927-1929</u> (To Feb. 28, 1929)
Salaries	240,331.07	308,862.09	279,812.09
New Construction	98,252.71	()	
Maintenance of Lines	44,556.99	(181,556.17)	53,738.87
Miscellaneous	45,567.92	33,361.67	32,164.82
	<u>B.428,708.69</u>	<u>B.523,778.93</u>	<u>B.365,765.78</u>
Revenue	88,755.81	102,100.87	79,535.28
	<u>B.329,952.88</u>	<u>B.421,678.06</u>	<u>B.286,130.50</u>

It can be seen from the above table that three times as much has been paid out in salaries to the operating personnel as has been received in revenues. Expenditures for salaries and maintenance have been growing with no appreciable

increase in revenue. In fact, the whole system is a heavy drain upon the public treasury.

It is plain that there is opportunity for large economies in the operation of this service through reduction of personnel, through consolidation of offices and through decrease of maintenance charges. Not only has there been a large increase in personnel for operating the telegraph system in recent years but there have likewise been some increases in the salaries of employees. While, as previously pointed out we believe some salary increases of the lower paid employees of the Republic are justified, we do not think increases should be granted until a survey has been made of all positions. To favor certain classes of individuals is manifestly unfair. Caution should also be exercised not to increase the amount of the large deficit now being incurred by the telegraph system.

Earnings could be increased by freeing the lines from the large amount of official traffic which pays nothing for their use. When the lines are clogged with business between government officers sometimes of a strictly official nature, but often the private business of the government employee they cannot be used by private individuals who are willing to pay for the service. It is suggested that every government officer who must transact business over the government telegraph system should be given an appropriation for the purpose. This fund should be used for reimbursing the telegraphs at regular commercial rates for the use of the lines. Local officers - alcaldes, governors, and the like - should be required to make such expenditures out of their own local municipal and district budgets. Thus, not only the revenue derived from the telegraph lines will be increased, but, the use of the lines for petty and unimportant matters which could as well be handled by letter will be eliminated. There is no other method of controlling the abuse of the privilege of free use of the telegraph lines by irresponsible government officers.

We have examined with some care certain of the contracts made in recent years

for the construction of new lines and for moving these lines from one route to another. It is clear that unit costs bear no relationship to each other, that many of the contracts contain a considerable amount of "water", and that the construction of the lines was not carefully supervised or inspected.

As an illustration of the great variation in the cost of construction of new lines we need only compare construction costs on the line from Rio Grande to San Carlos to Panama with that from Calobre to Chitra. The line from Rio Grande to San Carlos to Panama was moved from one location to another an average distance of five miles. This line consisted of ten wires with two crossarms and steel poles. It was necessary for the contractor to maintain service all the time he was moving the lines, and labor costs were high, as skilled labor was required. The unit cost of this work was B.225.00 a kilometer.

On the other hand, it cost B.135.00 a kilometer for labor only to construct a one wire forest line on wood poles and trees from Calobre to Chitra. In addition to receiving B.135.00 per kilometer for labor costs, the contractor charged the government B.2.00 for each pole he furnished. The character of the terrain in both cases was practically the same. The line from Calobre to Chitra which was constructed only a few years ago is now completely down and no longer of any value. It is obvious that construction costs on the latter line were extravagant and that there was a wide margin of profit for the contractor.

Our investigation leads us to believe that there was not only no public competition for the construction of many of the telegraph lines, but also that contracts for constructing many of them were awarded for political reasons. We commend the recent discontinuance of these policies.

In view of the large losses sustained by the government in the operation of the lines and the fact that they have been built at tremendous expense through virgin territory, some revision of the rates ought to be considered. In our opinion, the rates should be increased. There is no reason why they should correspond to the rates for services on lines which run through highly developed

industrial territory, which seems to be the theory on which the present rate structure rests. Moreover, the rates ought to be on a mileage basis. Flat charges for service throughout the republic are unjustifiable.

Apparently the burden of carrying the interior telegraph and telephone system can be lightened only by the steps suggested. More heroic measures are necessary, however, to remove completely this load. Government operation of the telegraph and telephone system should, in our opinion, be discontinued at as early a date as possible. That these lines ought to be of great value to private companies who are proposing the linking of the North and South American continents will occur to anyone who looks at the map. As soon as an offer is received which is fair and reasonable, the Republic of Panama would do well to accept it.

Pensions for the Telegraph Service. (B)

Attention should be called to the fact that Law No. 111 of 1928 contains a provision for the retirement of employees of the Telegraph Service that will inevitably result in a heavy additional burden on the Treasury.

This law authorizes the retirement of employees of the Telegraph Service on full pay after 20 years of service without regard to the age of the employee at the time of retirement. The fact that there are only 12 employees on the retired roll at this time is no indication of what the number will be in years to come. It should be borne in mind that those now on that roll are the survivors of a much smaller service of years ago. The number of employees on retirement will increase from year to year at about the same rate as the service grows. In 20 years from now the number of employees on the retired list will probably be about the same percentage of the present active roll that the retired employees of today are of the active roll of say 25 years ago. In the absence of information as to the rates of separation and the rates of mortality among the employees of the Telegraph Service of Panama, as well as other facts that are necessary for making an actuarial valuation, it is impossible to say definitely just how extravagant the present retirement plan is. It is obvious, however, that many employees would desire to retire immediately

upon completing 20 years, even though they are still physically and mentally competent. It is quite conceivable, therefore, that as the plan now stands, it will cost the government in 25 to 30 years an amount equal to 35 to 45 per cent of the active pay roll of that time, or even more.

Immediate steps should be taken to modify the law in such a way as to provide for retirement after not less than 30 years of service on attainment of age 60, or better 65, on a pension not exceeding one-half of the average pay received by the employees during the last five years of active service.

Steps should also be taken to have an actuarial valuation made of this fund for employees of the Telegraph Service and proper reserves should be set aside, as is done generally by states and municipalities maintaining pension systems.

DEPARTMENT OF FOREIGN RELATIONS (A)

The expenditures for the Department of Foreign Relations have been steadily mounting the past five years. They increased from B.534,963.74 during 1923-1925 to B.933,651.62 for the period ending June 30, 1927. There should however be deducted from this latter total the cost (B.224,100.07) of the special celebration commemorating the centenary of the First Pan-American Congress, convened in the city of Panama in 1926, making the net amount expended for foreign relations during 1925-1927, B.711,751.55. The estimated expenditures for the Department of Foreign Relations during the present biennium will be slightly in excess of those for 1925-1927. At a time when Panama is centering its efforts upon obtaining money to develop its resources and educate its people we think these outlays may well be reduced to the minimum.

We have been unable to understand why the Republic of Panama should maintain diplomatic representatives in certain European countries. The amount of diplomatic intercourse between Panama and these countries seems to us so small and negligible as not to justify the maintenance of legations in the eastern hemisphere.

Panama's foreign trade with European countries is so small that the maintenance of a large corps of consular representatives on that continent is, in view of the present condition of the treasury, may be considered unnecessary. We feel that Panama could dispense with its consular representatives in Germany, Spain and Italy, and with two of its three consuls in Great Britain, without seriously prejudicing its commercial relations with those countries. Probably also two of the four Panaman consuls in the United States could be eliminated without causing any serious loss to Panama. It would seem that at least further consolidations might be effected among the consular and diplomatic offices in Germany, Spain, Great Britain and Italy.

DEPARTMENT OF FINANCE AND TREASURY (A)

The budget and expenditures of the Department of Finance and Treasury for the biennium 1923-1925, 1925-1927, and the current biennium 1927-1929, are shown in the following summary:

<u>BIENNIUM</u>	<u>BUDGET</u>	<u>EXPENDED</u>	<u>OVEREXPENDED</u>	<u>BALANCE</u>
	(1)			
1923-1925	B.1,290,155.35	B.1,394,093.46	B.103,938.11	
	(2)			
1925-1927	1,159,068.67	1,554,285.36	375,216.69	
	(3)	(4)		
1927-1929	<u>1,603,024.03</u>	<u>1,494,503.20</u>		<u>B.108,530.83</u>
	<u>4,052,258.10</u>	<u>4,422,882.02</u>	<u>479,164.80</u>	<u>108,530.83</u>

(1) Includes B.54,925.35 supplemental appropriations.

(2) Includes B.11,636.37 supplemental appropriations.

(3) Includes B.256,774.03 supplemental appropriations.

(4) This figure represents expenditures through only 20 months of the current biennium.

The foregoing table includes certain supplemental appropriations but it is not known whether all such appropriations are included. Additional credits to original budget items are not included but since the original budget items are overexpended it is to be assumed that certain additional credits were granted by executive decree. However the important fact to be considered is that the

expenditures are in excess of the budget and have to be defrayed by additional revenues from some source, or else carried forward from year to year as a part of the floating debt..

The foregoing figures do not include any amortization or interest on the public debt. They merely represent the cost of administration of those activities which fall under the Department of Finance and Treasury.

The expenditure figures for the biennium 1927-1929 are shown as of February 28, 1929. Consequently there are four more months before the close of the current biennium. In many offices the amounts allowed by the budget for the entire biennium are already overexpended, so that any further expenditures from these partidas will only increase the overdrafts. If expenditures continue for the remaining four months of the biennium at the same rate as during the previous twenty months, the amount overexpended for the entire biennium will be nearly B.200,000.

In this as in other departments the partidas for specific salaries are generally adhered to, but the partidas for miscellaneous items, which are appropriated for in lump sums, are almost uniformly overexpended. Outstanding instances of such over expenditure are the partidas for additional labor in the Administration of Markets and Harves and the partida for supplies and materials in the Administration of Impost on Liquors. In both of these cases the actual expenditures were from two to five times the appropriations carried in the budget.

Another partida which has been regularly overexpended is that of contingent expenses (Gastos Imprevistos), as will be seen from the following table:

Contingent Expenses.

<u>Biennium</u>	<u>Budget</u>	<u>Expended</u>	<u>Overexpended</u>
1923-1925	B.20,000.00	B.59,911.69	B.39,911.69
1925-1927	20,492.30	119,161.59	98,669.29
1927-1929	<u>25,000.00</u>	<u>168,797.86(1)</u>	<u>143,797.86</u>
	65,492.30	347,871.14	282,378.84

(1) This figure represents only 20 months of the current biennium.

An appropriation for "Contingent Expenses" is justified if used with discretion for the intended purpose of meeting urgent and unforeseen expenses. This is the plain intent of existing law, but expenditures are not so restricted. The figures illustrate the common practice throughout the departments of making this appropriation the dumping ground, but the law does not intend that it shall be used as a vehicle for large unclassified expenditures. It will be noted that for the periods indicated in the above table the amount overexpended in this partida was more than four times the amount of the original appropriation. For the current biennium which still has four months to run the expenditures are already nearly seven times the budget allowance. This practice has been running so long that the law has become practically a nullity, and for this reason a new enactment prescribing budget procedure is suggested.

OFFICE OF FISCAL AGENT (Oficina de Fiscalizacion). (B)

The Office of the Fiscal Agent is one of the few government establishments which has lived within its appropriation during recent years. For example the budget for the biennium, 1923-1925, carried an appropriation for salaries of this office of B.113,400, but only B.103,324.63 was expended from this partida. The salary appropriation for 1927-1929 was slightly decreased to B.113,280, and the expenditures will probably be several thousand dollars less than during the preceding biennium. Here is an instructive illustration of what may be accomplished in the way of living within one's income, and the other offices of the Government might well profit by the example set by their Fiscal Agent.

If our recommendation for the establishment of the Office of Comptroller General is accepted a slight increase will probably be necessary in the present appropriation in order to provide for an Assistant Comptroller General and several additional auditors. A thorough reorganization of the present office will also be necessary but the details may safely be left to the Comptroller General. It need simply be pointed out in this place that the Seccion de Ingresos in the Fiscal Agent's office performs a dual function, since it administers certain

miscellaneous tax laws at the same time that it audits revenue collections. As previously recommended the administrative function of the Seccion de Ingresos should be separated from the audit function and transferred to a Section of Miscellaneous Revenues in the Bureau of Internal Revenue.

COLLECTION OF CUSTOMS DUTIES AND INTERNAL REVENUES. (B)

In the section on "Revenues" several recommendations were made with reference to the reorganization of the collection agencies of the Department of Finance and Treasury. At the present time the responsibility for collecting the national revenues is scattered among a number of semi-independent sections of the department without any centralized control of their operations. The recommendations therefore contemplate the consolidation of these sections into two bureaus each in charge of an administrator general. One bureau will be responsible for the collection of all import and export duties and the other will be responsible for the collection of all internal revenues. Some savings will undoubtedly result from these consolidations on account of the elimination of overlapping functions which will thus be made possible.

It is doubtful, however, whether the cost of collecting customs duties and internal taxes on liquor and property can be reduced to any great extent because it is not unreasonable at the present time. But the money appropriated for this purpose can certainly be expended to better advantage and that will mean a consequent increase in the volume of collections. For example, the number of liquor inspectors should be reduced by dropping the less efficient members of the force but those who are retained should be paid higher salaries. The number of customs guards at the various ports also seems excessive, but any savings effected by a reduction in their number should be devoted to increasing the compensation of the appraisers and liquidators.

ADMINISTRATION OF MARKETS AND WHARVES (ADMINISTRACION DE MERCADOS Y MUELLES). (B)

The receipts from markets and wharves have been falling off in recent years, but the expenditures for their operation have continued at about the same figure.

During the biennium 1925 to 1927, the receipts amounted to B.289,539.46, and in the following biennium, 1927-1929, they will probably not exceed B.250,000. On the other hand, the expenditures for the current biennium will undoubtedly exceed the total of B.141,138.84 which was expended during the previous biennium. As previously indicated, the expenditures made under lump sum appropriations for additional labor in markets and on wharves have greatly exceeded budget allowances. A considerable saving could probably be effected in this item of expense by the introduction of labor-saving machinery, such as electric hoists and electric trucks.

A better system of control should be instituted over collections because the present system is faulty in several respects and it is by no means certain that all monies collected are being covered into the national treasury. The schedule of charges for the use of the markets and wharves should also be revised with a view to securing a more equitable distribution of the burden.

The revenues from the markets in the municipalities of Panama and Colon are turned over to those cities by the national government. In the biennium, 1925-1927, B.33,202.88 was expended for this purpose, and the budget for 1927-1929 carries a similar appropriation amounting to B.36,000. Just why the Republic should operate these markets and receive no revenue from them is not clear. It would seem logical to either cover this revenue into the national treasury for the purpose of improving the markets or turn the markets completely over to the management and support of the municipality. One improvement which immediately suggests itself is the installation of a refrigeration plant for the preservation of meats and other perishable commodities.

ADMINISTRATION OF PUBLIC LANDS (ADMINISTRACIONES DE TIERRAS). (B)

The public land office will probably cost the nation about B.45,000 during the current biennium. A considerable reduction will be possible in the appropriation for this office during the coming biennium on account of the abolition of the provincial land administrators and the transfer of their duties

to the governors when the sale of public lands was discontinued over a year ago. However, the position of secretary to the administrator was retained although there is no doubt that the personnel of the governor's office could easily absorb his duties. Recently the sale of public lands was resumed on a small scale but Chiriqui is the only province where any activity has resulted, and there the President has reappointed the land administrator.

In the Economic Section of this Report attention was called to the unsatisfactory condition of land titles in the Republic of Panama. The law governing the sale of public lands is largely responsible for this deplorable state of affairs. Contributing to the confusion is the fact that there is no record of the lands owned by the government and consequently privately owned lands are sometimes sold as waste and uncultivated. One of the prime needs of Panama is colonists, but what inducement is there for the prudent to settle and toil in a country where titles to land are subject to dispute? What is needed to remedy this situation is a thorough revision of the land laws and a general land survey.

VARIOUS REIMBURSEMENTS AND DRAWBACKS (REINTEGROS Y DEVOLUCIONES). (B)

In the biennium, 1925-1927, B.100,000 was appropriated for this purpose, but the expenditures amounted to nearly twice that sum, or B.191,963.10. The appropriation for the current biennium is B.170,000, but only B.88,079.03 of this amount was expended up to February 28th, 1929.

An examination of the refunds under this appropriation indicates that the great majority of them have been on account of drawbacks of import duties for commodities exported to the Canal Zone. Many of them are for small amounts on sales of a retail nature to Canal Zone inhabitants, and often involve an audit which costs more than the refund requested. Moreover, it is difficult by means of a desk audit to detect collusion between seller and buyer in the overstatement of the actual amount of merchandise sold for use in the Zone.

It might be well to consider limiting drawbacks to amounts less than B.25.00 or B.50.00. In order to have adequate control over drawbacks in excess of this

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amount, consideration should be given to routing merchandise exported from Panama to the Zone through the bonded warehouses of the government.

Publicity might also be given to all refunds in excess of B.1,000 by publication in the Official Gazette of the name of the recipient, the amount of the drawback or reimbursement, a brief summary of the facts, and a citation of the applicable statutory authority.

FIRE DEPARTMENTS (CUERPO DE BOMBEROS). (B)

The fire departments in the cities of Panama, Colon and Bocas del Toro are supported by the national government. Direct appropriations for salaries are carried under the Department of Agriculture and Public Works, but the other expenses are paid out of a contribution of twenty per cent of the tax on real property made by the Department of Finance and Treasury. The extent to which the national government has supported the fire departments of these cities is shown in the following table:-

	<u>1923-1925</u>	<u>1925-1927</u>	<u>1927-1929</u>
Salaries	B.40,725.00	B.53,325.00	B.47,175.00
20% of Property Tax	38,369.62	79,386.42	55,553.77
Materials	<u>14,838.88</u>		
	B.93,983.50	B.132,710.42	B.102,728.77(1)

(1) This figure represents only 20 months of the current biennium.

Nor are these the only funds turned over to the fire departments. They are allowed to collect and retain all of the taxes received from fire insurances companies under authority of Laws 7 and 16 of 1926. The receipts from this fund amount to B.600.00 per month. There is no real accounting for these funds either to the national or municipal government. Our objections to these separate funds have been stated elsewhere. The fire departments are also permitted to solicit voluntary contributions from merchants and residents. These are covered into their treasury and disbursed as they see fit. The collector of these contributions is allowed ten per cent of all his collections in payment of his services. We

seriously question the propriety and equity of thus increasing the tax burden of the more patriotic citizens.

Certainly the question as to whether these fire departments should be supported to such an extent by the national government is subject to debate. Fundamentally the fire department is a municipal function, and therefore should be supported by the municipality. Of course, the national government in the capital city receives protection insofar as the national edifices are concerned. That is however only an incident in connection with the protection given to the whole city. Certainly it does not seem justifiable to grant subventions from the national revenues for the fire protection of the three principal cities, when they are much better able to pay for the cost of such protection than are the cities in the interior of the Republic, the citizens of which contribute in equal ratio to the national revenues. But if the national government continues its support of the fire departments it should have full accounting control of all receipts and expenditures including the right to prescribe the methods of keeping the accounts. It should also have the right to conduct periodic audits of all transactions.

HONORARY CONSULS. (B)

The appropriation for paying honorary consuls is included in the budget for the Department of Finance and Treasury. The propriety of this expenditure is not here questioned, but it is believed that money would be saved and duplication avoided if the honorary consuls were transferred to the jurisdiction of the Department of Foreign Relations where the affairs of the regular consular service are administered. The transfer of this activity to that Department is recommended.

CHIRIQUI RAILROAD. (B)

The appropriation for the support of the Chiriqui Railroad is likewise included in the budget of the Department of Finance and Treasury, although this activity is in no way related to the fiscal functions of that department. It is fundamentally an engineering project and should therefore be under the Department

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of Agriculture and Public Works. The central accounting office should also be required to establish an accounting control and audit of all receipts and expenditures of the Chiriqui Railroad.

COMMISSIONS TO THE BANCO NACIONAL. (B)

The commissions paid to the Banco Nacional by the national government have been steadily increasing. For each of the past three fiscal periods the appropriations made by the government for these commissions was B.50,000. But for the biennium 1923-1925 the actual amount paid to the Banco Nacional was B.72,989.31, for 1925-1927 it was B.90,313.18 and for the first twenty months of the present biennium it was B.71,853.36. In the three biennial periods the amounts paid the Banco Nacional have therefore exceeded appropriations by B.85,155.85. In the biennium 1923-1925 the profits paid by the Bank into the national treasury amounted to B.67,000, but no income has accrued to the government upon its investment in the Bank since 1925. A further discussion of the Bank and its functions appears in the Economic Section.

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1. DEPARTMENT OF PUBLIC INSTRUCTION (A)

For the three most recent fiscal years expenditures for the Department of Public Instruction have averaged nearly 25% of total annual disbursements of the Treasury, which is somewhat higher than the appropriations for education by other Latin-American governments. Commendable progress has been made by the Republic of Panama in developing a system of free compulsory education for all children, but the Republic still has a long road to travel before this ideal will be completely achieved.

PRIMARY SCHOOLS (B)

Between 1922 and 1929 the enrollment of the primary schools increased from 35,547 to 57,792; (1) the number of schools from 353 to 591; and the number of teachers from 792 to 1,533. But according to the census of 1920 the school population from 5 to 14 years was about 90,000, so that some 30,000 children of school age are receiving no instruction of any kind at the present time. Furthermore, in many of the schools no instruction is given beyond the third grade, although the regular primary school course is six years. The school year covers 40 weeks from May to February and classes are ordinarily held six hours daily five days a week. Congested conditions in many schools has made it necessary, however, to reduce the daily session to a half-day, especially in the lower grades.

SECONDARY SCHOOLS (B)

The secondary school system comprises the National Institute which includes a liceo or high school, a normal school and a school of commerce. There is also a school of arts and crafts for boys and a school of domestic science for girls. Graduation from the elementary schools is required for entrance to the secondary schools, the courses of which cover four, five and six

(1) This figure does not include 3,583 children enrolled in private schools during the last school year.

years. In general, the instruction in these schools is of similar grade to that offered by the American high schools, although the liceo, which grants degrees of bachelor of arts and bachelor of science, corresponds more nearly to the French lycee or the German gymnasium. Courses of college grade are offered by the schools of law, civil engineering and pharmacy. All of the higher schools are located in Panama City, with the exception of small rural normal schools at David and Aguadulce.

The enrollment in secondary and professional schools amounted to only 1886 students at the end of the current school year. In 1924 the corresponding enrollment was 1855, which indicates that the higher schools have marked time while the elementary schools were rapidly expanding in number and enrollment.

SCHOOL ADMINISTRATION (B)

The administration of the school system seems to be reasonably effective. For this purpose, the Republic has been divided into eighteen primary school districts, each in charge of an inspector and one assistant. The inspector and his assistant spend one half of their time in the field and visit every school at least twice a year for the purpose of instructing teachers in methods and rating them on their work. Detailed records are kept by teachers of the attendance and scholarship of all pupils and regular reports are made through the district inspector to the inspector general in Panama City. An analysis of the reports for the current year indicates that the average attendance of those enrolled in primary schools was 88 per cent, which is higher than might be expected considering the long distances that many children in the rural districts must travel from their homes to the schools. The average number of pupils enrolled to each teacher was 36.3, which is also a good showing. When classes fall below twenty-five they are usually abandoned.

PRIMARY SCHOOL TEACHERS (C)

Of 1563 primary school teachers only 692 are graduates of normal schools.