

The remaining 871 are at most graduates of the primary grades and have no additional educational training except for an occasional summer normal course. A praiseworthy effort is being made at the present time to weed out incompetents by requiring them to pass a qualifying examination in order to retain their positions. An effort is also being made to enforce higher standards by a system of fines and efficiency ratings, and teachers who do not maintain a minimum rating during the school year suffer the loss of pay during their vacations. If improvement is not shown during the following year they may be dismissed from the service. Nevertheless, a body of teachers over half of whom have no training beyond the primary school can hardly be considered adequately qualified to train the future citizens of a democracy.

Perhaps the main difficulty in obtaining properly qualified teachers is the low scale of salaries. Teachers with normal school diplomas receive an initial salary of B.65.00 a month, and those without diplomas B.42.50 a month. After each four years of satisfactory service, the former are eligible for a monthly increase of B.5.00 and the latter B.2.50. The highest salary which a graduate teacher can receive after 28 years of service is B.100.00, and a non-graduate teacher B.30.00. However, comparatively few teachers are receiving in excess of the minimum salaries, since many of them become discouraged and resign after a few years service owing to the long intervals between increases and the unsatisfactory working and living conditions, especially in the interior. The turnover in the rural schools is very high, and one of the chief problems of the department is to build up a stable force in the interior districts. Less difficulty is experienced in obtaining teachers for the cities of Colon and Panama. Smaller increases in salary at more frequent intervals probably would help to stabilize the teaching force throughout the Republic.

PRIMARY SCHOOL BUILDINGS (C)

The outstanding shortcoming of the system of elementary education at the present time is the lack of adequate housing facilities. Practically no new

schools have been built for over ten years and most of the existing schools are badly in need of repair. The desks and benches in many of the schools are old and broken, and the equipment generally is inadequate and obsolete.

Many of the schools occupy rented buildings which are totally unsuited for educational purposes. In one of the municipalities which we visited our attention was called to a house with a dirt floor, cane walls, and thatched roof, valued at B.40.00, but for which the government is paying rent at the rate of B.10.00 per month. It is difficult to understand why the Department of Public Instruction permits such a condition to exist when the annual rent paid for this hut would be sufficient to construct a building much better suited to school needs.

No stronger reason for economy in all branches of the Government can be conceived of than is afforded by this school house situation.

The amount expended for rent of school buildings has been steadily increasing for the last three bienniums. In the current biennium the total expenditures for rent will probably exceed B.150,000. This is a strong incentive to save money for school houses. Moreover, with the finances of Panama in good order showing an annual surplus instead of a deficit, a substantial loan might be considered for the construction of new buildings, thus making possible the elimination in the near future of many of the undesirable school buildings now used. As suggested in another section of this report, when quarters must be rented for public schools, it should be only upon the execution of a formal lease after solicitation of public bids. Moreover, every lease should be approved by the Executive Power and the Comptroller General, and no lease should be made for more than one year. Only in this way will it be possible to guard against favoritism in awarding leases and against the payment of excessive rents for unsuitable buildings. Every effort should be made to reduce the number of rented buildings by constructing new schools. These should be properly designed and care should be taken to provide them with ample lands for playgrounds and school gardens.

It is not sufficient, however, to build and equip new schools. They must

also be properly maintained or they will rapidly deteriorate. Judging from the general condition of disrepair which is characteristic of most of the school buildings the appropriations for this purpose during recent years have been both inadequate and improperly expended.

PRIMARY SCHOOL CURRICULUM (C)

The present standard curriculum for primary schools seems to lay too much stress on cultural subjects and there are too many subjects prescribed for the various grades. Since many of the children attend school for only three years every effort should be made to train them in the fundamentals of reading, writing and computing. Such subjects as singing, drawing and nature study are refinements which might well be eliminated from the lower grades. More stress should also be laid upon vocational training, such as agriculture and industrial arts for boys, and cooking and sewing for girls, as funds become available to purchase the necessary equipment.

SCHOOL FINANCES (B)

The central government now finances the major part of free public instruction, little initiative being shown in this matter by the municipalities. By law each of the smaller municipalities is required to pay 10% of its revenues to the Department of Public Instruction, and Panama and Colon are required to pay 20%. Based on the current budgets of the municipalities these contributions will amount to less than B.75,000 for the current year, whereas the expenditures for elementary schools will considerably exceed B.1,000,000. And even these small contributions are paid reluctantly in many instances. There is little doubt that the national government must shoulder the burden of supporting the school system for many years to come because the large majority of the municipalities in the interior are too poor to contribute toward the support of their schools. However, we believe that the central government should endeavor to develop local pride by offering financial assistance to municipalities which are willing to cooperate in the establishment and operation of schools. A small beginning has been made in this direction

by the Department of Public Instruction in encouraging local construction of school buildings by supplying the materials when the parents of the children have been willing to erect the building. We recommend that this practice be extended as rapidly as circumstances will permit.

Appropriations and expenditures for public instruction during the last three bienniums are shown in the table on the following page. It will be noted that in the biennium 1923-1925 and 1925-1927, the actual expenditures exceeded the appropriations by B.324,446 and B.743,905, respectively. There will also be an over expenditure in the current biennium but it will be less than in the previous one. In large part the amounts expended in excess of appropriation have been for the purpose of increasing the number of primary schools and supplying them with additional teachers.



BUDGET ALLOWANCES AND EXPENDITURES FOR PUBLIC INSTRUCTION 1923 - 1929

	1923 - 1925		1925 - 1927		1927 - 1929	
	Budget	Expenditures	Budget	Expenditures	Budget	Expenditures (1)
Office of Secretary	40,480.00	41,539.00	47,120.00	45,583.00	43,120.00	36,046.00
Inspection of Public Schools	98,075.00	92,725.00	158,220.00	146,844.00	134,230.00	106,851.00
Primary Schools Salaries of Teachers	1,196,000.00	1,467,202.00	1,629,875.00	2,052,833.00	1,950,500.00	1,863,572.00
Materials & Supplies	90,000.00	11,998.00	110,000.00	188,856.00	100,000.00	116,659.00
Local Rent	70,000.00	97,597.00	90,000.00	130,382.00	113,600.00	140,416.00
Secondary Schools	444,925.00	472,741.00	555,729.00	610,624.00	472,950.00	525,564.00
Construction and repair of buildings	239,312.00	176,987.00	130,000.00	264,185.00	95,000.00	109,876.00
Miscellaneous Expenses	44,670.00	87,309.00	82,206.00	109,682.00	51,700.00	98,922.00
T O T A L -	2,228,462.00	2,547,908.00	2,803,150.00	3,547,055.00	2,961,100.00	2,997,906.00

(1) The figures in this column represent expenditures for only 20 months of the current biennium.

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The average expenditure for each child enrolled in the primary schools was B.42.00 during the last biennium (1925 - 1927) or B.21.00 per annum. On the other hand, the average expenditure for each student enrolled in the secondary schools was B.326.00 for the biennium or B.163 per annum - nearly eight times the per capita expenditure in the primary schools. Of course, secondary education is always more expensive than elementary education, because teachers are paid higher salaries and equipment and supplies cost more. It is also true that there has been a slight decline in the last three bienniums of the proportion of the total school appropriation which was spent for secondary education. Nevertheless, a disproportionate amount of money is still being expended for the support of the various secondary schools in view of the urgent needs of the primary schools.

Such schools as law, civil engineering and pharmacy which have enrollments of only 10 or 12 students might well be abolished. There also seem to be too many teachers on the rolls of the secondary schools in proportion to the number of students. Many of these teachers hold positions in other government departments, and are not always qualified to teach the subjects assigned to them. The principals of the secondary schools select their own personnel, since there is no system of examinations for teachers such as has been recently introduced in the primary schools. All teachers, both full and part time, are paid by the hour. However, in only a few cases do total monthly payments to any one individual exceed B.200.00. There is little doubt that better instruction would result in the secondary schools if all applicants for positions as teachers were required to pass qualifying examinations and if full-time teachers at annual salaries were engaged to replace as far as possible the many part-time teachers.

The expenditure for foreign scholarships has increased nearly nine times in six years. In 1923-1925 the expenditures for this purpose amounted to B.10,150, and in 1927-1929, B.83,670 has already been expended from an appropriation of

B.89,400. Considering the need of the primary schools for buildings and teachers this appropriation certainly seems excessive. In this connection, it should also be borne in mind that over B.80,000 is being spent every biennium for scholarships in the secondary schools of Panama.

TEACHERS' PENSIONS (B)

Attention should be called to the need for modification of the law in regard to teachers' pensions. Failure to do so will result in gross extravagance in the use of public funds. The same kind of change is needed here that is necessary in the law providing for pensions for employees of the Telegraph Service.

The teachers' pensions are authorized by Law No. 41 of 1924. This law provides for retirement of teachers on full pay after 28 years of service without regard to the age of the teacher at the time of retirement. The fact that there are only 23 teachers on the retired list at this time is no indication of what the number on the retired roll will be in future years.

Under the plan as it stands it is entirely possible for teachers to be retired below the age of 50 while fully capable of performing their teaching service. It is of course obvious that many teachers would prefer to be retired immediately upon completing 28 years of service even though they are fully able to go on with their work, since they would receive as much reward if they did so, as if they continued in their duties. If these provisions are allowed to stand, it means that the cost of teachers pensions in say 30 to 35 years will be about 25 to 35 per cent of the active payroll, or even more.

In view of these facts we strongly urge that this law be modified at once to grant retirement to teachers after not less than 50 years of service and only at the minimum age of 55, and that the benefit be limited to one-half of the average pay during the last five years of active service. We recommend that this fund be valued also and proper reserves be set aside to meet future liabilities under the plan.

BUSINESS EXPENSE (B)

The inspector-general, who is assisted by a sub-inspector general, acts as the superintendent of all schools primary and secondary, and supervises both the educational and business administration of the entire school system. In our opinion, the system is large enough and its activities are sufficiently varied, to justify the employment of a business manager to whom should be entrusted the business part of the school administration. His duties should include the procurement and distribution of equipment and supplies, the construction and repair of buildings, the repair and replacement of furniture, the preparation of payrolls, the audit of vouchers, the administration of special school funds, the maintenance of fiscal accounts and property records, and the preparation of financial statements and reports. It is understood, of course, that such duties as the direction of the construction and upkeep of buildings and the procurement of equipment would be performed by the business manager in accordance with policies adopted by the educational officers, and in cooperation with the Department of Agriculture and Public Works. The main argument in favor of the appointment of such an official is that he would relieve the inspector and his assistant of the business management of the schools, thus leaving them free to devote their time to the study and solution of technical and educational problems. A well qualified business manager should also provide a more effective administration of school finances, and, if given proper support, should be able to stop many of the leaks which at the present time occasion considerable loss to the school system.

SUMMARY (B)

Treasury resources will certainly not permit expenditures for public instruction in excess of the present proportion of 25% of the total budget. But there is little doubt that the funds now available for school purposes might be more efficiently expended. The secondary schools should be reorganized with a staff of full-time teachers; the schools of law, civil engineering and pharmacy should be abolished for the present; the support of teachers in secondary schools and foreign schools should be curtailed; and the excessive expenditures for rents should be reduced. Combined

with these readjustments should be higher standards for teachers, more adequate school buildings and equipment, greater emphasis upon vocational training, the appointment of a business manager, and gradual increases in salaries as teachers demonstrate they are worthy of higher compensation.

DEPARTMENT OF AGRICULTURE AND PUBLIC WORKS (A)

AGRICULTURE (B)

As has been pointed out elsewhere in this report, we believe that the future economic progress of the Republic of Panama depends largely upon the development and expansion of agriculture. Such allowances as may be practicable, should be provided in the budget for the development of agriculture and for the instruction of farmers in the production of crops suitable to the country. In the present state of the budget we do not feel justified in saying more than this, but we believe that expenditures upon this line should be increased when funds are available.

PUBLIC WORKS (B)

Outside of road construction which now comes exclusively under the jurisdiction of the Central Road Board (Junta Central de Caminos), and which is treated elsewhere in this report, the Republic of Panama is spending only a small amount out of the general revenues of the Republic for public works. The remodeling and enlarging of the Palacio Nacional is the only construction work now being done directly by the government.

Most of the street paving and widening in the cities of Panama and Colon is done under the supervision of the Canal Zone authorities. The cost of this work is repaid to the Canal Zone from the appropriations of this Department. Occasionally some minor work is done entirely under the direction of the Panama Department of Public Works. This arrangement seems to be satisfactory to everyone concerned.

While there are undoubtedly a great many instances in the Republic of Panama where the construction of public works should go forward, appropriations for new buildings, for widening of streets and avenues, for construction of retaining walls and the like can better be postponed than can many other items which make up the

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budget. Until a surplus is accumulated, such projects as the building of a new Legislative and Judicial Building, the construction of a retaining wall in the Exposition Grounds and the like should be postponed. No matter how desirable in themselves these projects may be they will not justify the incurrence of a deficit.

DEVELOPMENT OF CITY SUBDIVISIONS (C)

We look with some apprehension upon the policy recently adopted by the government of aiding the development by private operators of certain real estate projects. These operators have obtained from the government contracts under which they will be indemnified for the installation of water and sewer mains in streets which are being opened in various subdivisions about the City of Panama. The present contracts call for an expenditure of B.150,000.00 each biennium for new developments (para las nuevas urbanizaciones) in Bella Vista, Lanja de Toque, Trapiche, and Cia. Unida de Duque. The procedure followed at present is for real estate operators who wish to open a new subdivision to submit their plan of the proposed streets to the government with the request that it be approved. If the plans are approved the government makes a contract to pay some part of the cost of this work. Ordinarily these contracts provide that the annual payments by the government for amortization of the cost of the project and for interest on the total amount stipulated in the contract should begin one year after the work is commenced. Usually the developer obtains sales or bonds from the government covering the amount named in the contract and discounts these at one of the local banks soon after the work is begun.

There is no supervision by the government of the actual work performed, except that given by the zone authorities, to see that value is received from the money expended. There is no assurance that the work once started will ever be completed in accordance with the terms of the contract, although the government has given its bonds in payment of the work. Interest on money actually expended is paid by the government in advance. The materials used in the construction work are exempted from taxation although the public benefit which is alleged to flow from such

development is plainly not distributed equitably. There seems to be no uniform relationship between the estimated cost of the improvements and the amount of the government's share, for in one case the government will agree to pay approximately one half of the estimated cost and in another case it will pay two thirds of the cost while in other cases the estimated cost of the improvement is not even stated in the contract. The whole contract is so loosely drawn that the government's interests are practically without protection. There is some doubt in our minds that the contract is even legal or valid. The greatest objection, however, to the system is that it makes the government an interested party in real estate speculations. This is a bad policy on general principles but especially when there is no assurance that the development will be successful or that any use will ever be made of the utilities which have been installed.

The whole scheme is open to serious objection and we believe that no further contracts of the kind should be entered into. More rigorous inspection should also be made of the work now under way to the end that the government obtain full value for the amounts it has contracted to pay.

MUNICIPAL LIGHTING CONTRACTS (C)

The national government is now entering contracts for furnishing street lighting to a large number of cities and villages throughout the Republic. The estimated cost of these contracts during the next biennium is B.587,167.68. Included in this figure is B.240,000 for street lighting in the City of Panama and B.82,558.32 in the City of Colon.

The question first of all whether the cost of street lighting in municipalities is a proper charge against the general revenues of the Republic even in a nation with as highly centralized a form of government as has Panama. Certainly the central government should be reimbursed to some extent for expenditures made for street lighting. Only by encouraging a sense of responsibility on the part of the local taxpayers can waste of the national revenues be prevented. A municipality that is not large enough nor important enough to raise revenue for some

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improvement of local conditions, is hardly justified in calling on the national government to help it install an elaborate system of street lighting.

Moreover, there is a more specific and concrete objection to most of the contracts for street lighting - the rates are too high. We have been unable in the time at our command to make an accurate valuation of the plant and equipment of these lighting properties and to go through the long and technical processes necessary to the determination of a fair and reasonable rate, but we nevertheless feel able to assert from what we have learned here and from comparison of rates imposed here and elsewhere, that many of the rates are unjustifiably high. Furthermore, a contract for street lighting at a stipulated rate for a period of fifteen years, as is frequently the case, is unfair to the taxpayer, since he obtains no reduction in rate on account of new improvements or increased efficiency of management.

No further street lighting contracts should be entered into unless the municipalities are able and willing to assume some of the expense. The terms and conditions of existing contracts should be reviewed, a valuation of the plant, lines, and equipment should be made in each case by competent engineers and a rate should be fixed upon a basis fair both to the contractor and to the taxpayer. No contract for street lighting should be renewed unless the municipality is willing to share the cost of that contract. If the municipalities are called upon to defray at least fifteen per cent of the cost of lighting and the rates are reviewed the total street lighting costs could be reduced by \$100,000.00 from the present total of approximately \$527,000.00 a biennium.

In most countries of the world means are found to control the charges which may be made by a corporation in possession of a monopoly on a commodity or service which is in common use. Public Utilities Commissions, as they are generally called, exist in every one of the United States. It is their duty to determine fair and reasonable rates which can be charged for electricity, gas, telephone, and for various

means of transportation. They also regulate the service rendered by these Public Utility organizations. If there were some similar body in Panama, it could determine fair and reasonable rates for these lighting contracts as well as what rates should be charged the public.

EXPENDITURES FROM LOTTERY FUNDS (Departamento de Beneficencia) (C)

The government receives over one million balboas a biennium from the operations of the national lottery. This sum is devoted exclusively to welfare work in the Republic, namely, support of hospitals for the sick and for the insane, support of the National Red Cross and the Division of Child Hygiene (Puericultura) in the Department of Agriculture and Public Works, and assisting the fire corps in the cities of Panama and Colon, and subsidizing various schools throughout the Republic.

The control exercised by the national government over expenditures made from these funds is exceedingly loose. Each of the organizations receiving allotments from the Beneficencia is practically independent of the officers of the national government both as regards their program of work and the manner in which their funds are expended. There is no supervision or coordination of their efforts; little attempt is made to see that the funds are wisely and economically expended; no real audit is made of the moneys they receive. As pointed out elsewhere in this report these funds as well as all other special funds should be covered into the general fund of the treasury, and direct appropriations according to the needs of the service should be made for each activity. No contributions should be made to any private institution except on a contract basis in return for which the government should obtain the care and treatment of a designated number of wards at a specific per diem rate.

HOSPITAL SANTO TOMAS (C)

Santo Tomas Hospital now receives from the funds of the lottery about B.600, 000.00 a biennium. This fund supplemented by moneys received from private patients is expended for the operation and maintenance of the hospital. The current state-

ment of the hospital shows that a small deficit is being incurred for its operation at the present time.

It is not quite clear what is the basis of a system which permits a doctor, who is receiving a salary for full-time services, to receive two-thirds of the fees paid to the hospital by private patients for the surgical work he performs. All of the hospital surgeons are paid regular monthly salaries which are supposedly adjusted to their duties and qualifications, and, in addition, several of them receive one or more salaries for part time work in various medical services which are supported from the funds of the National Lottery. Superadded to these emoluments are the fees collected from private patients who are given surgical treatment at the hospital. A check of the books at the hospital shows that something between P.1,500 and P.2,000 a month is distributed in this manner to the medical officers of the hospital. One of the doctors received approximately P.700 during one month from such fees. This is in addition to the salary he receives directly from the hospital and from one other government position which he holds. In short, Santo Tomas would seem to be conducted neither as a hospital with a staff of visiting surgeons, who receive their fees from their own private patients, nor as a hospital with a paid staff of medical officers who perform all of the medical work in the hospital, all of the fees for such services being collected by the hospital and used for its support. This is an anomalous situation in which our opinion should be corrected. Santo Tomas seems a splendidly built and equipped hospital which is being allowed to depreciate and which is suffering ^{general} for lack of full time attention on the part of its medical staff and for lack of an abiding interest on the part of the government.

The number of employees carried upon the rolls of the hospital seems unduly large, since there are almost as many employees as there are patients. During the month of January 1929, the number of patient days was 17,934 and the number of employee days was 17,462. Judged by standards with which we are familiar the ratio of employees to patients is almost fifty per cent greater than it should be. One of the factors contributing to this disproportion is the excessive administrative overhead carried on the rolls. Efforts should be made to eliminate this

surplus personnel.

TUBERCULOSIS (C)

To confess to some fear that the funds derived from the antituberculosis tax may be the source of considerable trouble. Our antipathy to earmarking special revenues for specific purposes has been previously indicated. The funds derived from this special tax, which it is estimated will amount to from B.300,000 a biennium to B.400,000 a biennium, are to be expended under the direction of a special board which will have exclusive jurisdiction over the methods to be followed in conducting the antituberculosis campaign.

Even assuming that all of these funds will be wisely and economically spent we think this method of management is fundamentally unsound. In the first place more money will be spent on alleviating the ravages of tuberculosis than will be expended on all of the other health activities combined. The most casual observation of the health problem in Panama would indicate that there are other health problems which outrank tuberculosis in importance. The almost universal opinion of medical men is that the control and eradication of malaria is of paramount importance to the health of Panama. The order in which the various diseases caused by intestinal parasites should be attacked in the public health program is perhaps a matter on which there may be honest disagreement of opinion but there is no dissent from the fact that all of them combined ought to be attacked with a vigor second only to that devoted to the control of malaria. The purification of the water supply of the Republic, the education of the public in hygiene, and several other projects will be given by many medical men an importance in a public health program superior to that of mitigating the ravages of tuberculosis and they all have a bearing upon the control of tuberculosis. The proposal to erect a large tuberculosis hospital in the Republic of Panama at a cost of approximately one million dollars certainly does not appeal to us as a sound expenditure of public funds at this time. We do not mean to suggest that every reasonable effort should not be made to combat tuberculosis but we are convinced that it is a mistake to single

out this one health problem and give it consideration above all others. All moneys expended in the tuberculosis campaign should be under the control of the health department, the prime duty of which should be to coordinate all health functions. The tuberculosis fund ought also to be carried in the general budget and be subject to the rules and regulations that control expenditures for other purposes.

CHILD HYGIENE (POBRESQUERIA) (C)

No doubt if the money now expended on child hygiene is returning fair value to the tax payers. Such statistics and reports as we have been able to gather indicate so little real progress that we think the whole matter should be abandoned or else those in charge should be held to a closer accountability for the funds allotted to this project. We feel quite confident that the transfer of all health activities to a Department of Public Instruction and Public Welfare as previously suggested would result in a vast improvement in the medical work now done in the schools.

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INDEPENDENT OFFICES (A)

In addition to the departments previously mentioned there are several independent or quasi-independent boards and offices reporting directly to the President. The most important of these is the Central Road Board, which has charge of the design, construction and maintenance of the entire highway system of the Republic.

Central Road Board. (B)

The Republic of Panama is engaged upon an important program of road construction, inaugurated in 1920 by the establishment of a Central Road Board, (Junta Central de Caminos). The law delegates to this body full authority over the design, construction and maintenance of public roads, including the disbursements of funds borrowed for the purpose or appropriated from current revenues.

Money for road work was derived at first from current revenues and later from the proceeds of loans.

The following sums had been expended for road construction and maintenance to the dates given below:

To June 30, 1922	- - - - -	B.2,567,550.15
" " " 1924	- - - - -	4,751,349.14
" " " 1926	- - - - -	7,697,226.02
" " " 1928	- - - - -	9,547,421.04

The amount corresponding to June 30, 1928 had been expended thus:

Completed roads (312.3 kilometers)	- - - - -	B.4,542,666.75
Construction of bridges and wharves	- - - - -	585,050.84
District roads	- - - - -	134,878.28
Maintenance of completed roads	- - - - -	544,400.02
Maintenance of bridges	- - - - -	66,519.96
Repairs of Chiriqui Railroad	- - - - -	245,250.07
Roads under construction (151.3 Kmtrs)	- - -	2,724,044.44
Equipment	- - - - -	456,915.28
Non expendable property	- - - - -	45,936.45
Materials on hand	- - - - -	87,359.93
Sundries	- - - - -	114,399.01
Total	- - - - -	B.9,547,421.04

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Of the above amount about six million had been derived from loans and three and one-half million had been drawn from the general funds of the Government.

The average cost per kilometers of road has been as follows, including structures:

Concrete - - - - -	B.40,326.05
Asphalt macadam - - - - -	30,937.50
Water bound macadam - - - - -	18,214.90
River gravel - - - - -	20,000.76
Sand-clay - - - - -	16,642.05
Pit gravel - - - - -	15,619.90

The foregoing figures are from the records of the Road Board and the figures apply to the completed sections between Chepo and Panama City and Panama City and Meussbe and Santiago.

In June, 1928, the Republic of Panama contracted a loan with The National City Bank of New York, from the proceeds of which the sum of B.5,092,745.97 was set aside for the construction of roads under the direction of the Junta Central de Caminos.

From the above mentioned sum the Junta set aside B.650,000.00 for the purchase of equipment and the completion of roads then under construction and the balance of B.4,442.745.97 is to be devoted to the construction of the main highway between Santiago and David.

Besides the funds proceeding from this loan, of which there remain about B.3,800,000.00, the Junta Central de Caminos derives income from the following sources:

Gasoline Tax: - Law 24 of 1924 imposed a tax of five cents per gallon on the importation of gasoline to the Republic and provided that the proceeds of this tax should be devoted to road maintenance, improvement and construction. It was later raised to ten cents per gallon, where it now stands. This law was, however, dead letter for a number of years as far as the money being turned over to the Road Board was concerned. Finally, as the results of negotiations

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with the Government, it was agreed that the money be deposited directly to the account of the Road Board, and this has been done since February, 1928.

Automobile license tax:- Laws 9 and 62 of 1928 gave the Road Board 25 per cent of the proceeds of this tax. No definite figures are yet available although ten to fifteen thousand balboas may be expected from it this year.

Poll-tax:- Every male inhabitant of the country (with few exceptions) is supposed to pay a head tax for roads of either B.12.00, B.5.00 or B.3.00 per year, those in the third class being allowed to pay in actual labor at the rate of B.1.00 per day. This, or some other similar tax, has always existed, but little income has been derived from it. This tax has been turned over to the Road Board, beginning this year, and efforts are being made to make it a real source of revenue.

Market revenue:- Law 62 of 1928 also gives to the Road Board 25 per cent of the net proceeds from the public market in Panama City, also beginning January, 1929. For the last three months this sum has amounted roughly to B.800.00 per month and is to be devoted to district roads around the capital.

It may be gathered from the above that the Road Board has revenues of B.25,000.00 to B.30,000.00 per month outside of money from the loan. Maintenance of existing roads, including improvements and reconstruction is costing about B.15,000.00 to B.18,000.00 per month, there being a small balance left every month to be devoted to new construction.

The Chiriqui Railroad (B)

Owned by the Government and nominally under the direction of the Secretary of Finance and Treasury, the Chiriqui Railroad is really managed and operated by a practically independent staff of officers. The railroad starts from the Pacific port of Pedregal and runs a distance of 51 kilometers to the city of David, up a steep grade of 4,000 feet through the center of the coffee-growing country to Boquete. One branch of the road runs from Dolega to Potrecellies, a distance of 17 kilometers. Another branch runs from David to La Concepcion and thence to the Pacific port of Puerto Armuelles, a total distance of 87 kilometers. About 22 kilometers of this latter line, which runs through the property of the Chiriqui Land Company, a subsidiary of the United Fruit Company, has been leased to that Company. The United Fruit Company plans to build branch lines connecting the railroad with all parts of their extensive holdings in this vicinity. A government built and operated dock at Puerto Armuelles provides terminal facilities for the railroad and for the steamship lines operating between that port and the city of Panama. Regular passenger service in gasoline driven cars is maintained between all points on the railroad. Steam locomotives are used for hauling the increasing amount of freight transported over the lines of the railroad. Gross operating revenues of the railroad are now almost equivalent to operating expenses before depreciation and interest and amortization charges.

Banco Nacional (B)

The Government also owns the stock of the Banco Nacional which is engaged in a general banking business and is authorized to make loans upon real

estate security and issue bonds based upon such loans, which bonds shall also be guaranteed by the Republic of Panama, up to a total of \$10,000,000. This bank also acts as a depository of Government funds.

Lucha Antituberculosa (B)

Another independent agency is the Lucha Antituberculosa, which is supported by funds derived from a special surtax on liquors for the purpose of conducting a campaign against tuberculosis. The committee in charge of this work is now preparing plans for its campaign against tuberculosis which is a common disease throughout the Republic.

National Lottery (B)

In addition to the foregoing independent agencies there is the National Lottery which is run by an independent board of governors which superintends the weekly drawings, audits the accounts and determines all policies connected with the operation of the lottery.

SUMMARY OF SPECIFIC RECOMMENDATIONS (A)

Budgetary Procedure and Accounting Control. (B)

Establish a sound budget and accounting plan which shall

- (1) produce a balanced budget based upon a scientific study of the receipts on the one hand and of department needs on the other;
- (2) provide flexibility in the budget program, so that adjustments can be made in it from time to time as conditions warrant, and
- (3) provide a control of the administration of the budget in the powers and duties of the office of the Comptroller General, which shall maintain a modern accounting system for the Government, audit all government accounts, pass finally upon all accounts in which the Government is concerned, and investigate the methods of conducting government business.

Accounting Methods (B)

Provide adequate system of financial reports.

Provide general ledger accounts to control all appropriation transactions

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including encumbrances.

Provide general ledger accounts to control all revenue transactions including estimated revenues.

Provide adequate system of property accounting to establish property accountability.

Provide control of receipts and expenditures of all special funds as well as general funds.

Restrict departmental accounting to a current record of available appropriation balances and such cost accounts as may be required.

Government Organization and Methods (B)

Regroup government departments.

Eliminate hand copying and substitute typewriters for recording official documents.

Install labor-saving devices in the Post Offices.

Maintain indexes on cards rather than in bound books.

Study use made of space in public buildings with view to reducing cost of rent.

Centralize all purchasing activities.

Establish schedule and specifications for all commonly used articles.

Award contracts to lowest bidder and as far as possible on a definite quantity basis.

Provide inspection to insure that all articles purchased are in accordance with specification.

Reorganize and equip government printing plant to handle all government printing work.

Eliminate practice of having unofficial publications printed at Government Printing Plant.

Establish a limit on the printing work done for each department through a specific appropriation for this purpose.