

5-25-2017

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Recommended Citation

Reynolds, Louisa. "Overall poverty falls, but inequality persists in Panama." (2017). <https://digitalrepository.unm.edu/noticen/10434>

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Overall poverty falls, but inequality persists in Panama

by Louisa Reynolds

Category/Department: Panama

Published: 2017-05-25

Fueled by canal revenue, foreign investment, and a massive real estate boom, Panama has continued to record high levels of economic growth over the past decade. However, two recent studies published by the Ministerio de Economía y Finanzas (Ministry of the Economy and Finance, MEF) and the Inter-American Development Bank (IDB) suggest that inequality persists despite the country's sustained economic boom ([NotiCen, Sept. 20, 2012](#)).

According to the World Bank, the Panamanian economy grew by 7.2% between 2001 and 2013, more than double the Latin American average. In 2014, Panama recorded a 6.1% economic growth, a pace that decreased slightly to 5.8% and 5.4% in 2015 and 2016, respectively. The World Bank's forecast for 2017 remains at 5.4%, rising to 5.5% in 2018.

In the medium term, the World Bank predicts that foreign investment, the planned construction of a second subway line in Panama City, and an increase in traffic flows through the Panama Canal as a result of an ambitious expansion project completed in 2016 ([NotiCen, Sept. 29, 2016](#)) will continue to drive Panama's economic growth, which is predicted to remain one of the highest in Latin America.

Below the line

According to a study published by the MEF last February, the number of Panamanians living below the poverty line fell by 4.6% between 2011 and 2015. The most drastic reduction was recorded in 2015, when the number of Panamanians living in poverty fell by 2.8%.

According to the MEF, 88,381 Panamanians were no longer classified as poor in 2015, a result of an increase in employment, better wages, the stagnation of food prices, and the implementation of social welfare policies such as conditional cash transfers (whereby households living below the poverty line receive a monthly sum of money on the condition that they comply with certain requirements, such as enrolling their children in school or attending regular medical check-ups).

The provinces that recorded the greatest reduction in poverty between 2011 and 2015 were Bocas del Toro (-6.9%), Coclé (-5.4%), and Veraguas (-4.8%). But despite the gains on poverty reduction, regional disparities remain, with four of the country's provinces still recording high levels of poverty: Bocas del Toro (48.1%), Darién (47.6%), Veraguas (37.9%) and Coclé (31.6%).

The MEF's figures also show that poverty has barely decreased in the indigenous territories, known as comarcas. Between 2011 and 2015, poverty decreased by a mere 3.9% in the Emberá community, by 4.6% in the Ngäbe-Buglé community, and by 5.2% in the Guna Yala community. The comarcas continue to be the poorest regions in the country, with 86.8% of the Ngäbe-Buglé population, 78.6% of the Kuna population, and 68.5% of the Emberá population living below the poverty line. Lack of services, particularly access to water, sanitation, and healthcare, continue to be a major obstacle to development in the comarcas.

Fourth most unequal country in Latin America

Despite the overall decrease in poverty, the MEF's figures show that extreme poverty has barely budged. Between 2011 and 2015, the number of Panamanians living in extreme poverty decreased by a mere 0.8% and in 2015, 10.3% of the Panamanian population (or 404,970 people) was classified as extremely poor, a high percentage for one of the world's fastest-growing economies. Despite overall growth, sharp disparities remain in Panama.

The provinces that recorded the highest levels of extreme poverty during the 2011-2015 period were Bocas del Toro (23.1%), Darién (20.7%) and Veraguas (17.9%). The figure is even higher among indigenous communities, with 59.4% of the Guna Yala population, 38.7% of the Emberá population, and 67.8% of the Ngäbe-Buglé population living in extreme poverty.

A regional report, published by the Inter-American Development Bank (IDB) in February 2016 also highlights the fact that not all Panamanians have benefitted from the country's impressive economic growth.

According to the IDB, Panama remains the fourth most unequal country in Latin America in terms of income distribution, and although overall levels of poverty have decreased as the MEF's figures show, the impact of economic growth on poverty reduction has been lower in Panama than in other Latin American countries.

The report, titled *Pulso Social 2016: Realidades y Perspectivas* (Social Pulse 2016: Realities and Perspectives), is based on household surveys carried out in 22 Latin American and Caribbean countries between 1996 and 2014.

The IDB highlights the fact that a lack of access to education, healthcare, and other basic services make it extremely difficult for those at the bottom end of the social scale to break out of the poverty cycle and gain access to employment in the booming infrastructure and financial sectors, which require highly skilled labor.

"Many people living in extreme poverty are not receiving conditional cash transfers or pensions. No measures have been taken to address this situation and this needs to improve," IDB economist Marcos Robles said when the study was published.

"Conditional cash transfers are a quick way to alleviate poverty but if measures are not taken to ensure that beneficiaries comply with their obligations, we will not see an increase in school enrollment. Added to this, we need better schools in order to improve the quality of education," he said.

The World Bank's conclusions regarding Panama's growth prospects and their impact on poverty reduction echoes the findings of the MEF and IDB reports. According to the World Bank, Panama's sustained economic growth bodes well in terms of making progress toward ending poverty and extreme poverty. However, the organization warns that "a number of priority structural areas, if left unaddressed, could hamper growth in the coming years," including access to education, particularly in the indigenous comarcas, infrastructure, and improving transparency in public institutions.

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