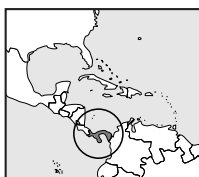


“Shall we work together for Panama”?

PATRICIO MOSQUERA DE LA GUARDIA

RINA SHACALO ABADI¹



Panama has a relatively high *per capita* income (USD 3,080), higher than most Latin American countries. The distribution of wealth, however, reveals a high level of inequity, similar to that of Brazil and only slightly below that of South Africa. Profound poverty persists, affecting 37% of the population.

Panama has one million poor people. Half of them live in conditions of extreme poverty. The government of Mireya Moscoso Rodríguez, whose electoral platform centred on poverty eradication, has focused on the most needy social sectors. The motto for her strategy is “Let Us Work Together For Panama”. The president perceives the most serious macro economic problems to be external debt and the unfair distribution of wealth. Both have worsened in the last few years.

In 2000, Panama suffered an economic slow-down, with a growth rate of only 2.8% in GDP. The slow-down was caused partly by exogenous factors, but many national economists argue that its causes are to be found principally in the policies implemented by President Moscoso Rodríguez. One economist even referred to the slow-down as the “Mireya effect”. A World Bank report states that the government’s public strategies are highly centralised with poorly focused policies and they are failing to achieve their main goals.

Rich country with many poor people

According to the World Bank, “Panama’s inequity ranks among the highest, equal to Brazil and only slightly inferior to South Africa, two of the countries with the greatest inequity in the world.”² These economic disparities are even greater in some geographic areas within the country. Indigenous peoples, for example, have alarming rates of up to a 95% probability of poverty.

Geographic conditions force the rural poor to emigrate to the city to alleviate their situation. Upon arriving, these emigrants immediately become part of the urban poor, which make up 33% of Panama’s poor.

There is a strong relationship between the poverty and child malnutrition. More than 16% of children under five are affected by some form of malnutrition, and close to 85% of these are poor.

Poverty became accentuated after the political and social changes of the late 1980s, which ended with the fall of the military regime. Poverty worsened with structural adjustment policies in the 1990s and with economic liberalisation measures adopted as a result of adherence to the WTO.

Economic policy and structural reforms

In 2000, the economy weakened for the third straight year, showing a GDP growth of only 2.8%. A drop in the availability of capital after important infrastructural works, along with the slow-down in consumption, diminished internal demand. The coincidence of Panama’s economic “opening” with the fall in economic growth has worsened existing disparities and made the situation of the more vulnerable sectors more difficult.

Structural adjustment policies included the privatisation of public services in the telecommunications and energy sectors. Once privatised, both services raised their monthly rates, but did not become more efficient as a result. Telecommunications rates doubled in one year. This situation led to the creation of the so-called “Fiduciary Development Fund”. Only interests generated from this fund may be spent for social services.

For 2001, the government foresees spending USD 1.18 billion on debt payments, of which USD 648.4 million is for interest. This represents 21% of the general government budget. The total sum of the debt is around 7 billion dollars, which represents approximately 80% of the GDP. To this figure, although “manageable” in itself, must be added the nearly USD 400 million that the government needs to raise annually to “balance” the national budget.

Unequal access to social services

The national budget for the year 2001 is USD 5.6 billion, of which USD 2.8 billion is for social services. Of this, USD 1.47 billion is committed to state investment programs, which, according to the government, are fundamental to reaching the goals of economic growth, job creation and relief for the neediest sectors of the country.

There are disparities in access to public services between rural and urban areas. As the World Bank report expresses, “the relatively good health indicators on average across the country hide the great differences and a deficient state of health among the poor and indigenous peoples.”³ Twenty per cent of the Panamanian population does not have easy access to health services as defined by the World Health Organisation (WHO). According to the 1997 National Life Survey (ENV), the situation is even worse among the poor and indigenous peoples.

Panama allocates nearly six per cent of GDP to education, so that it has one of the greatest *per capita* education budgets in Latin America. A large part of this budget is destined to administration, however, and according to the Interamerican Commission for Educational Reform, this is because “the Education Ministries

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2 World Bank. *Panama Study of Poverty, Priorities and Strategies for the Reduction of Poverty*. Washington, D.C., April 2000.

3 *Ibid.*

tend to be institutions with uneven growth and a heavy burden of functions, whose relatively high budgets and numbers of staff are managed with performance and efficiency criteria far below those of a private corporation.⁴

Panamanian society is conscious of the need for changes in the educational system. While reform has been attempted, it has not succeeded, mainly because of the lack of consensus among parties involved in the sector.

Higher education is mostly a privilege of the non-poor. Only 1% of poor people reach university in Panama. Hence better-off people receive a large subsidy, to the detriment of those with fewer opportunities.

Educational specialists believe that higher education should continue to be subsidised by the government. At the same time, educational institutions should aim to build their own financial bases. They should establish a quota-based system based on the ability of each student to pay, for the purpose of creating egalitarian access to higher educational levels.

A project called "The City of Knowledge" is underway. The plan is to establish a technological park, academic and scientific research centres, and prestigious cultural institutions originating from different parts of the world. "The City of Knowledge" aims to make Panama a reference point for promotion of a culture of peace, democracy and the permanent search for solutions to the everyday problems facing humanity.

Highest unemployment in Panama's history

Panama's national unemployment rate is 13.3%, and 33% of the population, mostly poor or extremely poor, works in the informal sector. These figures place the country in the worst unemployment situation in its history.

The unemployment phenomenon affects mostly the women: 17.9% of women are unemployed, compared with 10.8% of men. Women face a great discrimination in the labour market. They are forced to compete on unequal terms with men to secure jobs, and they receive lower salaries while performing the same duties.

Underemployment is another serious problem. Many people earn incomes far below those paid for formal employment, and this often limits or prohibits their access to basic general services. The majority of underemployed are unskilled labourers belonging to vulnerable groups, mainly indigenous people and poor women.

Panama, like the rest of Latin American societies, has witnessed different forms of abuse in the area of child labour. Many agreements have been signed in the past to prevent these situations. Significant gains were made in the capital city through commitments by businesses to make children and teenagers prove their school attendance as a requisite for obtaining work. The reality in the interior of the country is very different. There have been no significant advances in working conditions during harvest, where there is exploitation, not only because of the long hours and heavy work, but also because of the low pay.

In the formal sector, the minimum wage was raised by decree of the new government. This has increased coverage of the basic food necessities.

A study of poverty in the country, carried out by the Ministry of Economy and Finances, establishes that "if the open unemployment rate is reduced and underemployment in destitute families is reduced to the prevailing rates among non-poor families, extreme poverty will disappear. Alternatively, if the number of people employed per family increases to the level of non-poor families, and minimum wage is paid for these additional jobs, extreme poverty will disappear."⁵

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