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Panama: Rich Country Where 32% of Population Lives in Poverty

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Panama is one of the richest countries in Central America, with 3.5 million inhabitants and a per capita income of US$13,343 per annum, according to the latest report published by the UN Development Programme (UNDP). This figure is obtained by adding the country’s profits in goods and services produced and dividing that among the country’s inhabitants.

Panama’s per capita income is in stark contrast with that of other isthmus countries, such as Honduras, Nicaragua, and Guatemala, with an average per capita income of between US$4,000 and US$5,000 per annum.

However, although every Panamanian ought to have an annual income of more than US$1,112 a month, four of every ten Panamanians live in poverty (36.8% of the population) and 16.6% live in extreme poverty. Urban areas have the lowest poverty levels, with 20% of the population living below the poverty line and 4.4% living in extreme poverty, whereas in rural nonindigenous areas 54% of the population live below the poverty line and 22% live in extreme poverty. However, the most alarming figures are those showing that 98.4% of rural indigenous Panamanians live below the poverty line and 90% live in extreme poverty (NotiCen, Oct. 29, 2009).

Paulina Franceschi, coordinator of the UNDP’s Human Development Report and Panama’s Millennium Objectives, says poverty should not exist in a country with Panama’s levels of economic growth.

The latest UNDP report shows that almost 420,000 Panamanians live on a daily income of less than US$1. Franceschi says this shows that the country’s wealth continues to be unfairly distributed.

"Poverty is intolerable in a country with such abundance," Kim Bolduc, resident coordinator of the UN in Panama and a resident representative of the UNDP, said emphatically. "It is important for the government to rethink its social policies. Poverty is something momentary; it is a problem that requires a holistic approach. It’s important to improve access to education so that the poor have better opportunities in life."

Panama’s leading economists say that Panama’s economic growth, which accounts for its high per capita income, can be attributed to foreign investment and state spending on large-scale infrastructure projects such as the enlargement of the Panama Canal and the construction of the country’s first subway network. Nevertheless, a worryingly large section of the population has failed to benefit from this bonanza.

A World Bank report offers similar findings: "Despite Panama’s status as an upper-middle income country—in terms of GDP growth—it is still a society of sharp contrasts, mainly due to educational disparities, and more than a third of the population lives in poverty. In fact, in comparison with the rest of Latin America, Panama has not been successful in terms of reducing poverty. The region experienced a slow growth rate between 1990 and 2009 but managed to reduce poverty and extreme
poverty by 28% and 41% respectively. In contrast, Panama has merely reduced poverty and extreme poverty by 13% and 25%, respectively".

**UNDP figures cast doubt on President Martinelli’s claims**

On May 6, President Ricardo Martinelli tweeted, "During the past 34 months, our government has managed to reduce poverty by 25% and extreme poverty from 36% to 27%. We continue to work for a better Panama." A month later, during the annual conference of the International Labor Organization (ILO) in Geneva, Switzerland, he repeated these claims but admitted that "this bonanza imposes the responsibility of closing the economic and social gap between the rich and the poor."

However, the UNDP’s latest figures cast doubt on these claims. Something that might explain the discrepancy is that the UNDP has replaced the income-based Human Poverty Index (HPI) with a new Multidimensional Poverty Index (MPI), which evaluates the population’s access to education, health services, and employment, among other factors.

Economist Arístides Hernández says that social programs launched under the administration of former President Martín Torrijos (2004-2009) and continued by Martinelli’s government, such as the Red de Oportunidades conditioned cash-transfer program and the 100 a los 70, a monthly pension of US$100 for senior citizens, are starting to have an impact and produce visible results.

Red de Oportunidades currently includes 63,245 beneficiaries: 33,863 in rural areas, 8,306 in urban areas, and 21,076 in indigenous areas, who receive a total of US$6.3 million. In April, the Ministerio de Desarrollo Social announced that it had hired Synergia consultancy firm to assess the impact of the program.

On Sept. 2, Minister for Social Development Guillermo Ferrufino said that the transfer provided by Red de Oportunidades would be increased by US$25, so that families receive a total of US$75 a month. "Our aim is for families to overcome poverty and then extreme poverty," he said.

"These policies have an immediate effect and are an intelligent way of spending government resources and ensuring that they reach the poorest," says Hernández. However, he emphasizes that these programs on their own cannot produce significant results if public services are not improved, especially in rural and marginal areas of the country. Conditioned cash-transfer programs have become increasingly popular in Latin America during the past decade, with countries such as Mexico, Brazil, Guatemala, Nicaragua, and Ecuador, among others, adopting variants of these schemes, which usually involve transferring cash to households living in extreme poverty, provided that children are sent to school and get regular medical checkups.

The UNDP, the Inter-American Development Bank (IDB), and other financial institutions and development organizations have praised conditioned cash transfers as a viable strategy to help the most disadvantaged overcome the poverty cycle but have stressed the importance of improving and expanding social services to cope with the increase in demand, as studies show that only in countries such as Brazil, where this has been achieved, have these programs had the desired effect.