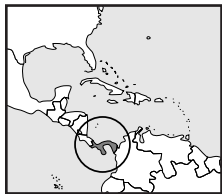


## High spending, poor results



The greatest challenge for human security in a country where 40.5% of the people are poor and 26.5% are extremely poor is to fight poverty, especially in the rural areas and particularly among indigenous peoples. The high level of social spending has failed to have the expected impact due to an inadequate budget and to corruption.

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The “lost decade” of the 1980s, characterised in Panama by economic problems such as inequality, unemployment and poverty, was chiefly a consequence of the political crisis involving the United States and the huge external debt following heavy loans taken out in the 1970s, when attempts were made to promote industrialisation by implementing protectionist policies. The 1990s were characterised by strict compliance with the stabilisation and structural adjustments recommended by the IMF and the World Bank.

Although a moderate liberalisation policy for trade and services resulted in high economic growth during its first years of implementation (1990-1992), more radical liberal changes during the government of Ernesto Pérez Balladares (1994-1999) did not have the same positive impact. After the liberalisation (Employment Code, 1995) and privatisation (telephone company and hydroelectric system) implemented during that period there was no significant economic growth and inequality escalated. The resulting increase in poverty and inequality restricted access of the poor to privatised public services.

The present Government has not made any significant progress in the struggle against inequality. Although per capita Gross National Income is USD 4,020,<sup>2</sup> current poverty levels are alarming (40.5% of the population are poor and 26.5% extremely poor). The greatest challenge vis-à-vis human security that future Panamanian governments face will be to do battle against extreme poverty in rural areas (particularly among indigenous peoples) and to ensure that the poor receive the basic services required to enable them to interact successfully in society.

### Education: another generator of inequity

Together with Costa Rica, government financing for educational services in Panama is one of the highest in the region. There have been advances in terms of national coverage (95% literacy rate in 2000 compared with 93.5% in 1990<sup>3</sup>) and in the national curriculum (a law making the teaching of English obligatory in public and private schools has been approved).

In spite of these gains, the UNDP National Human Development Report 2002 states: “instead of contributing to social integration and mobility, education has become another source of inequalities”.<sup>4</sup> Students in urban areas are supported by an infrastructure of communications and institutions, which effectively boost their productivity in relation to students in rural or indigenous areas.

According to a World Bank study, government expenditure on education is in fact regressive, since 95% of its subsidies are targeted to higher education, of which only 5% of the poor takes advantage.<sup>5</sup> At the same time there is inequity in the distribution of public outlay in education at the regional level, where urban centres receive greater coverage than rural areas.

Education is an important instrument for families trying to emerge from poverty. However, in rural areas and particularly among indigenous populations (where over two-thirds of the population over 9 years are illiterate), a high percentage of individuals give “lack of money” as the reason for not attending school.<sup>6</sup> As a result, there are poor families who do not have access to the benefits of education. It is worth noting that in cases where these benefits do exist, they are equivalent to an increase of close to 5% of the hourly income received by a head of household per year of schooling completed.<sup>7</sup>

As part of the Government’s strategy for providing education services, a considerable portion of financial resources are administered through local parents’ associations in schools and the communities they serve. Recently, the national media have published several cases indicating that many of these resources are being misappropriated.<sup>8</sup> This also points to the institutional shortcomings shared by local governments and their communities.

In the last few years the Government has taken positive steps towards a better provision of educational services by securing active participation in collective initiatives on the part of political parties, organised civil society, workers’ unions and business organisations like the Diálogo para la Transformación Integral del Sistema Educativo (Dialogue for the Transformation of the Education System) and the Mesa de Diálogo del Programa de Promoción de la Reforma Educativa en América Latina y el Caribe (Committee for the Promotion Programme for Educational Reform in Latin America and the Caribbean). Among other strategies, the Government is also addressing the specific situation of indigenous communities with projects such as the National Literacy Campaign “Reading in the New Millennium”, a programme targeted at young and adult indigenous people, a bilingual literacy programme and a Spanish teaching programme for Ngobe, Embera and Kuna indigenous women.

### Health: a problem of State

Expenditure on health is the highest in the Government’s social budget (PAB 191 - USD 191 per person in 1999).<sup>9</sup> Responsibility for health management at national level is shared by the Ministry of Health and the Caja de Seguro Social (Social Security Department), which is institutionally the main provider of health and social security services in Panama and has the higher proportion of annual expenditure. But it faces serious financial problems which put at risk its role as main provider of government health services.

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2 World Bank. Country Profile, Table: Panama. 5 December 2003. [www.worldbank.org/data/countrydata/countrydata.html](http://www.worldbank.org/data/countrydata/countrydata.html)

3 Contraloría General de la República. *Censo Nacional de Población y Vivienda*. Vol 2, Panamá, 1999 and 2000.

4 United Nations Development Programme (UNDP). *Informe de Desarrollo Humano 2002*. Panama, 2002.

5 World Bank. *Panama Poverty Assessment Priorities and Strategies for Poverty Reduction - April 2000*. Washington DC, April 2000. [www-wds.worldbank.org](http://www-wds.worldbank.org)

6 *Ibid.*

7 *Ibid.*

8 Torres, Victor. “Investigación malversación de seguro educativo”. *La Prensa*, 13 August 2003; Chery, Jean Marcel. “Destituyen a 10 directores” *La Prensa*, 16 May 2003. <http://ediciones.prensa.com/>

9 UNDP, *op cit*, p. 199.

Despite high expenditure in this area, lack of medical care is one of the most pressing problems. Poor people do not have access to high-quality health services since they live in communities where it is difficult to reach medical centres - the average time taken by those who live in indigenous areas to get to the nearest health centre is 52 minutes.<sup>10</sup> Mortality rates are higher in the mainly indigenous areas with the lowest coverage, where average life expectancy is 63 years, contrasting with 74 years in non-poor areas. In the provinces of Bocas del Toro and San Blas, areas with little health coverage, there is a high incidence of illnesses such as tuberculosis and malaria.

The major challenges facing the health sector are the need to expand health coverage to the poorest sectors, to reduce infant mortality, and to treat and prevent specific diseases such as HIV, which has increased alarmingly over the last 10 years. According to Orlando Quintero, president of the Fundación Pro Bienestar y Dignidad de las Personas con VIH/SIDA-PROBIDSIDA (Foundation for the Welfare and Dignity of People with HIV/AIDS), in March 2003 Panama was among the top four countries in Latin America with the highest number of cases of HIV/AIDS.<sup>11</sup>

President Mireya Moscoso's Government has acknowledged that the Social Security Department must deal with one of the most important challenges the country faces at present. In July 2001 she requested the United Nations Development Programme (UNDP) to organise and conduct a National Dialogue on Social Security to be carried out jointly by the Government, political parties, civil society and the unions in order to perform an analysis of the financial situation of the Social Security Department.

Four thematic commissions were formed, one for each of the Department's operational programmes, in which different representatives of society made their views known about the need to deal with the social security system as a problem of State. The participants also formulated strategies and initiatives for rescuing the Department from bankruptcy and guaranteeing its autonomy. To date, however, only the commissions concerned with the Department's general administration programme and the medical, pharmacological and maternity care programme have managed to reach a consensus.

At present the future of the Dialogue is uncertain, as well as that of the programme for workers' economic, medical and preventive assistance and the programme for old age, disability and widowhood pensions. The reason for this is that the trade

**TABLE 1**

Disparity in basic sanitation services (% of population)					
	NON-POOR	POOR (TOTAL)	URBAN POOR	RURAL POOR	INDIGENOUS POOR
Sewage system or septic tank	70	15	44	6	8
Latrine or hole	28	66	48	80	32
None installed	2	20	8	14	60
Rubbish collection	73	20	77	6	0

Source: Encuesta de Niveles de Vida de Panamá. Contraloría General de la República. Panamá, 1997.

unions - which exert significant social pressure - are opposed to the conditions under which the debates are being conducted and have decided to withdraw. This delay has increased popular unease and put social stability at risk, as it may lead the Government to attempt to settle this question without the consensus of the various social groups. In addition, the political situation arising from the proximity of the general elections due in May 2004 may well mean that the debate will be unnecessarily postponed until the next government is installed in September 2004.

### Sanitation services

Statistical records from the office of the Comptroller General of the Republic show that sanitation services are unequally distributed throughout the country. As with other basic services, the highest levels of deficient sanitation services are in indigenous communities (Wargandi, 99%; Kuna Yala, 92%; Madugandi, 84.3%; Nobe Bugle, 73.2% and Embera Wounaan, 57.1%<sup>12</sup>). Other sectors show disparities which reflect the level of urbanisation.

Records of areas covered by the piped water network reflect the greater difficulty in accessing drinking water posed to people living in rural areas compared with urban dwellers. There is a direct correlation between poverty and lack of piped water; this correlation, however, is lower than for education, health or sanitation services.

There is no overall plan for the disposal of solid waste. The main causes for the decrease in coverage provided by rubbish collection services are the lack of available resources from government funds, and lack of equipment and qualified staff.<sup>13</sup>

The Ministry of Health and the Institute of Aqueducts and Sanitation (IDAAN), the state-owned company responsible for water provision, are actively working to find solutions to the problems of basic sanitation and access to drinking water. IDAAN's most important project to supply drinking

water is about to be inaugurated. It consists in a significant enlargement of the water supply pipeline network together with construction of two reserve tanks for communities in the province of Panamá Este.

### Conclusions

Government plans for improving primary health care and increasing educational coverage should include strengthening local and municipal governments. These institutions, in addition to facilitating government management of basic services provision, will contribute towards a more active supervision of target communities.

The two main reasons why the high level of social spending in Panama fails to have the expected impact are the inadequate assignment of budgetary funds and widespread corruption. Government bureaucracy is also inefficient because it is generally built on party-politics and appointments are not based on technical and administrative criteria. These factors cause levels of care to be insufficient in quantity and quality in the poorest areas of the country. Transparency and impartial supervision of social management by central government, local government and NGOs are essential requirements to prevent corruption and the waste of precious resources. ■

<sup>10</sup> World Bank. *Panamá. Estudio sobre Pobreza. Prioridades y Estrategias para la Reducción de la Pobreza*, Vol 1, 28 June 1999.

<sup>11</sup> Tapia, Sady. "Panamá, segundo lugar en SIDA". *La Prensa*, 3 July 2003. <http://ediciones.prensa.com/>

<sup>12</sup> UNDP, *op cit*.

<sup>13</sup> Hernández, Aristides. *Estado de los Bienes y Servicios Ambientales en la República de Panamá en el Marco de la Apertura Económica*. UNCTAD: Panamá, July 2003.