



# **Social protection systems**

**in Latin America  
and the Caribbean**

## **Panama**

**Alexis Rodríguez Mojica**



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# **Social protection systems in Latin America and the Caribbean: Panama**

**Alexis Rodríguez Mojica**



This document was prepared by Alexis Rodríguez, consultant with the Social Development Division of the Economic Commission for Latin America and the Caribbean (ECLAC), and is part of a series of studies on “Social protection systems in Latin America and the Caribbean”, edited by Simone Cecchini, Social Affairs Officer, and Claudia Robles, consultant, with the same Division. The author wish to thank Milena Lavigne and Humberto Soto for their valuable comments.

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## Foreword

***Simone Cecchini***  
***Claudia Robles***

This report is part of a series of national case studies aimed at disseminating knowledge on the current status of social protection systems in Latin American and Caribbean countries, and at discussing their main challenges in terms of realizing of the economic and social rights of the population and achieving key development goals, such as combating poverty and hunger.

Given that, in 2011, 174 million Latin Americans were living in poverty —73 million of which in extreme poverty— and that the region continues being characterized by an extremely unequal income distribution (ECLAC, 2012), the case studies place particular emphasis on the inclusion of the poor and vulnerable population into social protection systems, as well as on the distributional impact of social protection policies.

Social protection has emerged in recent years as a key concept which seeks to integrate a variety of measures for building fairer and more inclusive societies, and guaranteeing a minimum standard of living for all. While social protection can be geared to meeting the specific needs of certain population groups —including people living in poverty or extreme poverty and highly vulnerable groups such as indigenous peoples—, it must be available to all citizens. In particular, social protection is seen a fundamental mechanism for contributing to the full realization of the economic and social rights of the population, which are laid out in a series of national and international legal instruments, such as the United Nations' 1948 Universal Declaration of Human Rights or the 1966 International Covenant on Economic, Social and Cultural Rights (ICESCR). These normative instruments recognize the rights to social security, labour, the protection of adequate standards of living for individuals and families, as well as the enjoyment of greater physical and mental health and education.

The responsibility of guaranteeing such rights lies primarily with the State, which has to play a leading role in social protection —for it to be seen as a right and not a privilege—, in collaboration with three other major stakeholders: families, the market and social and community organizations. Albeit with some differences due to their history and degree of economic development, many Latin American and Caribbean countries are at now the forefront of developing countries' efforts to establish these guarantees, by implementing various types of transfers, including conditional cash

transfer programmes and social pensions, and expanding health protection. One of the key challenges that the countries of the region face, however, is integrating the various initiatives within social protection systems capable of coordinating the different programmes and State institutions responsible for designing, financing, implementing, regulating, monitoring and evaluating programmes, with a view to achieving positive impacts on living conditions (Cecchini and Martínez, 2011).

Social protection is central to social policy but is distinctive in terms of the social problems it addresses. Consequently, it does not cover all the areas of social policy, but rather it is one of its components, together with sectoral policies —such as health, education or housing— and social promotion policies —such as training, labour intermediation, promotion of production, financing and technical assistance to micro— and small enterprises. While sectoral policies are concerned with the delivery of social services that aim at enhancing human development, and promotion policies with capacity building for the improvement of people’s autonomous income generation, social protection aims at providing a basic level of economic and social welfare to all members of society. In particular, social protection should ensure a level of welfare sufficient to maintain a minimum quality of life for people’s development; facilitate access to social services; and secure decent work (Cecchini and Martínez, 2011).

Accordingly, the national case studies characterize two major components of social protection systems —non-contributory (traditionally known as “social assistance”, which can include both universal and targeted measures) and contributory social protection (or “social security”). The case studies also discuss employment policies as well as social sectors such as education, health and housing, as their comprehension is needed to understand the challenges for people’s access to those sectors in each country.

Furthermore, the case studies include a brief overview of socio-economic and development trends, with a particular focus on poverty and inequality. At this regard, we wish to note that the statistics presented in the case studies —be they on poverty, inequality, employment or social expenditure— do not necessarily correspond to official data validated by the Economic Commission for Latin America and the Caribbean (ECLAC).

## I. Introduction

The development of consensus on economic and social rights, in conjunction with the universal commitment to the Millennium Development Goals (MDGs), has brought the reduction of poverty, exclusion and inequality to the fore. It has also highlighted a rebalancing between capacities and opportunities through various social protection mechanisms that integrate welfare and human development with transfer and financing mechanisms operating both within the employment sphere and outside it (ECLAC, 2006). Panama is also moving in that direction, as a social protection and promotion model based on international agreements gradually emerges in the country. For more than 50 years the policies, programmes and actions that have been developed in contributory and non-contributory social protection and promotion, have nearly always aimed to reduce vulnerability in urban social sectors and generate guarantees and benefits associated with citizen participation in the formal labour market, which is predominantly urban. In that context, the absence of monitoring, follow-up and evaluation mechanisms has fostered the development of actions and policies of a “reactive” and “declarative” type, associated with specific and focused demands. The most evident consequences of that process of social-policy development and formulation is that the various needs, distinctions, and specifics of the different approaches, populations, objectives and interventions in some cases are based on particular interests, and in other cases reflect discretionary ones.

Despite this reality, the emerging social promotion<sup>1</sup> and protection system increasingly empowers an appropriate development of social institutions, creating and recreating programmes, projects and actions that have capacity to operate on the different dimensions of social protection, namely: the welfare dimension, for citizens who do not even have the capacity to demand guarantees and rights; the insurance dimension, for citizens who do have that capacity but cannot obtain the corresponding guarantees and rights because they lack minimum conditions for this; the equity dimension for those who do possess minimum conditions but have neither adequate capacities nor opportunities to overcome poverty. In Panama also, in the framework of the emerging social promotion and protection system, a debate is unfolding between three approaches —rights and guarantees, social risk management, and life cycle— which have been used indistinctly in developing social policies. In some cases, depending on the time and development of the social policies, each approach has made it possible to establish and strengthen certain constituent elements of social promotion and protection, particularly of the non-contributory type.

In the case of Panama, the articulation and alignment of social promotion and protection programmes, projects and actions has induced an institutional reorganization that is gradually forming

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<sup>1</sup> The concept of social promotion (*promoción social*) is widely used in Latin America to refer to policies and programmes geared to strengthening the capacities of poor and vulnerable groups to autonomously improve their living conditions and generate income.



new mechanisms for implementing public policies, but which have not yet become fully structured, developed and crystallized. In the evolutionary cycle of the refounding of the social institutional framework, the strengthening and reorganization of the social sector around the social guarantees that define social protection is still unfinished business. As noted by Santibáñez (2008), the emerging model needs to be centred on the combined development of public policies, programmes and actions that respond in a multidimensional way to the different levels of vulnerability, risks and deprivations that are considered socially unacceptable in a specific political system and society.

The process of refounding social protection and promotion in Panama is gradually recognizing three clearly defined levels: macro, meso and micro. At the initial, macro, level there is an urgent need to define a social promotion and protection strategy as part of a development plan, with its consequent fabric of coordination, governance, management and information. On this level, the two most recent government administrations have made some progress: the first (the government of Martín Torrijos) towards developing the rights and guarantees approach associated with social policy; and the other (the administration of Ricardo Martinelli) in terms of expanding guarantees. The initiatives have been developed around the social welfare office (*gabinete social*) and its technical secretariat; but, as the planning level is disconnected from the practical operational level, progress has been slow and tortuous, not to say complex and uneven. The second, or meso, level involves the modernization of social development institutions and the consequent process of organizing, strengthening, and defining their function, management and articulated operation. This level displays progress in the development of a concept, an approach and even a programmatic agenda of social promotion and protection, and, consequently, the institutional framework that supports it. Thirdly, at the micro level, it is necessary to organize the institutional and administrative fabric to support the decentralized and full operation of a social promotion and protection system with local and community reach. Each level takes account of the fact that there are actions and processes aimed at strengthening human development, capacity building, and the creation of specific opportunities at each level, in addition to increasing human and social capital depending on the forms of intervention. Nonetheless, it should be remembered that it will only be possible to develop a social promotion and protection system if the ultimate objective is to create opportunities; because these hold the key to breaking the intergenerational transmission of poverty, exclusion and inequality. Creating opportunities requires the existence of a consolidated and dynamic institutional framework, which, through time, can guarantee the programmatic integrity of rights, according to citizens' life cycle.

The promotion and protection model that is emerging in Panama has three types of impact on reducing poverty, exclusion and inequality. The first impact, which can be seen in the development of social promotion and protection actions, programmes and policies, is the increase in human development and human capital (health and education) of vulnerable, poor and extremely poor population groups. The second impact concerns capacity development; and the third relates to the creation of opportunities which is promoted without a consolidated and dynamic institutional framework, as happens in other countries.<sup>2</sup>

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<sup>2</sup> It should be remembered that human development, capacity development, and the development of opportunities imply different types of targeting and forms of intervention. This raises the need for a complex institutional fabric that allows for the fact that in some territorial units (*corregimientos*) social promotion and protection is of a welfare type; in others it is compensatory; and in others mechanisms are developed to underpin sustainable human development. Moreover, differentiated interventions are required with technical, institutional and operational capacities that depend on guarantees, life cycles, and risks and vulnerabilities.

## II. Economic and social indicators

Panama has passed through several different growth phases over the last 50 years. Between 1950 and 1973, gross domestic product (GDP) grew at an annual rate of 6.4%, although population growth restricted per capita GDP growth to a rate of 3.5% per year (Maddison, 2001). Then, between 1973 (outbreak of the oil crisis) and 1998, GDP expanded annually by 3.2%. Nonetheless, from the 1990s onwards, the Panamanian economy embarked on a dynamic but unsustainable growth path of around 3%. While significant, this growth was not strong enough to improve the relation between low per capita income, poverty, and increasing inequality. Growth in the Panamanian economy continued to fluctuate until 2003, when it embarked on a sustained economic growth path (see table 1).

According to ECLAC, four periods can be distinguished in the behaviour of the Panamanian economy during the period 1996-2007. The years 1996 and 1998 saw sustained growth of 7.3%; thereafter and until 2002, the economy slowed down, partly because of weakening activity in the world's leading economies. Then, in 2002, the Panamanian economy embarked upon a three-year recovery, fuelled by burgeoning domestic demand and higher consumption resulting from income tax cuts on wages below US\$800 (ECLAC, 2008a).

Between 2004 and 2009, Panama posted average annual growth of 8.1% (World Bank, 2012), making it one of the fastest-growing economies in the region (see table 2).

**TABLE 1**  
**PANAMA: TOTAL AND PER CAPITA GROSS DOMESTIC PRODUCT, 2000-2010<sup>a</sup>**

Detail	Years										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total real GDP	11 370.9	11 436.2	11 691.1	12 182.8	13 099.2	14 041.2	15 256.1	16 966.1	18 812.9	19 538.4	21 253.6
Variation %	2.7	0.6	2.2	4.2	7.5	7.2	8.7	11.2	10.9	3.9	8.8
Per capita GDP	3 857	3 807	3 821	3 909	4 129	4 350	4 640	5 089	5 466	5 663	5 999
Variation %	0.8	-1.3	0.4	2.3	5.6	5.4	6.7	9.7	7.4	3.6	5.9

Source: National Institute of Statistics and Census (INEC).

<sup>a</sup> Base year: 1996.

**TABLE 2**  
**PANAMA: ECONOMIC PERFORMANCE INDICATORS, 2009-2011**  
*(Percentages)*

Indicators	2009	2010	2011	2012 <sup>a</sup>
Annual growth rate of GDP	3.1	7.1	9.2	13.0
Inflation rate	2.4	3.5	3.8	4.5
Unemployment rate	6.6	6.5	5.5	4.6
Interest rate	7.9	8.0	8.6	7.8
Fiscal deficit or surplus	-1.0	-1.2	-0.7	0.0
Public debt (% of GDP)	46.3	43.6	39.7	34.2

Source: Panama Economic Insight.

<sup>a</sup> Estimate.

Economic growth has been driven by activities in the storage and communications, hotel and restaurant, transport, commerce, construction, financial intermediation and agricultural and real-estate sectors. While the vigorous development of those sectors improved access to the labour market, it was unable to reduce the employment performance gaps between different population groups (ECLAC, 2008a; Aparicio, 2010). Economic growth notwithstanding, poverty, exclusion and inequality still persist; and poverty reduction has been gradual and slow, albeit sustained. One third of the population remain below the poverty line (defined as consumption of US\$ 86.64 per month); and about half of that third live on US\$ 48.55 per month according to the most recent Standard of Living Survey conducted in 2008 (ENV08).

**TABLE 3**  
**PANAMA: GENERAL AND EXTREME POVERTY LINES, BY ANNUAL AND MONTHLY CONSUMPTION, 1997, 2003 AND 2008**  
*(US dollars)*

Poverty line	1997			2003			2008		
	Annual	Monthly	Daily	Annual	Monthly	Daily	Annual	Monthly	Daily
General	907.00	75.58	2.51	953.00	79.42	2.65	1 039.72	86.64	2.89
Extreme	519.00	43.25	1.44	534.00	44.5	1.48	582.59	48.55	1.62

Source: Standard of Living Survey (ENV) 1997, 2003, 2008.

**TABLE 4**  
**PANAMA: INCIDENCE OF POVERTY, 2003 AND 2008**

Indicator	Total country		Poverty						Non-poor	
			Total		Extreme		Non-extreme			
	2003	2008	2003	2008	2003	2008	2003	2008	2003	2008
Number of people (thousands)	3 063.0	3 334.0	1 128.0	1 090.0	509.0	481.0	620.0	609.0	1 935.0	2 244.0
Percentage	100.0	100.0	36.8	32.7	16.6	14.4	20.2	18.3	63.2	67.3

Source: Standard of Living Survey (ENV) 2003-2008.

According to the 2003 and 2008 Standard of Living Surveys, poverty and extreme poverty both decreased. The poverty rate, defined as the proportion of the population living on less than US\$ 3.13 a day, dropped from 36% to 32%; while the incidence of extreme poverty (indigence), which in 2003 meant consumption of less than US\$ 1.48 a day, fell from 16.6% to 14.4% of the

population. In 2008, a total of 1,090,000 people were living in poverty, and about 481,000 were indigent. In both cases, the number of people in such conditions had dropped from the 2003 level. Nonetheless, the number of individuals living in non-extreme poverty grew from 620,000 in 2003 to 809,000 in 2008, which basically reflects people moving out of indigence and into a situation of non-extreme poverty. In principle, the demographic and geographic targeting of social promotion and protection programmes is thus starting to produce effects.

Relative to the country's political divisions, poverty rates are highest in the provinces of Darién (47.8%), Bocas del Toro (43.5%) and Veraguas (43.3%). In terms of the life cycle, the worst-hit population group is children under six years of age (49.4% of this group is living in poverty, and 24.6% are in extreme poverty). In fact, 20% of indigent and 17% of poor are under six years of age (see table 5). In 2008, 98.0% of children under six years of age living in indigenous rural areas were poor, and 87.5% were extremely poor. In urban zones, 31.1% of children under six were poor and 6.6% extremely poor. In other words, despite the reduction in poverty and indigence in Panama, inequalities and poverty gaps measured by income or consumption still persist; and rates are particularly high when regional differences and/or specific population groups are considered (ECLAC, 2008a).

**TABLE 5**  
**PANAMA: POVERTY AND EXTREME POVERTY, 2007-2011**  
(Percentages)

Poverty	2007	2008	2009	2010	2011
General	36.5	33.8	33.4	29.8	27.6
Extreme	15.7	15.3	15.3	12.2	11.5

Source: Office of the Comptroller General of the Republic and Ministry of Economy and Finance.

**TABLE 6**  
**PANAMA: PROPORTION OF THE POPULATION LIVING IN CONDITIONS OF POVERTY AND INDIGENCE BY AREA, 2006-2011**  
(Percentages)

Year	National		Urban		Rural	
	Poverty	Indigence	Poverty	Indigence	Poverty	Indigence
2006	38.3	17.6	23.6	5.7	64.4	38.6
2007	36.5	15.7	22.1	4.6	32.3	35.4
2008	33.8	15.3	19.6	4.2	59.4	35.2
2009	33.4	15.3	19.1	4.2	59.6	35.5
2010	29.8	12.2	16.6	4.1	54.1	27.0
2011	27.6	11.5	15.3	3.4	50.4	26.6

Source: Ministry of Economy and Finance.

Poverty gaps and rates vary across the country. In urban areas, where 64% of the population live, the incidence of poverty dropped from 23.6% in 2003 to 15.3% in 2011. In rural areas poverty rates are higher but have also decreased, from 64.4% in 2006 to 50.4% in 2011. In the case of the extreme poverty gap, the reduction has been slow in urban, rural and indigenous areas (see table 7).

Lifting people out of extreme poverty will be the result of combined and multisectoral actions. According to ECLAC, most family incomes are associated with a paid and stable labour activity, which means that families living in the major urban centres with access to stable jobs are likely to have a higher income. Families living in zones of difficult access participate in activities that

are poorly paid or generate low incomes (crop farming and livestock breeding, in addition to public or private economic welfare handouts and transfers). In other words, the family income source is precarious. Hence poverty is more prevalent in rural and indigenous areas, and mainly associated with factors such as lack of access to job training and education, as well as a shortage of jobs and investment to stimulate entrepreneurship or make the existing economic activities and niches profitable (ECLAC, 2008a).

**TABLE 7**  
**PANAMA: INCIDENCE, DEPTH AND SEVERITY OF POVERTY AND EXTREME POVERTY,**  
**BY AREA, 2003 AND 2008**

Detail	Incidence (%)				Gap (%)				Severity			
	Poverty		Extreme poverty		Poverty		Extreme poverty		Poverty		Extreme poverty	
	2003	2008	2003	2008	2003	2008	2003	2008	2003	2008	2003	2008
Total country	36.8	32.4	16.6	14.2	15.2	13.2	6.4	5.4	8.7	7.4	3.4	3.0
Urban	20.0	17.4	4.4	3.2	5.6	4.6	0.9	0.6	2.3	1.7	0.3	0.2
Total rural	62.7	59.4	35.3	34.1	30.0	28.6	14.7	14.2	18.5	17.7	8.0	8.0
Non-indigenous rural	54.0	50.4	22.0	21.8	20.6	19.4	6.6	6.2	10.5	9.9	2.8	2.56
Indigenous rural	98.4	95.9	90.0	83.7	68.8	65.7	47.9	46.1	51.1	49.1	29.6	30.1

Source: ENV 2003-2008.

According to the Standard of Living Survey, the proportion of the population with incomes of less than US\$1 a day has declined substantially in each geographic area (see table 8). Nationwide the proportion dropped from 19.7% in 1997 to 12.6% in 2008; and the trend was similar in the rural area where the proportion of the population living on less than US\$ 1 a day fell from 36.8% to 25.5%. Nonetheless, the sharpest reduction occurred in non-indigenous rural areas, where the proportion almost halved from 30.1% to 17.5%, which means that the population is concentrating around the poverty line. In the case of the indigenous rural area, the proportion of the population with income of under US\$ 1 a day declined by less, but also substantially, from 69.7% in 1997 to 57.6% in 2008. The fact that explains this slow reduction is the depth of poverty in indigenous areas (see table 7). There is also a variation in the distribution of consumption.

**TABLE 8**  
**PANAMA: POPULATION LIVING ON AN INCOME OF LESS THAN ONE DOLLAR A DAY,**  
**BY AREA, 1997, 2003 AND 2008**  
*(Percentages)*

Detail	Years		
	1997	2003	2008
National total	19.66	14.17	12.63
Urban	5.97	3.96	5.49
Total rural	36.79	29.84	25.47
Non-indigenous rural	30.05	21.01	17.51
Indigenous rural	69.69	66.07	57.58

Source: ENV 1997-2003-2008.

Progress in reducing poverty between 2003 and 2008, although significant, was less than would be expected from such vigorous economic growth. The moderate poverty reduction contributed to the trend of inequality, which worsened slightly in the period 2000-2008 (Arim and others, 2009). In other words, according to ECLAC (2008a), the case of Panama shows that faster economic growth and better performing economic indicators do not necessarily have a significant impact on poverty reduction.

## A. Social spending

Over the last few decades, social public spending has grown on a sustained basis, in absolute terms (in dollars) and also relatively (percentage of GDP). From a level of US\$ 539.2 million (14.2% of GDP) in 1980, social spending grew to US\$ 869 million (18.2% of GDP) in 1990 —despite the adjustment policies, United States intervention and the slow process of closing the military bases. In the period 1990-2000, social spending maintained its share of total public expenditure, and the balance between income and expenditure was positive. In fact, social security contributions and tax revenue played a major role in sustaining social spending.<sup>3</sup> Between 1999 and 2011, social spending grew from US\$ 1,806 million to US\$ 6,484.0 million (24.4% of GDP); and, according to the International Labour Organization (ILO), if the trend is maintained, social spending will grow to more than the forecast 20% of GDP by 2050 (MEF, 2012).<sup>4</sup>

**TABLE 9**  
**PANAMA: SOCIAL PUBLIC SPENDING BY SECTORS, 2007-2011**  
(Millions of dollars and percentages of GDP)

Detail	2007		2008		2009		2010		2011	
	US\$ million	% of GDP	US\$ million	% of GDP	US\$ million	% of GDP	US\$ million	% of GDP	US\$ million	% of GDP
GDP	18 977.8	100.00	20 875.5	100.00	22 773.2	100.00	24 670.9	100.00	26 568.6	100.00
Social spending	3 296.0	17.37	4 093.0	19.61	4 890.0	21.47	5 687.0	23.05	6 484.0	24.40
Public education	889.2	4.69	1 043.0	5.00	1 196.8	5.26	1 350.6	5.47	1 504.4	5.66
Public health	1 073.6	5.66	1 387.0	6.64	1 700.4	7.47	2 013.8	8.16	2 327.2	8.76
Employment and social security	1 024.5	5.40	1 021.0	4.89	1 017.5	4.47	1 014.0	4.11	1 010.5	3.80
Housing	49.8	0.26	242.0	1.16	434.2	1.91	626.4	2.54	818.6	3.08
Multi-social	258.9	1.36	400.0	1.92	541.1	2.38	682.2	2.77	823.3	3.10

Source: Ministry of Economy and Finance.

Social public spending by the Panamanian Central Government absorbs very nearly 24% of GDP. In 2011, expenditure on social services was distributed as follows: education 5.6%; health, 8.8%; employment and social security, 3.8%; and housing, 3% of GDP, respectively (see table 11).

<sup>3</sup> Between 1990 and 2000, old-age pensions grew from 5.7% to 6.1% of GDP; health benefits grew from 5.1% to 5.6% of GDP and education spending grew from 4.1% to 4.5% of GDP. In that period, housing absorbed a small proportion of social spending (ILO, 2004).

<sup>4</sup> During the period 1996-2007, social public spending on employment and social security grew from 28.7% to 31.4%; in public health it was almost always above 30.0%. Nonetheless, between 1996 and 2007, social spending on education decreased from 35.1% to 31.9%.

The health and social security sectors absorbed the largest share of social public spending. In the period 2007-2011, the health, employment and social security sectors jointly accounted for 34% of social public spending, while the education sector accounted for 27%. The proportion assigned to the health education and culture sectors reflects the priority attached firstly to increasing human development and human capital and, secondly, to actions aimed at protecting individuals in the early stages of the life cycle. Nonetheless, the weight of payments of retirement and other pensions associated with the disability, old age and death (IVM) programmes, in relation to social services funded by social spending, is significant. In 2007, the expenditure of the IVM programme accounted for 4.3% of GDP, slightly less than social spending on education, which represented 4.7% of GDP in that year.

## B. Employment and unemployment

Economic and productive growth in Panama over the last few years has helped improve the main labour market indicators and reduce unemployment. A review of the elasticity of the unemployment-output ratio, which measures the percentage reduction in the unemployment rate for every percentage point of growth in output, shows that for the period 1996-2007, the elasticity coefficients behaved predictably, with GDP growth supporting a reduction in unemployment. Nonetheless, the behaviour of that reduction over the period has been variable and heterogeneous. In other words, economic growth was more efficient at reducing unemployment in 2007 (-27.1%), than in earlier years (ECLAC, 2008a; Rodríguez Mojica, 2009); and it succeeded in reducing the unemployment rate to 6.5% in 2010 while also raising wages significantly (see table 10).

**TABLE 10**  
**PANAMA: LABOUR MARKET INDICATORS, 2000-2010**

Detail	Years										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Nominal minimum wage (US\$)	223.4	239.2	239.2	241.8	245.4	245.4	259.5	265.2	289.1	289.1	318.2
Real minimum wage (US\$)	196.0	209.2	207.4	208.4	211.4	204.8	211.5	207.6	208.0	203.5	216.0
Participation rate	59.9	60.5	62.6	62.8	63.3	63.5	62.6	62.7	63.9	64.1	63.5
Employment rate	51.8	52.0	54.1	54.6	55.9	57.3	57.2	58.7	60.3	59.9	59.4
Unemployment rate	13.5	14.0	13.5	13.0	11.7	9.8	8.7	6.4	5.6	6.6	6.5
Rate of underemployment owing to insufficient hours	-	3.1	3.9	4.5	4.3	4.7	3.5	2.6	2.2	1.9	1.8
Employees (%)	66.7	63.2	62.5	61.5	62.4	61.7	63.0	65.3	66.1	64.7	65.9
Employers (%)	2.8	2.5	2.9	2.9	3.2	3.1	3.1	3.1	3.2	3.1	3.2
Own account (%)	27.9	29.4	30.3	30.8	30.1	30.3	29.0	26.4	25.9	27.1	26.5
Auxiliary family worker (%)	2.6	4.8	4.3	4.7	4.2	4.8	5.0	5.2	4.9	5.1	4.4

Source: International Labour Organization (ILO).

The economic dynamic displays an increase in the number of employees and a change in the sectoral composition of employment. Conditions exist for a reduction in the relative weight of agriculture and social services; but the shares of the construction and financial services sectors have

also grown. In fact, the sectors that have contributed most to employment growth are commerce (roughly 60,000 jobs), construction (54,000 jobs) and social services (43,000 jobs). Jointly, these three sectors generated the largest share of jobs and accounted for over half of all new employment. Activities in the agriculture and manufacturing sectors have contributed about 54,000 jobs between them. The same trend is also seen in the case of wage earners in establishments with six or more workers (see tables 11 and 12) (ECLAC, 2008a; ILO, 2012).

The employed population displays a number of important characteristics. In terms of education, there is evidence that individuals with education levels defined as complete secondary and incomplete secondary enter the labour market more quickly than those with complete or incomplete primary education; and those with no level of education increased their share on a sustained basis until 2011. Employed individuals with university level education display a cyclical behaviour pattern, but constant in terms of their integration and participation in employment. Unemployment also reflects the dynamic of labour relations in various ways. The total number of inactive and unemployed persons increased, while decreasing in percentage terms; and, with a gender breakdown, the open unemployment rate for women has increased (ECLAC, 2008a; ILO, 2012; Rodríguez Mojica, 2009).

**TABLE 11**  
**PANAMA: AVERAGE NUMBER OF EMPLOYEES AND AVERAGE MONTHLY WAGES**  
**IN ESTABLISHMENTS WITH FIVE OR MORE EMPLOYEES, BY ECONOMIC ACTIVITY**  
**AND REGION 2009-2012**

Detail	2009		2010		2011		2012	
	Average No. of persons employed	Average monthly pay in dollars	Average No. of persons employed	Average monthly pay in dollars	Average No. of persons employed	Average monthly pay in dollars	Average No. of persons employed	Average monthly pay in dollars
Total	204 790	695.96	211 571	732.83	217 863	768.84	227 652	849.30
Manufacturing industry	46 871	727.24	48 417	744.30	49 010	778.26	49 316	886.74
Wholesale commerce	24 862	886.09	25 917	938.70	27 637	999.83	29 073	1 047.49
Retail commerce	63 261	621.05	67 451	662.62	69 565	702.16	76 459	780.07
Hotels and restaurants	25 487	509.78	25 513	557.53	26 330	567.86	26 675	642.44
Other services	44 290	770.31	44 275	807.73	45 322	836.92	46 130	918.72
Region: Districts of Panamá and San Miguelito	165 560	747.45	170 784	781.22	176 658	818.31	186 224	898.66
Rest of the country	39 230	478.68	40 787	530.20	41 206	556.79	41 428	627.39

Source: National Institute of Statistics and Census (INEC).



**TABLE 12**  
**PANAMA: EMPLOYED POPULATION BY OCCUPATIONAL STRUCTURE 2000-2010**  
*(Percentages)*

Detail	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Wage earners: (public sector)	22.2	22.0	20.5	20.6	19.7	18.4	17.9	18.5	18.1	18.4	19.3	19.4
Wage earners: private sector (establishments with up to five workers)	6.8	7.1	8.8	8.3	7.1	7.4	7.2	7.9	6.3	6.5	6.7	5.8
Wage earners: private sector (establishments with at least six workers)	41.0	40.5	38.6	37.9	40.3	40.8	41.8	42.9	45.4	44.5	44.9	47.9
Employers: (establishments with up to five workers)	2.2	2.1	2.3	2.3	2.2	2.4	2.5	2.7	2.3	2.2	2.2	2.3
Employers: (establishments with at least six workers more)	0.8	0.9	1.2	0.9	1.2	1.2	1.2	0.8	1.4	1.5	1.3	1.2
Self-employed: (professional, technical and administrative)	1.7	1.2	1.6	2.2	2.1	2.0	1.8	1.8	1.7	2.1	2.0	1.8
Self-employed: (other than professional, technical and administrative)	18.5	18.7	19.5	20.1	19.5	19.5	19.4	18.0	17.3	18.3	17.6	16.1
Domestic service	6.2	6.5	6.7	6.6	7.0	6.8	6.9	6.5	6.3	5.5	5.1	5.0
Auxiliary family workers	0.6	1.0	0.8	1.1	1.0	1.6	1.3	0.9	1.2	1.0	1.0	0.6

Source: National Institute of Statistics and Census (INEC).

### **III. Basic structure of the social protection and promotion system**

For over 50 years in Panama, the contributory and non-contributory social protection and promotion policies, programmes and actions that have been developed, have nearly always aimed to reduce the vulnerability of urban social sectors, and deliver guarantees and benefits linked to citizens' participation in the formal labour market.<sup>5</sup> In other words, this is not new in the country; nonetheless, despite the macroeconomic and social institutional framework, a social promotion and protection system is built from the bottom up, starting at the operational level of public policy. It is the specific problems of the social and economic agenda which, from the operational level, facilitate articulation and coordination between the different government ministries and institutions; as well as the possibility of redefining a new rationale for social promotion and protection in the country.

The reformulation of social protection and promotion is associated firstly with the concern to reduce and alleviate poverty; and secondly with the need to break the cycle of risks, vulnerabilities, welfare losses and obstacles to development that are maintained and sustained from one generation to the next. This reformulation is based on targeting, inter-agency coordination, and recognition of the multidimensional nature of poverty. The first steps in that direction were related to the reorientation of social public spending by identifying the set of poverty reduction programmes, in both the structural and compensatory dimensions, but which did not clearly define the target population, the forms of intervention, and the monitoring and follow-up mechanisms.

The aim is for social programmes to operate with an integrated vision, efficient resource use, solidarity criteria and the capacity to address both short-term emergencies and long-term social-inclusion needs.

With the alignment of poverty-reduction programmes, a number of actions centred on the concept of protection networks arose, articulating different pillars of social policy. The network concept, in particular, linked various programmes and projects targeting population groups that are subject to social risk, vulnerability and poverty. The protection and promotion network thus became

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<sup>5</sup> Broadly speaking, from the 1940s to the 1950s, social protection and promotion was based on the contributory model. During the 1950s and until the 1960s, the emphasis was on the population's health. In the 1970s, vital needs (water, access to housing and housing conditions) formed the basis of social protection policies targeted on vulnerable groups. In the 1990s, actions centred on life cycles; and from 2000 onwards, rights-based social protection and promotion policies were introduced.

the response to the exhaustion and crisis of contributory protection, which had been designed for conditions of full employment. For that reason, the emerging social protection and promotion policies focused on non-contributory mechanisms targeting the population which, according to the life cycle, are in a situation of multidimensional poverty. In terms of state policy, this raises the need to improve the economy's capacity to create decent jobs, expand the contributory base and progressively guarantee adequate and stable financing to complement protection originating in the labour market, with non-contributory solidarity protection mechanisms (MIDES, 2009b and 2009d; MEF, 2012; ECLAC, 2006; Rodríguez Mojica, 2010).

The reformulation, diversification and emerging consolidation of social protection policy aims firstly to combine a view of development that defines the poverty reduction strategy, taking account of economic growth and government efficiency as relevant and complementary dynamics of physical and human capital development; secondly, to define the pursuit of equity and income distribution through geographic and demographic targeting mechanisms; thirdly, to boost human capital accumulation, expanding, improving, and inducing access to education, nutrition, and health; fourth, to promote the exploitation of opportunities, but at the same time rebuild social and family ties (MIDES, 2009b and 2009d; MEF, 2012; ECLAC, 2006; Rodríguez Mojica, 2010). The paradigm shift in Panama's social policy and the fight against poverty meant redirecting and targeting action on the poorest population groups with a view to improving mechanisms of distribution and redistribution of incomes, services, and opportunities. In other words, the aim was to ensure that in each phase of citizens' life cycle, there was a programme that developed a guarantee aimed at exploiting capacities to the full (see table 13).

**TABLE 13**  
**PANAMA: LIFE RISKS AND PROGRAMMES TO ADDRESS THEM,**  
**BY AGES AND SOCIAL PROGRAMMES**

Stage of the life cycle	Main risks	Range of programmes
Ante-natal (child and mother)	Maternity	Social Security Fund (CSS) - Maternity subsidy for women working in the formal sector
	Mother-child health	Opportunities Network, Pacmi (SENAPAN/MINSA)
	Low birth weight; nutritional problems	Family voucher for food purchase (SENAPAN)
Early childhood (0-3 years)	Disease	CSS-Health-care for formal workers and their family members
	Malnutrition	Opportunities Network
	Mother-child health	PAC (SENAPAN/MINSA)
Nutrition for school-age children	Low birth weight; nutritional problems	Family voucher for food purchase (SENAPAN)
	Disease	CSS- Health-care for formal workers and their family members
	School and health assistance	Opportunities Network
Youth (13-24 years)	Low birth weight; nutritional problems	Family voucher for food purchase (Senapan); complementary food programme MEDUCA
	Disease	CSS- Health-care for formal workers and their family members
	Job training	Inadeh
Working age (25-62 years)	School and health assistance	Opportunities Network; Universal scholarship
	Nutrition	Family voucher for food purchase (Senapan)
	Disease	CSS- Health-care for formal workers and their family members
Old age (63 and older)	Unemployment	CSS-Unemployment insurance
	Disease	CSS- Health-care for formal workers and their family members
	Illiteracy	Muévete por Panamá [Get moving for Panama]
Old age (63 and older)	Low income	Gradual income increased programme
	Extreme poverty	Opportunities Network
	Old-age, widowhood and illness	CSS-Old age, disability and survivors pension; health care; "100 a los 70" programme
Old age (63 and older)	Old age	Opportunities Network; "100 a los 70"
	Illiteracy	Muévete por Panamá

Source: Arim, Rodrigo; Amarante, Verónica; Rubio, Mónica; Vigorito, Andrea (2009), *Pobreza y protección Social en Panamá*, Inter-American Development Bank (IDB), Social Protection and Health Division.

The process of defining the social promotion and protection system in Panama received various contributions from different approaches — both from the government perspective and from that of international organizations that have formulated proposals to organize the configuration of the social promotion and protection system. This process identified and reviewed the range of programmes available, retargeting social assistance programmes to align them more closely with social protection dynamics, to define the possibilities of a range of social protection actions. Supply was sometimes based on the notion of vulnerability, and on other occasions from the standpoint of social risk — the latter based on general notions of entitlement-based protection. Programmes to tackle and address poverty facilitated this articulation and redefinition of the social promotion and protection strategies (Marques, 2009; MIDES 2009b and 2009d; MEF, 2012; Uthoff, 2009; Rodríguez Mojica, 2010).

**TABLE 14**  
**PANAMA: AGREEMENTS OF THE NATIONAL COALITION FOR DEVELOPMENT, 2007**

Social Minima	Strategies		
	Targeting	Articulation	Evaluation
Right to identity	Mobile campaigns of registration and identity card issuance, stressing rights and duties (indigenous, rural areas and deprived neighbourhoods).	Sites for the enrollment and registration of births in remote areas.	Simplify registration mechanisms in remote areas including indigenous and rural ones. Implement the responsible paternity law throughout the country.
Food security and nutrition	Agricultural activities on sustainable farms Food banks to deal with emergencies or disaster situations, or both.	Improvement of the food storage centres of food programmes. Include sustainable management of natural resources and environment in food production programmes.	Improvement of the food storage centres of food programmes.
Comprehensive and preventive health	Effective innovative strategies to provide adequate health services to the most remote communities, that do not have facilities (based on successful experiences). Accesses to health posts and centres in indigenous provinces ( <i>comarcas</i> ) and areas that are difficult to access (roads, bridges).	Guarantee access to education and information on sexual and reproductive health for families, communities, young people, and the population at large, within a framework of ethics and respect for moral values.	Strengthen and expand training programmes for the family, community and population at large to prevent maternal mortality, child mortality (intelligible, accessible, and taking account of multicultural, gender, and illiteracy factors)
Comprehensive education	Abilities and skills for work, specially targeting young people from poor and high-risk families, according to the economic potentials and opportunities of the regions.	Ensure that there are no preconditions on admission to school.	Adequate school infrastructure using indigenous materials, bearing in mind thermal conditions.
Employment and income	Self employment and entrepreneurship with financial backing from public and private microcredit programmes, and using the FECI and BDA funds (promote youth cooperativism).	Guarantee decent working conditions and wages to all farm workers Guarantee the right to unionization for workers in the agriculture sector pursuant to the international conventions adopted by the Panamanian state, including the Equal Opportunities Law.	Incorporation of farm labourers, including seasonal workers, in social security benefits.
Decent housing	Construction and financing of social housing . Local risk management in all of the country's marginal and vulnerable areas.	Create socio-economic-cultural development hubs. Incorporate new housing development experiences in the training of officials involved in this subject.	Promote research to prepare construction materials using ecological raw material.
Healthy environment	Land management with citizen participation. Environmental management units in the neighbourhood boards. Appropriate treatment of solid, liquid and toxic wastes.	Expand latrine building programmes in indigenous and rural areas and where they are needed, with appropriate training for their use and maintenance. Incorporate the concept of respect for the cosmovision determined by the ethnic and cultural diversity that exists in the country, in the management of environmental components.	Strengthen environmental education as a crosscutting element at all levels.

Source: UNDP, (2007), *Acuerdos de la Concertación Nacional para el Desarrollo*, Panama City.

Having an integrated view of life cycles made it possible to clearly define the target population and supply of programmes. In the case of Panama, the programmatic supply from the life-cycle standpoint targets childhood. Nonetheless, as argued by Santibañez (2008), structuring a social promotion and protection system by aligning the supply of and demand for services around childhood does not ensure the integrity of interventions or guarantee impacts in terms of reducing poverty and inequality. This is because there is a difference between entitlement and social guarantee: the first has a declarative formulation of high ethical content; the second has a complementary function that stresses the measures society has designed to put that declaration into effect.

The development of protection actions has greatly transformed welfare and insurance programmes, by strengthening and targeting key areas (Rodríguez Mojica, 2010). Interventions that have enriched institutional mechanisms for the redistributing wealth include conditional transfers, health and nutrition, preschool and secondary education, school meals, economic assistance to vulnerable groups; equal opportunities and inclusion for disabled persons; support for older adults (Márquez, 2009). This strengthening is recorded, because the programmatic supply in the antenatal, early childhood, and school age phases is wide-ranging and near universal. The social protection network articulated around the Opportunities Network (*Red de Oportunidades*) is an initial experience in that direction (MIDES, 2009c).

The gaps and effort needed to reduce poverty, exclusion and inequality in childhood are clearly observable and demandable. The country has signed several conventions, agreements and protocols allowing this. Nonetheless, despite the substantial progress and impacts achieved, to consolidate the achievements and rationalize a series of programmes to use resources more efficiently and increase the impact of interventions requires integrating the actions in three areas (health, education and social development) and four institutions (MINSAs-CSS, MEDUCA, MIDES).

The process of transiting from social promotion to social protection has received several boosts over the last decade. The most significant contribution was in 2007, with the methodological support provided by the United Nations Development Programme (UNDP) as part of a concerted national dialogue. That process of exchange between social, political and institutional stakeholders made it possible to define the basic guidelines of a social protection system in Panama. The objective of the social protection system that emerges from the coalition process, is to reduce the incidence of poverty and levels of inequality, by identifying guarantees and conditions of basic welfare (explicit social minima), for both families and communities, within the universal rationale of rights, duties and fiscal responsibility (UNDP, 2008).

## **A. Vulnerable groups and the life cycle: dynamic of the legislation**

Over the last few decades, regulations to strengthen social protection in Panama have become more diversified. In fact, according to various research studies (MIDES, 2009e; Arim, 2009; Marques, 2009), a large number of regulatory documents (laws,<sup>6</sup> decrees,<sup>7</sup> decisions and resolutions<sup>8</sup>) are currently approved and in force. These relate, firstly, to vulnerable groups (indigenous, women, the disabled), and secondly, to the life cycle (childhood and adolescence and older adults). Most of the regulatory documents were amended or approved (or both) and entered into force in the 1990s, when an intense debate raged over social protection and promotion in the country (MIDES, 2009e). This

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<sup>6</sup> A law is a norm or principle created by a supreme authority to organize or prohibit something. The Assembly of Deputies is responsible for creating the laws for compliance in the country (MIDES, 2009d).

<sup>7</sup> A decree is an administrative type of instrument that normally emanates from the executive branch and generally has a regulatory normative content; so its rank is hierarchically below that of laws. This rule generally has exceptions in nearly all legislations, normally for situations of urgency and need (MIDES, 2009d).

<sup>8</sup> The resolution is a written motion adopted by the Assembly (MIDES, 2009d).

debate was resolved by deciding that social protection would be developed according to the life cycle, and social promotion according to the type of risk that impairs or reduces welfare and increases the population's basic needs. The notion of vulnerability is not only more extensive, but also more visible, and occupies much of current regulation. In fact, 64% of social protection regulations are targeted on vulnerable groups. Of that total, 32% of documents relate to indigenous issues; 23% concern gender and women's affairs, while 9% address the problems of persons with disabilities. Moreover, 36% of the regulations are targeted on social protection according to the life cycle: 31% relate to childhood and adolescent development, and 5% deal with rights and guarantees for older adults (see table 15).

During the twentieth century a total of 85 legal instruments were approved with the aim of protecting vulnerable groups. These define programmes, actions and institutional mechanisms to promote the advancement of those groups or guarantee their rights. Of that total, 42 legal instruments (21 laws, 17 decrees and four resolutions and decisions) targeted the development of indigenous groups. In addition, a total of 31 legal instruments were approved on gender and women's issues (18 laws, 10 decrees, three decisions or resolutions). Lastly, there were 12 texts on issues concerning persons with disabilities (six laws, four decrees and two decision/resolutions) (MIDES, 2009e).

A further 48 legal instruments were approved targeting the development of the population according to the life cycle. These specify how the guarantee should be upheld rather than the type of intervention or care. Of that total, 41 address childhood and adolescent issues (20 laws and 21 decrees). In relation to older adults, only seven documents were approved (two laws, four decrees and one decision/resolution) (MIDES, 2009e). Social protection by stages of the life cycle should allow for coordinated management of social protection, human, social and economic development programmes, and operate as a driving force, by making it possible, alongside poverty-reduction programmes, to address the needs of the different members of a poor family unit, facilitating interventions to overcome and reduce poverty. In other words, life-cycle-based social protection helps to make poverty and inequality reduction policies more effective, while allowing for intensive intervention in the daily life of the target population.

**TABLE 15**  
**LAWS, DECREES, DECISIONS AND RESOLUTIONS APPROVED IN THE REPUBLIC**  
**OF PANAMA, 1900-2000**

Detail	Total	Percentage	Decade										
			1900	1910	1920	1930	1940	1950	1960	1970	1980	1990	2000
Total	133	100	4	3	0	5	0	6	3	16	7	35	54
Vulnerable groups	85	64	3	3	0	5	0	5	3	6	5	21	34
Indigenous groups	42	32	2	2	0	2	0	3	1	5	3	10	14
Gender and women	31	23	1	1	0	3	0	2	2	1	2	7	12
Disabled	12	9	0	0	0	0	0	0	0	0	0	4	8
Life cycle	48	36	1	0	0	0	0	1	0	10	2	14	20
Childhood and adolescence	41	31	1	0	0	0	0	1	0	9	2	10	18
Older adults	7	5	0	0	0	0	0	0	0	1	0	4	2

Source: MIDES, (2009), "Política social: Legislación y normativa - Grupos Vulnerables". *Desarrollo Humano series* 12. Panama.



## IV. Non-contributory social protection

Non-contributory social protection programmes are not new in Panama. Nonetheless, social protection actions aimed at addressing poverty and indigence have evolved and changed over the course of the twentieth century, as shown by the increase in spending on social assistance and the dynamic of targeting on vulnerable groups (Zarzavilla, 2006). In other words, it was gradually found that assistance or subsidy programmes (or both), targeted either on vulnerable groups or on the population's life cycles, were not reaching the poorest or directed towards preventing people falling into situations of poverty, vulnerability and risk. As a result, they were therefore ineffective in reducing poverty. For example, 43% of the resources associated with social protection (equivalent to 1.1% of GDP) were invested in water, electricity, fuel and housing subsidies (Marques, 2009). The benefits were distributed according to the bargaining strength and pressure exerted by certain groups, which demanded and imposed their own criteria and interests (MIDES, 2009a; Rodríguez Mojica, 2010).

The gradual and sustained retargeting of social protection actions towards population groups living in extreme poverty meant reformulating programme designs and concepts, as well as redirecting resources towards the most vulnerable groups through an intersectoral design of social policy action and management of the political reactions of sectors with different interests. The most important step in that direction was the constitution of a social protection network, which has played a part in reducing poverty. Social protection programmes that significantly affected poverty reduction included the scholarships of public institutions, the universal scholarship, the Opportunities Network, the family food voucher, food supplements, agricultural inputs, the “100 a los 70” programme, and the Rapid Assistance for Social Housing Programme (PARVIS) (UNDP).

According to the UNDP, the social programmes made it possible to reduce the incidence of poverty most significantly in the indigenous *comarcas*. In the Emberá-Wounnan *comarca*, for instance, human poverty dropped from 97.6% to 72.4% as a result of social programmes; and a similar reduction was recorded in the provinces of Los Santos and Herrera (UNDP, 2011).<sup>9</sup> Nonetheless, an analysis of the coverage of social programmes shows that there are still poor and extremely poor population groups that are not served, as well as non-poor population groups that are covered. In the case of the provinces, for example, 76.6% of the beneficiary population is non-poor. Coverage of the extremely poor by provinces is low, at just 7.7% of the population. In the indigenous *comarcas*,

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<sup>9</sup> In the province of Los Santos, social programmes caused the proportion of indigenous people to decline from 5.9% to 2.9%. In the province of Herrera, the indigence rate fell from 10.3% to 4.8% (UNDP, 2011).



coverage is greater (68.1%), because the indigence rate is higher and universal coverage makes it possible to rapidly cover the population (MEF, 2012). This clearly reveals the shortcomings of targeting mechanisms, whether demographic, geographic, or self-targeting (MEF, 2012).

**TABLE 16**  
**PANAMA: PROPORTION OF THE POPULATION BY COMPARATIVE WELFARE LEVEL,**  
**AND BY PROVINCES AND INDIGENOUS AREAS, 2011**  
(Percentages)

Detail	With social programmes			Without social programmes		
	Poor		Non-poor	Poor		Non-poor
	Extreme	Non-extreme		Extreme	Non-extreme	
Total	11.5	16.1	72.4	15.2	15.2	69.6
Provinces	7.7	15.7	76.6	10.8	15.5	73.7
Indigenous <i>comarcas</i>	68.1	21.1	10.8	80.1	10.7	9.2

Source: Ministry of Economy and Finance (MEF).

**TABLE 17**  
**PANAMA: MAIN PUBLIC INVESTMENTS TO BE UNDERTAKEN IN THE PERIOD 2010-2014**

Project	Cost in millions of dollars
Panama Canal expansion	5 200
Construction of the first metro line in Panama City	1 500
Increase in the national coverage of drinking water services (investments in different regional projects)	530
Governmental city (infrastructure accommodating various public entities)	450
Construction of five new hospitals	360
Convention centre	300
Irrigation system	250
Construction of new airports and modernization of existing ones	213
15 km extension of the Madden-Colón express highway	210
Construction of prisons	210
Financial tower (infrastructure that will accommodate public financial entities of 30,000 m <sup>2</sup> and private ones of 40,000 m <sup>2</sup> )	200
Panama-Colombia electrical interconnection (614 km transmission line, with capacity to transport 300 kW)	111
Barrio Curundú construction project (1,000 housing units)	100
Cold chain to reduce losses in the process of producing and marketing agricultural products (construction of nine storage centres and eight public markets in different points in the country)	50

Source: Central America Data, Proyecto Panamá; and ECLAC, (2011), *Panamá. Evolución económica durante 2010 y perspectivas para 2011*, Mexico City, Economic Commission for Latin America and the Caribbean (ECLAC), Subregional Headquarters in Mexico.

Nonetheless, social programmes have become more effective over the last few years, in terms of improving targeting, monitoring and follow-up mechanisms (Marques, 2009; Arim, 2009; Rodríguez Mojica, 2010). In fact, a second cycle of social protection programmes can be identified with homogeneous design and performance features. In some cases, programme effectiveness has guaranteed their continuity through time.

This lesson learned in terms of impact caused a change in social policy. In 2009, four pillars were proposed to articulate public policies: the social, economic, institutional and environment and natural resource pillars which organize public policies according to the level of action and impact on the Panamanian population. A total of 49 projects to be developed and implemented by the different

ministries and government institutions were designated as “*Proyectos Imperdonables*” [non-renounceable projects], and as such requiring priority attention. The non-renounceable projects aim to promote actions in areas such as education, health, housing, vulnerable groups, sport, infrastructure, transport and agriculture. Although the vulnerable groups divided in four areas —family, groups subject to discrimination, indigenous groups and older adults— will be the focus of attention, this intervention scheme excludes children and adolescents, as well as persons with disabilities, and is focused on infrastructure.

## A. Opportunities Network

The Opportunities Network (*Red de Oportunidades*) is a conditional transfer programme (CTP) that articulates the supply of services provided by government institutions with a follow-up and monitoring system. As a network, it is the mechanism that sustains the emerging forms of non-contributory social protection. Every two months, women heads of extremely poor and poor households directly receive a transfer that is conditional on their making use of health, education and housing services (housing conditions) and capacity development.

**TABLE 18**  
**PANAMA: NUMBER OF HOUSEHOLDS BENEFITED AND CONDITIONAL TRANSFERS PAID IN THE OPPORTUNITIES NETWORK PROGRAMME BY PROVINCES AND INDIGENOUS *COMARCAS*, 2009-2011**

Detail	Number of households <sup>a</sup>			Transfers in thousands of dollars		
	2009	2010	2011	2009 <sup>b</sup>	2010	2011
Total	69 714	67 727	74 167	20 950	40 635	44 500
Provinces	49 499	45 785	50 750	14 885	27 470	30 450
Bocas del Toro	4 230	4 287	4 956	1 263	2 572	2 974
Coclé	9 123	8 522	9 003	2 760	5 113	5 402
Colón	3 263	2 919	3 363	960	1 751	2 018
Chiriquí	8 150	7 443	8 106	2 454	4 466	4 864
Darién	2 533	2 769	3 113	760	1 661	1 868
Herrera	1 900	1 700	1 765	567	1 019	1 059
Los Santos	1 139	963	1 024	341	578	614
Panamá	9 278	8 739	10 742	2 813	5 243	6 445
Veraguas	9 883	8 444	8 677	2 968	5 067	5 206
Indigenous <i>comarcas</i>	20 215	21 942	23 418	6 065	13 165	14 051
Kuna Yala	3 689	3 724	3 713	1 107	2 235	2 228
Emberá-Wounann	1 421	1 472	1 489	426	883	893
Ngöbe-Buglé	15 105	16 746	18 216	4 532	10 048	10 929

Source: Ministry of Economy and Finance (MEF).

<sup>a</sup> Average.

<sup>b</sup> July-December.

With the development of this CTP, it was hoped to affect poverty indicators directly and inequality indicators indirectly. The simulations performed suggested a 4.4% reduction in the proportion of the population living in extreme poverty and a 4.5% reduction in the poverty gap.

The programme is being implemented nationwide and includes the provinces and *comarcas*. The Opportunities Network benefited 74,481 households in 2009, distributed across 586 *corregimientos* nationwide. In 2011, following a number of processes to purge and transfer beneficiaries to other programmes, the Opportunities Network benefited 74,167 households. In that year, the total value of transfers reached a level of US\$44.5 million (MEF, 2012).

Various research projects have shown that most of the households benefiting from the Opportunities Network are poor (93.1%) or extremely poor (65.1%) (Bustos, 2009; Paes de Barros, 2009).<sup>10</sup> This concurs with the assessment made by the Institute for Applied Economic Research (IPEA, 2009), which used data from the household survey, showing that beneficiaries were concentrated in the lowest quintiles, thereby proving the effectiveness of the geographic and demographic targeting process.

These results basically reflect the way the programme was designed. The intervention is defined by household and not by family. In other words, more than one family nucleus may live together in one household, but only the head of family's nucleus receives the transfer. Another specific fact relates to the dispersion of poor households and their mobility in seasonal production and school cycles (Rodríguez Mojica, 2009). The low coverage among extremely poor groups is also affected by the creation of new households in the *comarcas* and migratory movements in particular (Waters, 2009). It is also affected by the way the intervention is developed, because the beneficiaries are only households comprising poor or indigent families that have children under 15 years old among their members.

The proportion of poor and extremely poor households benefiting from the Opportunities Network increased mainly in the indigenous rural area, where 97.2% of poor and 82.4% of extremely poor households benefit from the Opportunities Network programme (Bustos, 2009). The larger number of households included in that area reflects the higher incidence of poverty and coincides with the targeting strategy which from the outset aimed to start with areas of greatest unmet basic needs (Rodríguez Mojica, 2009).

## B. The “100 a los 70” programme

The 100 a los 70 programme started in the second half of 2009 and consists of a non-contributory pension paid to older adults of 70 years and older. The initiative involved a conditional transfer to older adults with unmet basic needs and without contributory pensions. As a counterpart to the transfer, the beneficiaries were required to attend health checkups and participate in informative psychological and medical activities. The design of this programme responds to the fact that the absence of comprehensive social policies for older adults has resulted in their lack of protection. The growth of the older adult population poses a challenge in terms of the coverage and type of health care, and also in the design and adaptation of infrastructures and services needed to meet the social, cultural and institutional needs of older adults.

The non-contributory pension programme is also based on the growth of the older adult population and the proportion of older adults who do not have contributory pensions. Between 1980 and 2000, the number of people of 60+ years of age increased from 130,097 to 244,592. Of these just 129,761 received pensions from the Social Security Fund (*Caja del Seguro Social* – CSS) in 2000; of

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<sup>10</sup> According to the ENV08, 97% of households in the Opportunities Network are in the first two quintiles of the per capita consumption distribution; 79.3% of beneficiary households are in the first consumption quintile, while 17.7% of beneficiary households are in the second.

the remainder, about 114,831 older adults did not have contributory pensions. In 2007 the total number of older adults was estimated at 333,236, representing 9.4% of Panama's total population. Of these, 23% were 75 or older, and 55% were women. In 2007, the CSS recognized the existence of 174,900 pensioners and retirees, which means that about 150,000 older adults were not participating in contributory benefits (MIDES, 2009a).

**TABLE 19**  
**INDICATORS OF THE OLDER ADULT POPULATION, 2007**

Total number of older adults	333 236
Pensioner and /or retiree older adults	174 900
Uninsured older adults	150 000
Poor older adults (estimate)	81 371
Extremely poor old adults (estimate)	30 791
Extremely poor older adults of 70+ years of age (estimate)	13 000
Older adults with low necessary minimum calorie requirements (% of total)	58
Older adults with a disability (% of total)	34
Older adults with some degree of partial or total dependency (% of total)	37
Older women heads of household (% of total)	26
Older adults living with their parents, siblings or children (% of total)	10
Older adults living alone (% of total)	12-15
Masculinity index (No. of men per 100 women)	79
Ageing index (No. of older adults per 100 children under 15)	21

Source: INEC / MIDES.

In 2010, 9.8% of the population was 60 years of age or older, and of that proportion, 4% were indigenous, while 7% were Afro-descendant. Just 2.1% of older adults were over 70. The proportion of older adults in the country's total population will continue to grow. A projection of population growth, based on the 2000 census, shows that 19.5% of the population will be under 15 years of age in 2050; 56.8% will be between 15 and 59; and 23.7% of the population will be over 60.

The non-contributory pension in 2009 benefited 39,272 older adults nationwide, with a total transfer of US\$ 29,473,000 paid to households containing older adults. In 2010, the second year of the "100 a los 70" programme, roughly US\$ 13,778,700 was transferred to households in which 82,953 older adults were living; and in 2011, 84,112 older adults received a total of US\$ 93,105,000. The conditional transfers are funded from the national budget.

The provinces of Panamá, Chiriquí, Veraguas and Coclé account for 73.4% of all beneficiaries. There are two reasons for this: firstly, they are provinces that contain a large proportion of the older adult population, they are receivers of migration, and also include zones of labour activity in transition. In contrast, the provinces of Herrera, Bocas del Toro, Colón and Darién accounted for just 14.4% of beneficiaries. In these provinces, labour activities have not yet entered the transition phase, and they are also provinces that generate emigration because some production niches are saturated or have little capacity to generate quality jobs.

**TABLE 20**  
**PANAMA: AVERAGE AND AMOUNT PAID IN THE “100 A LOS 70” PROGRAMME,**  
**BY PROVINCES AND INDIGENOUS *COMARCAS*, 2009-2011**

Provinces and indigenous <i>comarcas</i>	2009 <sup>a</sup>		2010		2011	
	Beneficiaries, number of people	Amount, thousands of dollars	Beneficiaries, number of people	Amount, thousands of dollars	Beneficiaries, number of people	Amount, thousands of dollars
Total	39 272	29 473.9	82 953	118 749.8	84 112	93 105.6
Provinces	37 914	28 115.9	79 006	113 062.5	79 591	88 023.4
Bocas del Toro	611	471.9	1 334	1 975.0	1 388	1 541.0
Coclé	2 686	2 146.2	9 059	14 054.3	9 369	10 361.6
Colón	1 889	1 432.2	3 706	5 170.0	3 631	4 019.5
Chiriquí	6 855	5 500.1	14 793	21 121.5	14 875	16 443.5
Darién	527	439.1	1 127	1 572.3	1 229	1 368.8
Herrera	3 130	2 152.7	5 514	7 524.4	5 824	6 434.7
Los Santos	2 574	1 824.4	5 915	8 895.4	5 824	6 435.1
Panamá	15 211	10 293.3	26 344	36 649.3	25 827	28 530.6
Veraguas	4 433	3 856.0	11 175	16 100.3	11 626	12 888.6
Indigenous <i>comarcas</i>	1 358	1 358.0	3 948	5 687.3	4 521	5 082.2
Kuna Yala	94	94.0	226	314.4	274	308.3
Emberá	523	522.5	1 092	1 461.3	1 263	147.6
Ngöbe Buglé	742	741.5	2 630	3 911.6	2 985	3 356.3

Source: Ministry of Economy and Finance (MEF).

<sup>a</sup> July to December.

## V. Contributory social protection

The Social Security Fund (CSS) was founded under Law 23 of 21 March 1941; and its inauguration resulted in Panama designing its first “public social protection system” aimed at providing protection for the Panamanian worker in relation to diseases and rehabilitation following workplace accidents. The CSS was based on similar institutions in Spain, France and Mexico, countries in which social security institutions were related to the growth of workers’ social demands.

Public, contributory, social protection was organized on the basis of solidarity, equity and universality. This means that every person, as an affiliate who makes a contribution however small, has an equal right to use each and every one of the CSS services. The principle of universality in the CSS makes it a comprehensive health-care institution, because it does not exclude any of its insured affiliates’ needs from its coverage. In other words, it covers all diseases and risks whether or not related to employment and disabling diseases and syndromes. The contributory principle of the CSS means that each and every contributor must pay a contribution to maintain health services and protect welfare entitlements. Workers’ contributions sustain the entire CSS health and social security system. Lastly, the CSS is an autonomous public organization operating within the parameters of state control, for the purpose of covering the health needs of insured workers and their beneficiaries. In administrative terms, it has to be efficient, effective and transparent, sustainable and solvent, and, in particular, an institution in which responsibility is shared. Nonetheless, there are three basic problems facing social security in Panama: firstly, affiliation, and linked to this the affiliates’ contributory capacity; secondly, the management and administration of the respective resources and services; and thirdly, the use of services by the affiliates and their beneficiaries (MIDES 2009a; Aparicio, 2010).

In 1991, a partial reform was made to the CSS, which, while improving its situation, did not resolve its underlying long-term administrative and financial problems. As part of the Bambito Tripartite Agreement in 1994, the Contact and Follow-Up Group was created in 1996, consisting of representatives from all sectors involved in public contributory social protection. Owing to its lack of confidence in CSS figures, the group unanimously agreed to request support from the International Labour Organization (ILO). The latter sent a team of actuaries and held extensive discussions with the group; and the two entities worked together to design a methodology and define the variables to be used in the model.

In 1998, the ILO delivered its actuarial analysis to the government, representing the most serious and thorough study undertaken in 60 years of social security, with active participation from the sectors involved. The ILO team also left the CSS with a simulation model that can combine different variables (such as retirement age and the contribution quota, among others), for the purpose of calculating the equilibrium parameters of the IVM programme. In 1999, with presidential elections

approaching, the work of the group was suspended to avoid politicizing the topic of reform. Nonetheless, consensus was reached on several crucial points of the reform (see table 21).

**TABLE 21**  
**PROBLEMS IDENTIFIED IN THE DEBATES ON THE REFORM**  
**OF THE SOCIAL SECURITY FUND**

Problem	Description of the problem
Increase in the contribution	Implies an increase in the contribution made by workers or employers
Expansion of the contribution base	Workers and professionals with high wages contribute on the basis of their income including representation expenses and benefits
Reduction of evasion and arrears	Reduction of evasion and arrears, improving the collection system and penalization of evasion and arrears
Additional state contributions	Solidarity state contribution of US\$300 to US\$2,183 million as a transfer of dividends from shares in privatized enterprises, assignment of land in the reverted areas, 0.05% tax on financial transactions undertaken in the country.
Transfers from other programmes	Surpluses from the Professional Risks and Administration Programmes could be gradually transferred to the IVM programme, on a planned basis, and constantly.
Increase in investment yields	Periodically review the payment of interest and its alignment to the national and international financial reality.
Retirement age	The age of early and, in some cases, preferential retirement considerably raises the expenses of the IVM programme, making it necessary to control the retirement age.
Replacement rate and period for calculating the basic wage	The replacement rate (period for calculating the percentage of the wage with which people retire) should be gradually raised in line with inflation in the country
Administrative efficiency and culture of public governance	The operational efficiency of the system and the scope of the benefits should be managed without affecting equity, universality and solidarity, taking into consideration the knowledge of the institution, institutional re-engineering, operational capacity for flexible decisions, and continuous staff training.
Citizen control	Citizen participation mechanisms that reduce expenses related to procurement and in union contracts and benefits.

Source: “Panamá: Informe sobre seguridad social y gasto social”, *Proyecto de Informe del Estado en (ALC), Temas de Ciudadanía Social*, United Nations Development Programme (UNDP), unpublished.

In October 1999 the debate was resumed, following the consensus-based appointment of the new CSS director. At that time, in addition to consensus on the fundamental points of the reform, there were also two serious and in-depth documents from the ILO (1998 and 2004) measuring the imbalance in the IVM programme and suggesting alternatives to correct it. Nonetheless, various criticisms of the ILO study halted the reform process, thereby aggravating the financial deficit of the programme and that of the institution.

The paralysis and breakdown of the debate on the reforms led the government to convene a national dialogue on social security in 2001, with methodological support from the UNDP and technical support from the ILO in updating the 1998 actuarial study. The new study was coordinated by technical staff from the ILO Office in Geneva and was delivered to the government in the same year. This version was also subject to criticisms from several sectors, particularly owing to the model used for the calculations; and this had a negative influence on the national dialogue. Accordingly, the Disability, Old Age and Death (IVM) Roundtable decide to set up an actuarial technical team, and use the model prepared in the CSS which differed from the ILO model. The IVM Roundtable did not obtain the necessary information from the CSS, or draft a proposal to analyse the problem of the IVM. It was decided to terminate the national dialogue for political reasons, owing to the proximity of the 2004 elections. This meant the loss of five crucial years for tackling the problems of the CSS and the IVM programme in particular. This lack of action also caused a severe deterioration in CSS finances. Thus, the government that took office in September 2004 faced a cash deficit in the IVM programme and its imminent collapse within the government’s term of office. Nonetheless, in the debates on the reform of contributory social protection, a number of measures were proposed, all of which aimed at safeguarding social security in the country.

The CSS was reformed in December 2005 by Law 51, and two subsystems were created based on a contributory model. It firstly made an important parametric reform in the exclusive defined-benefits subsystem, which includes keeping retirement ages at 62 years for men and 57 for

women. It gradually raises the number of contribution quotas needed to qualify for benefit, from 180 quotas (equivalent to 15 years' contributions) between 2005 and 2007, to 216 quotas (equivalent to 18 years' contributions) from 2008 to 2012, and then to 240 quotas (equivalent to 20 years' contributions) from 2013 onwards. In a complementary way, it raises the number of wages used to estimate the basic wage from seven years in 2005-2009 to 10 years from 2010 onwards. The replacement rates for the minimum quota are 60% with an extra 1.25% for each additional year.

Secondly, a mixed subsystem is created that will be managed by the CSS, which maintains its public and solidarity features. This can be opted for by persons affiliated to the CSS, who at 1 January 2006 are 35+ years old and expressly choose to participate in this subsystem, for which they had until 31 December 2007 to decide on an irrevocable basis. Persons not exercising the option automatically remained in the exclusive defined-benefits subsystem. Workers in employment contracts who first started paying into the institution in 2008 or later, had compulsory affiliation to the mixed subsystem. This subsystem has two components: a defined-benefits component which pays a specific amount at the time of drawing the pension, according to the requirements defined in the Organic Law for the payment of benefits; and a second, "personal saving" component that pays a benefit according to how much the insured affiliate has saved during his or her working life, plus the interest earned.

Affiliates in the mixed subsystem will be able to obtain a defined-benefit pension of up to US\$ 500 per month, depending on age and the reference quotas. In the "personal saving" component, the affiliate would obtain the pension resulting from distributing the total amount saved plus interest earned over the actuarial value of the person's life expectancy.

**TABLE 22**  
**MINIMUM AND MAXIMUM AMOUNT, INCREASE AND SUBSIDIZING OF DISABILITY**  
**AND OLD-AGE PENSIONS, 2005-2009, 2010-2015 AND 2015 AND LATER**

Detail	2005-2009	2010-2015	2015 and later
Minimum pension (US\$)	175	185	195
Maximum pension without requirements (US\$)	1 000	1 500	1 500
Maximum pension with requirements (US\$)	1 500	2 000	2 500
Minimum quota requirement (years)	25	25	30
Average base wage (years)	15	15	20
Periodic increase (US\$10 every 5 years)		10	10
Annual bonus for the pensioner <sup>a</sup>	50 <sup>b</sup>	60 <sup>c</sup>	

Source: CSS.

<sup>a</sup> The amount of the pension is calculated according to length of service.

<sup>b</sup> As from 2006.

<sup>c</sup> As from 2007.

This reform represents a mixture of parametric and structural changes to the pay-as-you-go system that finances old-age pensions for CSS-affiliated workers and contributors. It continues to operate independently of fiscal support, by excluding from its affiliates citizens who are neither working nor contributing; and it fails to address the problem of poverty in old age. Nonetheless, it has the merit of changing the defined-benefit rules, requiring a larger number of years for calculating the base wage and the number of quotas needed to achieve the minimum replacement rate, tightening the relationship between the contributions made and the benefit received (defined-contribution benefits). It also sets limits on minimum and maximum benefits in response to the actuarial calculations to improve solvency; and it incorporates an optional saving alternative. Ultimately, the reform does not address the coverage issue, but defines benefit sufficiency between minimum and maximum limits, and improves systemic solvency by adjusting individual benefits to the contributions made.



## A. Coverage

The coverage of the insured population has been trending positively: in 1980, 50% of the population had social security coverage, whereas ten years later, in 1990, 52.3% of the population were covered (Aparicio, 2010). Twenty years on, in 2000, 68% of the population was protected, although coverage slipped back to 62.9% in 2003. Thereafter, the projected/total population ratio started to grow again, to reach 70% in 2006, thus surpassing the coverage level reported in 2000. This increase has since been sustained, and 74.2% of the country's population was protected by CSS services by 2007. In other words, social security has managed to cover 24.2% of the (insured) population over a 24-year period.

**TABLE 23**  
**PANAMA: POPULATION COVERED BY THE SOCIAL SECURITY FUND, 2000-2007**  
(Percentages)

Detail	Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Population <sup>a</sup>	3 003 954	3 060 090	3 116 277	3 172 360	3 228 186	3 283 959	3 339 781	3 395 346	3 450 349	3 504 483
Population covered	1 951 481	1 956 166	1 946 234	2 003 108	2 155 208	2 300 320	2 478 327	2 630 176	2 754 761	2 862 202
Coverage	65.0	63.9	62.9	63.1	66.8	70.0	74.2	77.5	79.8	81.7

Source: INEC/CSS.

<sup>a</sup> Estimated at 1 July.

The annual average number of dependants for each contributing affiliate is less than two, according to the CSS; and in 2010 the figure was 1.3. Nonetheless, an analysis of the dependency structure by contributor income level would reflect differences in the number of dependants (see table 24).

As Panama's population is in a demographic transition process, it is ageing; and this will have a major impact on the various social security programmes run by the CSS. In 2010, for every 100 older adults (60+ years of age) there were 56 pensioners and retirees affiliated to the CSS. The ratio of pensioners to contributing affiliates shows that for every 100 CSS contributors there are 16 CSS pensioners.

**TABLE 24**  
**PANAMA: POPULATION OF INSURED AFFILIATES, PENSIONERS, RETIREES AND BENEFICIARIES 1980-2007**

	1980	1990	2000	2010
Total population (as at 1 July)	1 949 676	2 329 329	2 815 644	3 504 483
Population of 60 + years of age (as at 1 July)		172 581	233 627	355 915
Beneficiaries	973 940	1 218 596	1 947 882	2 862 202
Contributing affiliates	329 464	398 281	661 397	1 220 320
Pensioners and retirees	42 404	82 455	128 161	198 713
Dependents	602 072	737 860	1 158 324	1 641 882
Uninsured	975 736	1 110 733	867 762	642 281
Uninsured (%)	50.0	47.7	30.8	18.3
Retirees and pensioners / population of 60 + years of age (%)	-	48.0	55.0	56.0
Pensioners / contributing affiliates	-	-	19.0	16.0
Dependant population / contributing affiliates	1.8	1.9	1.8	1.3
Coverage (%)	50.0	52.3	69.2	81.7

Source: CSS/ILO-SIALC.

## B. Programmes run by the Social Security Fund

Management and professional risks are financially insignificant compared to other CSS programmes, representing just over 10% of total CSS current expenditure in 2000. The CSS management programme is financed from four direct sources: state subsidies at a rate of 0.8% of basic wages; the proceeds of fines and charges; 10% of regular contributions to the professional risks programme; and interest paid on fixed-term deposits. This programme has total assets representing 0.16% of GDP. The most reliable income sources are the state subsidy and the quota on contributions to the professional risks programme. On the income side, fines, charges and alcohol duties play an important role. In 2003, administrative management reported a decline in its results, after which the ratio improved. In 2007, its assets amounted to 1.06% of GDP.

## C. Disability, old age and death (IVM)

The Disability, Old Age, and Death Programme (IVM) has the CSS's highest level of income and expenditure. Its total assets amount to 10% of GDP, down by five percentage points in relation to the 2001 level (15%). Income and expenditure results in this programme posted a surplus in 2001, but then, according to data supplied by the CSS, a widening deficit was recorded from 2002 to 2007. The ILO study pointed out at the time that the 9.5% contribution rate would be sufficient to cover the expenses of the IVM programme until 2004. As from 2005, however, the rate required to cover costs would need to increase, as provided for in the reformed law. The result was a rise in the contribution rate to around 22% for 2014 (see table 25).

**TABLE 25**  
**PANAMA: DISABILITY, OLD AGE AND DEATH PROGRAMME, AS A PERCENTAGE OF**  
**THE CONTRIBUTION, 2005-2014**

Detail	2005	2006	2007	2008	2009	2010	2011	2012	2014
Worker	7.25	7.25	7.25	8.00	8.00	8.00	9.00	9.00	9.75
Disability, old age and death	6.75	6.75	6.75	7.50	7.50	7.50	8.50	8.50	9.25
Disease and maternity	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Employer	10.75	11.00	11.25	12.25	12.00	11.75	12.00	12.00	12.25
Disability, old age and death	2.75	2.75	2.75	3.50	3.50	3.50	4.00	4.00	4.25
Disease and maternity	8.00	8.25	8.50	8.75	8.50	8.25	8.00	8.00	8.00
Total	18.00	18.25	18.50	20.25	20.00	19.75	21.00	21.00	22.00
Disability, old age and death	9.50	9.50	9.50	11.00	11.00	11.00	12.50	12.50	13.50
Disease and maternity	8.50	8.75	9.00	9.25	9.00	8.75	8.50	8.50	8.50

Source: CSS/ILO-SIALC.

## **D. Health, disease, and maternity**

The country's health indicators display inequalities and the need for improvement. In this context, the second largest CSS programme in relation to GDP is disease and maternity programme, which had total assets amounting to 3.0% of GDP in 2007, down by roughly 1 percentage point in relation to 2001 (4%). This programme's income and expenditure performance for 2001 generated a surplus, but in 2002-2005 there was a deficit, before returning to surplus as from 2006 and 2007.

## **E. Professional risks**

According to the ILO report for 2000, roughly 65% of the current expenditure of the Professional Risks Programme is absorbed by expenses on services (in kind), while 35% is spent on cash benefits. This programme does not have financial problems and attracts sufficient contributions to cover its costs. According to CSS sources, the professional risks programme has total assets equivalent to 1.4% of GDP. Its behaviour is similar to that of the disease and maternity programme, declining approximately its percentage share in relation to 2001 and posting a deficit in its income account, before generating a surplus as from 2006 and 2007.

## VI. Education system

Since the early twentieth century, the First Organic Law of Public Instruction, Law 11, promulgated on 23 March 1904, had defined the principles governing education. Among other issues, Law 11 specified the compulsory nature of education and the unfolding of the education process (content of textbooks, programmes and methods and the attendance of teachers and students). In both cases, the basic principles were influenced by lay perspectives in terms of guarantees and religious perspectives in the operation of the system. Subsequently, Law 22 of 1907, which reformed Law 11 of 1904, organized the preschool education system in kindergartens, and instituted guarantees for compulsory school attendance. Also in 1910, Law 45 specified the characteristics of school buildings (Uthoff, 2009); and in 1924, Law 41 expanded and defined the process of monitoring and supervision of the education process. In the first half of the twentieth century, two additional reforms were introduced, the first on 1 July 1941, when the Law Education Charter Law (*Ley 89 Orgánica de Educación*) was promulgated; and the second, Law Education Charter Law 47 of 24 September 1946. Both laws improved the process of monitoring and supervision of the education process, to make sure the compulsory nature of education was upheld. Since then, efforts in the education area have focused on expanding coverage. The process of coverage expansion was subsequently defined in the 1978 Constitution, which was reformed in 2004, and in the General Education Law of 1946, which was reformed in 1995 (Uthoff, 2009). The compulsory nature of education was also specified in terms of the number of years of schooling. Compulsory education in Panama is cost-free to the user and lasts 11 school years, including the preschool level (two years) primary (six years) and secondary (three years).

The most significant advances in the education sector over the last 36 years have been the sustained increase in coverage and enrolment. School enrolment doubled from 340,674 students in 1970 to 781,851 in 2006 (Uthoff, 2009), and had reached a level of 791,483 by 2010. Thus, in a period of 40 years, the education system expanded its coverage to encompass nearly half a million people at all levels. At the primary school level, coverage did not expand significantly between 2006 and 2010, because system coverage was already high in that segment. In indigenous areas, net primary enrolment only reached a level of 83.3% (IDB, 2006). To expand coverage in those areas, the school meals programme was universalized, thereby making it possible to keep students in school and improve nutrition among school-age children.

Nonetheless, net preschool coverage doubled between 1997 and 2003, particularly in rural areas, both non-indigenous and indigenous, to reach levels of 45% and 37.2%, respectively. The expansion of the informal method of entering the education system through family and community initial education centres (CEFACEIs) had a substantial effect on increasing coverage. By 2006, owing

to the positive results of that initiative, the Ministry of Education (MEDUCA), with support from the Education Development Project, extended the coverage of CEFACEIs to the country's 300 poorest *corregimientos* (IDB, 2006). Increased coverage at the preschool level, which is compulsory and free for children of between four and five years of age, is the result of introducing more flexible strategies for entering and participating in the school system, supported by the restructuring and expansion of the following programmes: Education Development (financed by the Inter-American Development Bank – IDB), Education Improvement (financed by the World Bank) and Bilingual Intercultural Education (financed by the Spanish Government).

**TABLE 26**  
**PANAMA: CENTRAL GOVERNMENT EXPENDITURE ON EDUCATION,**  
**AND COST PER STUDENT, BY LEVEL, 2006-2010**

Education level	Years				
	2006	2007	2008	2009	2010
<b>Total</b>					
Enrolment (No. of students) <sup>a</sup>	781 851	793 826	794 633	777 130	791 493
Expenditure on education (US\$ thousand) <sup>b</sup>	620 598	656 639	756 965	817 951	828 120
Cost per student (US\$)	793.75	827.18	952.60	1 052.53	1 046.28
<b>Preschool and primary</b>					
Enrolment (No. of students)	467 044	478 153	477 397	462 950	465 721
Expenditure (US\$ thousand) <sup>c</sup>	198 176	221 432	240 160	280 843	265 837
Cost per student (US\$)	424.32	463.10	503.06	606.64	570.81
<b>Middle and secondary</b>					
Enrolment (No. of students)	217 356	219 641	224 792	225 209	237 226
Expenditure (US\$ thousand) <sup>c</sup>	174 523	182 766	232 221	227 451	239 638
Cost per student (US\$)	802.94	832.11	1 033.05	1 009.96	1 010.17
<b>University</b>					
Enrolment (No. of students)	97 451	96 032	92 444	88 971	88 546
Expenditure (US\$ thousand) <sup>c</sup>	156 265	169 076	182 886	202 255	212 565
Cost per student (US\$)	1 603.52	1 760.62	1 978.34	2 273.26	2 400.62

Source: National Institute of Statistics and Census (INEC) / Ministry of Education (MEDUCA).

<sup>a</sup> Figure refers to official enrolment in pre-primary, primary, middle, and supplementary education on the last day of classes in July. For the universities of Panamá, Chiriquí, Tecnológica and Especializada de Las Américas, the figures refer to first-semester enrolment.

<sup>b</sup> Includes the operating expenses of the Ministry of Education and its appropriation from the Education Insurance Fund.

<sup>c</sup> Refers to expenses earmarked for pre-primary, primary, middle and university education, transfers to the IPHE, Ministry of Social Development, Chapala, MIDA, Agricultural Education. Expenses that could be distributed between the different education levels owing to their general nature have not been considered for the purpose of calculating unit cost.

Between 2004 and 2009, the Ministry of Education promoted three substantial initiatives to expand preschool coverage. The first, entitled Initial Education in the Home (EIH) aims to incorporate rural and indigenous communities into the education process. To that end, it provides training and education materials to the parents of children under six, to improve their child-care practices and help them with early stimulation and cognitive development, in preparation for entry into the school system (Marques, 2009). The second initiative promoted by the Ministry of Education to improve coverage in vulnerable areas consists of the Family and Community Initial Education Centres (CEFACEIs) which receive financial support from the World Bank. The CEFACEIs form part of the strategy to expand

the supply of preschool education services in rural and indigenous areas for children of between four and five years of age, with community participation. In this case community promoters serve between 15 and 20 children, either in the school or in another infrastructure available in the community. The third initiative being promoted by the Ministry of Education to expand preschool coverage consists of the Community Initial Education Centres (CEICs), which have received financial support from the IDB since 2006 (Marques, 2009). This boost to preschool education has not yet been reflected in an expansion of coverage (see table 26).

At the middle (*pre-media*) and secondary (*media*) levels, although the coverage increase could have been greater, it is still significant (see table 27). This reflects both the way the system is organized at those levels, and also the emerging change in education modalities aimed at expanding coverage. Middle and secondary education expanded between 1997 and 2003, particularly in non-indigenous rural areas (from 50% to 63.2%) and in indigenous rural areas (from 17.5% to 28.8%). Despite this progress, the net middle school coverage gap between urban and indigenous areas is 50 percentage points. To close this gap, MEDUCA is currently promoting a multigrade strategy for middle school education, targeting the poorest *corregimientos*.

**TABLE 27**  
**PANAMA: INDICATORS OF OFFICIAL EDUCATION BY LEVEL, 2005 2009**

Indicators	2005	2006	2007	2008	2009
Primary					
Grade failure rate <sup>a</sup>	6.8	6.5	6.3	6.0	6.3
Annual loss arising from grade failure (US\$) <sup>b</sup>	10 702 219	10 771 130	11 572 820	12 001 331	13 077 537
Dropout rate <sup>c</sup>	1.7	1.3	1.3	1.4	0.5
Annual loss arising from dropout (US\$) <sup>d</sup>	2 675 555	2 154 226	2 388 042	2 800 311	1 037 900
Middle and secondary					
Grade failure rate <sup>a</sup>	10.3	10.4	11.0	10.1	10.6
Annual loss arising from failure (US\$) <sup>b</sup>	15 821 679	18 150 478	20 104 202	23 454 359	24 914 174
Dropout rate <sup>c</sup>	4.0	2.9	3.3	3.9	1.5
Annual loss arising from dropout (US\$) <sup>d</sup>	6 144 341	5 061 191	6 031 261	9 056 634	3 525 591
Grade level displacement rate <sup>e</sup>	22.0	21.7	20.5	19.9	16.1

Source: National Institute of Statistics and Census (INEC) /Ministry of Economy and Finance (MEF).

<sup>a</sup> Number of grade-failing students as a proportion of all students ending the school year, multiplied by 100.

<sup>b</sup> Obtained by multiplying the official enrolment by the dropout rate and the annual cost per student.

<sup>c</sup> Proportion of students who, having started a school year, drop out of the education system without completing the year.

<sup>d</sup> Obtained by multiplying official enrolment by the failure rate and the annual cost per student.

<sup>e</sup> Proportion of students in middle and secondary education who fail in one and up to three subjects, in relation to the total number of students completing the school year, multiplied by 100.

In late 2004, MEDUCA established the National Inclusive Education Plan, in which the Panamanian Special Qualification Institute (IPHE) plays a key role. With support from IDB-PRODE, a total of 2,367 teachers have been trained in methodology for inclusive education teaching, and 92 schools serving disabled children have been incorporated (Marques, 2009). The inclusive education of population groups with special education needs was formalized in 2000 (Executive Decree No. 1 of February 2000), coordinated by the National Department for the Social Integration of Disabled People (SENADIS).

Programmes and strategies aimed at increasing retention, reducing dropout and expanding coverage at the preschool and primary levels includes those related to school nutrition. The National

School Nutrition Programme has been operating since 1991, and this programme also delivers products for the preparation of school lunches, such as rice, beans and oil (643,833 students benefited). The Family, School and Community Farms and Vegetable Gardens Programme aims to increase the availability and consumption of food products in schools, under a productive and didactic approach. These programmes receive about US\$ 84,195 in government subsidies, and benefit 122,785 students. The Complementary School Meals Programme (PACE) (Law No. 35 of July 1995) offers children attending school a snack comprising whole or fortified milk or a cream dessert, together with enriched or fortified biscuits. This complementary food is distributed to schools with a high population density that lack conditions to prepare food products in urban, marginal urban areas and district headquarters. They are also distributed in zones of medium-sized and small school populations located in the indigenous areas with the highest malnutrition indices, along with other schools in remote areas of the indigenous *comarcas*. Since 2007, the programme has been strengthened in the *comarcas* with distribution of the cream dessert and nutritional biscuits. In 2008, the snack programme was extended to cover 100% of schools in the *comarcas* (Marques, 2009). The increased coverage also benefited 61 distance-education units (*telebásicas*), 13 middle schools, 76 Child and Family Guidance Centres (COIFs), 88 Catholic Church centres and 49 *Casa Esperanza* centres. In 2008, the PACE served 476,762 children at a cost of US\$ 15.8 million; and in 2009, 518,264 children were attended at a cost of US\$ 19.7 million (Marques, 2009). At the present time, all public schools receive the milk and biscuit product, or a cream dessert and biscuit.

Starting in the second half of 2009, the national government supported the delivery of resources for students, scholarships, school repairs, curricular modification, and access to Internet with the aim of improving the quality of Panamanian education (see table 28). The programme to supply free schoolbags, books, and school utensils has national coverage. As is the case with the food programmes, this initiative aims to expand ways of keeping students in school and improving conditions for education development. Another programme to keep students in school is the school scholarships programme promoted through a general competitive tender. For 2011, this programme had a budget of US\$ 9.1 million and benefited 26,000 students nationwide. In 2009, the plan was to award a universal scholarship to students with the aim of counteracting school dropout and raising school enrolment and attendance indices. Its use is intended for the purchase of uniforms, books, school utensils, and food for the beneficiary students. The universal scholarship consists of monetary support amounting to US\$180 per year, granted to every student fulfilling the requirements defined in Law 40 of 2010. As a transfer, the programme achieved effective coverage in the quintiles associated with the population living in vulnerable conditions, but not among extremely poor and poor population groups.

**TABLE 28**  
**PROGRAMMES AIMED AT IMPROVING EDUCATION, 2009-2014**

Non-renounceable targets	Coverage/population	Impact
Free provision of schoolbags, books and school utensils nationwide	Nationwide and benefits students	Reduction of school dropout
Repair and construction of additional schools nationwide	Nationwide and benefits students and teachers	Improvement of education conditions
Award of school scholarships nationwide	Nationwide and benefits students	Better academic achievement
Modification of the education curriculum nationwide	Nationwide and benefits students and teachers	Teacher updating
Installation of 651 wireless Internet points border to border nationwide	Education community, professionals and public at large <sup>a</sup>	Access to education technologies

Source: MINGO (Ministry of Interior and Justice) (2011), *Informe a la Nación*, [online] [www.participa.gob.pa](http://www.participa.gob.pa).

<sup>a</sup> National Governmental Innovation Authority (AIG).

In the sphere of educational activity development, the curricular change programme is being promoted for the purpose of modernizing the Panamanian education system. In 2012, a total of 84 colleges had embarked on changing study plans and their forms of development. In addition, the Curricular Change Programme is being implemented; and by 2012, a total of 103 colleges and 33,000 teachers will have participated in seminars and courses on curricular change. During the initial stage of this process, 713 teachers obtained masters degrees and diplomas. Another of the education improvement programmes involves the repair and construction of schools. The programme's objective is to give students decent facilities, improve education quality, and incorporate children nationwide. A free Internet programme is being developed to ensure schools have capacity to use the technology. In 2012, 1,005 cost-free wireless Internet sites had been set up; and there are now 350,000 users of the free Internet service. This programme is combined with support from the National Science and Technology Department (SENACYT), which aims to turn schools into digital centres. Altogether 2,500 teachers and over 50,000 students have participated in this programme.





## VII. Health system

According to UNDP (2011), Panama has performed satisfactorily in the health area. The supply of health care and its performance are rated “medium-high” in the provinces and *comarcas* alike. Only the province of Panamá reports lower than average growth, owing to the level it had already attained, the size of its population and constant population flows. At the district level, the health situation is similar, except for the *comarca* of Emberá, where medium development is estimated for the Sambú district.

As in other cases, although performance and coverage in the health sector are good overall, inequalities persist, as reflected in the population’s health indicators, particularly those relating to mother and child health. The shortcomings are explained partly by inequalities in access to basic health service procedures, compounded by lack of use of the services and their poor quality. In fact, there are significant deficits in health outcomes, mainly relating to maternal and newborn health, and malnutrition among children under five. These are partly explained by inequalities in the level of access to basic public health procedures, and by the use and quality of the services. In the case of maternal health, Panama’s maternal mortality rate rose from 53.4 in 1990 to 59.4 in 2007 deaths per 100,000 live births, which is still way above the target for 2015 set in the fifth Millennium Development Goal of 13.4 deaths per 100,000 live births. In the indigenous *comarcas*, the rates are up to 10 times the national rate, with figures of 376.4, 584.8 and 292.7 maternal deaths per 100,000 live births respectively in the *comarcas* of Ngöbe Buglé and Guna Yala and in the province of Darién in 2006. Difficult access conditions, low capacity of health establishments, and a low proportion of childbirth deliveries attended by skilled staff in poor and indigenous communities, together with the presence of geographical, cultural and economic barriers against the use of such services, explain this situation (UNDP, 2011).

There is also unequal access to preventive health and nutrition services in indigenous areas in the case of services for the under-fives. The ENV03 shows that two thirds of indigenous children with respiratory problems or diarrhoea, or both, were not attending health services; whereas nationwide, over two thirds were attending. Despite the increase in immunization coverage for this age group, there are still gaps of between eight and 10 percentage points between indigenous areas and the national average (95%) (IDB, 2006). In other words, socioeducational measures in health seem not to be effective in the health area.

The increased prevalence of chronic malnutrition (low height for age) recorded between 1997 and 2003 among children under five was very worrying. According to the 2003 ENV, 20.6% of such children displayed chronic malnutrition; and the rate was as high as 56.6% among indigenous children —up by eight percentage points since 1997. Possibly owing to migration from the countryside to the

city, the incidence of chronic malnutrition among poor children under five in urban areas is also high (22.5%), even above rates in the non-indigenous rural area (21.1%). The negative consequences for these children's physical and cognitive development, and for their capacity to learn when they enter school, are easy to imagine (IDB, 2006). Maternal mortality, which reflects the health status of women of childbearing age, rose from 61 in per 100,000 live births in 2000 to 70 per 100,000 live births in 2003, and thus remains a challenge for health and gender equity. Nearly 90% of deliveries were professionally attended in public or private facilities in 2003 nationwide, compared to just 33% in the indigenous area (IDB, 2006). Health problems are also noted in areas where the employment dynamic is deficient and CSS coverage almost non-existent.

In the Ngöbe-Buglé indigenous areas, for example, according to Halpenny, recent studies (SENAPAN, 2006; Payne and others, 2007) have shown that nutritional problems combine a deficient feeding regime with an inadequate contribution of protein, lipid and vitamin-based energy, which results in a high prevalence of chronic malnutrition (50%-61%) (SENAPAN, 2006; Payne and others, 2007), and rates of over 80% in the case of gastro-intestinal nematodes (Payne and others, 2007) in school-age children (Halpenny, 2008). From this standpoint, the problem is not only a matter of providing food but of ensuring adequate absorption by the organism in the beneficiary population.

Resistance to infections is mostly determined by immunocompetence in children. One of the most visible effects of chronic malnutrition is an immune deficiency that considerably heightens the risk of nematode gastro-intestinal and other infections that cause malnutrition owing to poor food absorption, thereby limiting physical, social and mental development (Halpenny, 2008). In fact, poor access to health services exacerbates susceptibility to infections as a result of food deficiency, with long-term effects on development, productivity, and the ability to take advantage of social promotion (Halpenny, 2008). A commonly ignored consequence of malnutrition is the harm it causes to the immune system, which increases the incidence of a wide variety of infections. The Ngöbe-Buglé indigenous area, for example, displays an association between a monotonous and inadequate diet, with a very high prevalence of chronic malnutrition (50% and 61% of stunting), together with a high presence of gastro-intestinal nematodes (above 80%) in preschool children (Halpenny, 2008). This contributes to the reproduction of the poverty and indigence cycle.

The programmes being promoted by MINSAs, as part of life-cycle interventions that address nutritional problems, include the Complementary Food Programme (PAC), targeted on groups that are at risk of malnutrition and acute, moderate, or severe malnutrition. The programme, which forms part of the supply of non-contributory social protection, delivers a pre-cooked maize flour (*nutricereal*) enriched with eight vitamins and five minerals for children of between six and 59 months of age, along with pregnant and breast-feeding women. Since 2006, the programme has operated systematically in the 10 poorest indigenous districts, where all children of between six and 35 months of age attend health checkups, and receive six pounds of *nutricereal* every month throughout the 12 months of the year, which allows for daily rations of 45g. In the indigenous districts, a ration is also delivered throughout the year to children under three years old who attend health checkups (Marques, 2009).

In 2005, a study detected that about 45.6% of breast-feeding, preschool, school-age and pregnant children and pregnant mothers attending health centres in the poorest districts of the country were suffering from iron-deficiency anaemia. According to the fifth height census of school-age children performed in 2000, the prevalence of chronic malnutrition measured by height/age was 21.9%. For this reason, two actions were undertaken, the first, a draft law “which establishes food fortification in the Republic of Panama”; the second, the creation of the National Department for the Coordination and Monitoring of the Food and Nutrition Plan (SENAPAN). In December 2007, Panama adopted the guidelines designed by the Food and Agriculture Organization of the United Nations (FAO), by signing the Declaration on the Progressive Realization of the Right to Adequate Food. This declaration commits the country to promote food security and give priority attention to articulating the Food and Nutritional Security Plan, which aims, among other things, at fulfilling the Millennium Development Goal to eradicate hunger by 2015.

The strategy for reducing malnutrition associated with the poverty cycle included fortified milk, along with corn meals and wheat flour. Salt iodization was also maintained, although Panama has been declared a goitre-free country since 2002. In addition to the products mentioned, subsidies are provided for the fortification of rice with folic acid, vitamins of the B complex, iron and zinc, bearing in mind that Panamanians consume an average of 154 pounds of rice each per year. At the same time as delivering fortified products to children of between four and 48 months and to pregnant teenagers, they are also provided with iron and folic acid supplements with the aim of controlling iron deficiency and parasites in 41 poor districts of the country.

Since 2009, while maintaining the continuity of complementary food and micronutrient programmes, a proposal has been made to restore health-care facilities, with the aim of expanding coverage and reducing diseases, promoting health and improving the life expectancy of the Panamanian population. This programme involves the construction of hospitals, MINSA-Capsi (Innovative Primary Health Care Centre) and the automation of mechanisms for providing better care to service users. At the present time, five hospitals are being built in the different provinces of the country (Darién, Chiriquí, Colón, Veraguas and Los Santos), with an investment of US\$ 374 million; 20 MINSA-Capsi in Changuinola, El Tigre de Los Amarillos, Soná, Ocú, Pesé, Cuipo, Las Tablas, Pedasí, Santa Fe and Burunga, Volcán, Macaracas, Las Garzas, and others. Lastly, the hospital city project is being built, which will cost US\$ 587 million. In the water and sewerage sector, sanitation and decontamination work has begun on Panama Bay, at a cost of US\$ 650 million, which will benefit 1.2 million Panamanian people. Work is also ongoing on rivers and gorges; drinking water coverage has been increased, and the garbage collection service has been upgraded.

**TABLE 29**  
**PANAMA: PROJECTS TO RESTORE THE HEALTH SECTOR, 2009-2014**

Unforgivable targets	Coverage/population	Impact
Chilibre hospital located in Panamá province	Inhabitants of Chilibre and neighbouring areas	Decentralize health care
24 de Diciembre Hospital, Panamá province	Inhabitants of 24 de Diciembre and surrounding areas	Decentralize health care
Increase drinking water coverage to 90% in Panama and in rural communities nationwide	Panamá Province and rural communities nationwide	Reduce water-borne diseases
Automate medical procedure is nationwide in 200 health centres and five national hospitals	National coverage Benefit to CSS users	Rapid care
Sanitation of the city and bay. Determination of rivers in the metropolitan area	Population of the metropolitan area	Increase in public health
MINSA-CAPSI of Pacora, district of Panamá	Coverage: district of Panamá. Benefits inhabitants of the district and surrounding area	Improve access to health services
Start of construction of 10 MINSA-CAPSI for 2010, at the national level	National coverage Benefits the population	Improve access to health services
Start of construction of 10 MINSA-CAPSI for 2011, at the national level	National coverage Benefits the population	Improve access to health services
Start of construction of 10 MINSA-CAPSI for 2012, at the national level	National coverage Benefits the population	Improve access to health services
Construction and equipping of five hospitals nationwide	National coverage Benefits the population	Improve access to health services

Source: MINGO (Ministry of Interior and Justice) (2011), *Informe a la Nación* [online] [www.participa.gob.pa](http://www.participa.gob.pa).

Also, in 2009, a programme was designed to strengthen health care and sanitation in poor areas. The Poor Areas Water and Sanitation Programme aims to implement drinking water and sanitation services with community participation, improve sanitary practices and strengthen the role of MINSA as the supervisory body of the water and sanitation sector. In the rural area, the project's target is to build 204 aqueducts (either new ones or improvements) in the health regions of Bocas del Toro, Chiriquí, Ngöbe-Buglé and Veraguas; in the urban area the aim is to design and implement the model for investment planning and management, and works monitoring and execution (Marques, 2009). For 2012, the Ministry of Health invested US\$ 11 million in 89 rural aqueducts and

US\$ 3 million in 45 reinforced wells that benefit over 7 million people. The National Water and Sewerage Institute (IDAAN), meanwhile, has invested over US\$ 80 million in works across the country to bring drinking water to over half a million Panamanian people, including the construction and refurbishment of water purification plants. Between 2009 and 2012, CONADES invested US\$50 million nationwide to supply drinking water to 1,252,500 Panamanians. As part of the process of improving water quality, three pipelines were built that will guarantee water to the province of Panama at a cost of US\$ 250 million. In Colón, Santiago, Penonomé, Aguadulce and David it is also intended to guarantee the service by increasing quality and coverage.

In 2010, following problems arising with the handling of garbage and solid waste, the Urban and Household Environmental Hygiene Authority was created, with the aim of investing in sanitary landfills and the treatment of waste material. In addition, a fleet of trucks was purchased in an investment of US\$ 19.7 million, to guarantee sanitation services to residences in the capital city.

The international economic crisis, in conjunction with natural disasters that have destroyed millions of hectares of crops worldwide, and compounded by the high price of oil, have raise the cost of food domestically. In 2009 two alternatives were proposed for reducing the prices of the basic shopping basket and increasing the quality of nutrition among Panamanian people: the *ferias* (fairs) (*Jumbo Ferias* and *Jumbo tiendas*) and the cold chain. The *ferias*, which do not control food prices but provide products at low prices, are a temporary alternative. The basic project for reducing the prices of the basic shopping basket involves the creation of a national temperature-controlled supply chain, or cold chain; and for that purpose, the Cold Chain Department was created through Law 28 of 8 June 2010, attached to the Ministerial Office of the President. The Department's main objectives include planning and implementing all necessary actions within the framework of the Constitution, laws, and regulations of the Republic of Panama, for the design, implementation, management, operation and maintenance of the cold chain system, which will be set up to offer producers a mechanism that helps reduce the high rate of loss or reduction of their crops in the post-harvest and marketing process. The cold chain builds a national network of markets for an investment of US\$ 350 million.

## VIII. Housing policies

The 2000 census showed that there were 681,799 occupied homes in the country, and the 2010 census reported 896,050. In other words, between 2000 and 2010, 214,251 homes were built in Panama. In the period 2000-2010, the proportion of permanent detached homes grew by one percentage point, from 38% to 39%. The census also shows that there are ever fewer homes with wooden floors and wooden roofs.<sup>11</sup>

In 2000, the housing deficit, which includes partial or total deterioration and overcrowding, amounted to 207,602 homes. Up to 45% of the demand for homes corresponded to population groups associated with the informal economy, with monthly incomes below US\$ 250. Between 2004 and 2009, demand amounted to 220,000 homes, but supply only produced 12,000 housing units per year. The widening of the deficit has been made worse by the cost of urban land, and the unequal distribution of electricity, telephone and sanitation service infrastructure. The requirements and long procedures involved in obtaining approval for social housing projects also inflate costs. In 2010, according to estimates made by the Ministry of Housing and Land Management, the housing deficit amounted to 136,665 homes. This total figure includes the categories of improvised (15,063), condemned (8,704), locations not intended for housing but used as homes (2,811), homes made from deficient materials (floor, ceiling, wall) (12,739), homes accommodating additional households (16,540), and those with additional family units that result in overcrowding (80,808). The 2008 Standard of Living Survey showed that 63% of the total population live in urban areas, which suggests that the majority of the deficit is concentrated in such areas.

In the period 2004-2009, the National Land Programme (PRONAT) was implemented, with the aim of studying and allocating land plots to provide housing for population groups living in poverty and indigence, with long-term planning covering aspects of minimum urban development, environmental, and transport considerations. In the framework of respect for private property, that process makes it possible to promote subdivisions for progressive development as an alternative to land occupations.

The various actions have caused the characteristics of homes to change. In 2000, there were a total of 684,560 occupied homes, with an average of 4.1 inhabitants each. By 2010, the total number of occupied homes was 900,413, with an average of 3.8 inhabitants (see table 30). In the case of basic drinking water and sanitation services, both displayed lower percentages than in the two previous

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<sup>11</sup> The wooden roof is being replaced by zinc.

censuses of 1990 and 2000. In other words, seven out of every 10 homes have drinking water and eight out of every 10 receive the sanitation service.

Access to drinking water is essential and vital for communities. In households headed by men, 40% received water in the home through a public IDAAN pipeline, while 23% obtained water outside the home; 8% of households are supplied by a public community pipeline inside the home, and 27% outside. In the case of women-headed households, 40% stated that they obtain water in their home through the public IDAAN pipeline; 21% said they use the public community pipeline in the home; and 24% stated that drinking water was obtained outside their home and from a public source. In terms of the type of sanitary service, 18% of male-headed households and 17% female-headed households have a pit or latrine in their home; and only 15% of men claimed to have a sanitary service connected to the sewerage system or a and septic tank.

**TABLE 30**  
**CHARACTERISTICS OF HOMES IN PANAMA, 1990, 2000 AND 2010**  
(Percentages)

Home	Years		
	1990	2000	2010
Homes with drinking water	80.71	89.79	77.18
Homes with sanitary service	88.08	93.13	86.62
Homes with electricity	72.80	81.40	86.84
Homes with a television set	65.65	77.15	81.73
Homes with radio	74.69	83.39	70.60
Homes with telephone	27.86	40.45	34.47

Source: INEC.

## A. Housing programmes

Over the past decade, the Ministry of Housing and Land Management (MIVIOT) has played an active role in implementing housing projects. Housing policy aims to strengthen a facilitating entity that targets direct actions on low-income groups. In other words, MIVIOT has morphed from a building ministry into a facilitating institution that promotes private-sector participation in the processes of executing social housing programmes and projects, including those with subsidy or social assistance features, with a view to substantially reducing the housing deficit.

The housing sector is implementing several programmes for low-income groups, with the aim of reducing the housing deficit: Housing Financing and the Solidarity Housing Fund. Housing Financing is supported by an IDB loan. The programme has four components: integrated neighbourhood improvement (PROMEBA), which benefits 800 families; the Rapid Assistance for Social Housing Programme (PARVIS Mejorado), which benefits 850 families; the development of macro land plots benefiting 600 families; and the direct subsidy for commercial mortgages benefiting 1,000 people. This programme also includes the Emergency Housing Assistance Fund (FASHABI).

The Social Housing/Decent Housing programme, also promoted by MIVIOT, provides a basic housing unit of 36m<sup>2</sup> to the poorest families, along with construction materials, or apartments of 42m<sup>2</sup>, or a floor-ceiling unit, to families located in semiurban areas close to the cities and in rural peasant and indigenous areas considered priorities owing to their poverty classification, and poor families that need help to repair or rebuild their house following a natural disaster (Marques, 2009). Apart from the Decent Housing Programme developed in MIVIOT, the Home Rehabilitation and

Urban Improvement Programme is also being implemented, with the aim of restoring and rehabilitating “condemned” properties, whose structures are in bad physical condition in Panama City. The project renovates the outside and inside walls of the properties, as well as painting, adaptation of the electricity system, plumbing, staircases and ceiling, among other items. This project is expected to benefit 3,857 families. Lastly, in this area, the Housing Conditions Improvement Programme is being implemented, which aims to continue supporting the neighbourhood improvement and social housing modalities, and capacity to implement innovative housing policy instruments, while at the same time supporting the restoration of houses in the *Casco Antiguo* (Marques, 2009). The Revitalization and Poverty Relief Project is also being developed to restore 13 buildings accommodating 250 families that are in conditions of physical disrepair located in the centre of Colón city. The project is being financed by an IDB loan.

**TABLE 31**  
**PANAMA: HOUSING PROGRAMMES, PROJECTS AND ACTIONS**

Programme	Target population	Action	Project objective	Characteristics
Solidarity Fund (GPA)	Low-income individuals and families in the informal economy	Non transferable contribution of US\$5,000 per family	Purchase of new homes not exceeding US\$35,000	Housing units of two rooms, one bathroom, 36m <sup>2</sup> , dining room, washing area, and must fulfil minimum urban development standards
Programme of Rapid Assistance for Social Housing (PARVIS)/IDB	Families with incomes below US\$300	Support in terms of construction materials for basic housing units of 36 m <sup>2</sup>	Financing for the construction and basic units	Basic housing units of 36m <sup>2</sup> that can include the construction of a sanitary unit, where necessary
Loans of materials/ IDB	Low- income families	Contribution in loans of materials	Improvement of their quality of life	Resolution of problems of overcrowding, lack of hygiene and privacy
Neighbourhood Improvement Programme (PROMEBA)/ IDB	Low-income families	Contributions articulated between the public, private and community sectors	Better access to basic urban services and economic housing	Social, physical and institutional actions
Housing Assistance Programme (FASHABI)/IDB	Families with social needs related to situations of national emergency Extreme poverty	Direct housing subsidy to families	Mitigation for families affected by disasters, emergency situations, social cases and extreme poverty	

Source: Prepared by the author.

The Measurement and Legalization Programme was initiated in the early 1980s and was expanded in the 1990s. Its aim is to legalize unauthorized settlements on public land, mainly in the country’s largest urban zones. The programme measures and legalizes land plots which are then sold by Banco Hipotecario Nacional. In recent years, the programme has also helped to organize, measure and legalize land plots occupied by families in informal settlements on private land (Marques, 2009). Nonetheless, with supervisory functions for land management being assigned to MIVIOT, this function has been expanded and institutionally strengthened.

The housing solution projects have a Solidarity Housing Found that provides a nontransferable contribution of US\$ 5,000 to families in the formal and informal economies, whose monthly family income is no more than US\$ 1,000. As of 2012, 4,505 subsidies had been approved for a total of US\$ 22.5 million; and a further 1,600 applications are currently being processed, for a total amount of US\$8 million. In the case of construction projects and housing assistance, MIVIOT has served 28,530 families encompassing over 75,087 people throughout the country, improving their housing conditions and quality of life. In this period, a total of US\$ 210.3 million was committed, generating 27,707 jobs. The preferential interest rate was introduced in 1985, with the aim of



subsidizing the interest rate on mortgage loans for new-home purchases, as specified in Law 3 of 24 May 1985, amended by Law 410 of 2008, which substantially improves the terms of the subsidy. Buyers of homes valued at less than US\$ 30,000, only have to repay the loan principal, and the government finances 100% of the interest; whereas buyers of homes valued at between US\$ 30,001 and US\$ 65,000, will have a government subsidy of four percentage points, and purchases valued between US\$ 65,001-US\$ 80,000, will receive a subsidy of two percentage points on the interest. The subsidy is applied to the difference between the benchmark rate, which is regularly determined by the Banking Superintendency, and the actual rate applied by the bank within the established limits. The benchmark rate is calculated as the average of the rates applied to similar loans by the Caja de Ahorro and the country's five largest banks during the previous month. The MEF credits the participating banks against their tax liabilities (Marques, 2009).

In 2009, two major projects were promoted in the housing sector with the aim of providing access to decent housing: the Curundú Urban Renewal Project, and incentive for the construction of social housing, making the regulations more flexible.

**TABLE 32**  
**MIVIOT PROJECTS TO GUARANTEE DECENT HOUSING TO ALL PANAMANIANs, 2009-2014**

Non-renounceable targets	Coverage/population	Impact
Urban renewal of Curundú in the Calidonia <i>corregimiento</i>	Coverage of the Curundú <i>corregimiento</i> Inhabitants	Quality of life, decent housing
Free issuance of all property titles nationwide		Loan facilities
Incentives for the construction of social housing, making the regulations more flexible. Housing solutions include the following: 3,000 social housing units per year; 5,000 loans; 5,000 vouchers of US\$ 5,000 each, and 5,000 property deeds nationwide	National coverage Benefits all people	Access to housing

Source: MINGO (Ministry of Government and Justice) (2011), Informe a la Nación [online] [www.participa.gob.pa](http://www.participa.gob.pa).

The Curundú project, promoted by the national government through MIVIOT, aims to improve the living standards of marginal population groups with support and participation from a team of over 15 governmental, private and non-profit institutions. For that purpose, a comprehensive plan has been developed to change and promote a culture of integration and responsibility. The project's objectives include: creating decent homes; improving socioeconomic conditions, promoting job creation and vocational training programmes in different employment sectors; promoting and strengthening sports programmes; improving environmental and housing conditions; promoting, with support from local leaders, a culture of peace in the community that will have positive effects on all of its inhabitants. The development of the housing complex in the Curundú sector, where roughly 800 families live in very precarious conditions, has a budget of US\$ 30 million.

## IX. Employment policies

A key ingredient of living standards is having a job, which can be measured by the percentage of the economically active population (EAP) that is employed and has an income of at least the minimum wage. This indicator shows a 60% achievement rate in the wealthiest areas such as Panamá and Colón, but around 50% or less in the other provinces, and under 30% in the *comarcas*. On a complementary basis, the highest incomes are reported in the metropolitan area, whereas other parts of the country report incomes of 30% to 40% lower; and in the *comarca* areas incomes are equivalent to 25% of average national income (UNDP, 2011).

The level of employment depends firstly on employment policy and secondly on labour-market policy. Broadly speaking, employment policy is associated with various macroeconomic instruments that affect and influence the magnitude and composition of employment, and both absolute and relative pay. Nonetheless, the type of employment needed in the short term, highly skilled or unskilled, will depend on domestic conditions such as the level of economic development; the level of education and training, and the proportion between unskilled and skilled workers; and the type of comparative advantages that the country possesses or could develop. Ultimately, the policies implemented create conditions for one or other type of employment.

In the case of Panama, employment policies and labour market policies both remained relatively homogeneous between 1994 and 2009. Over the last 15 years, employment policies have mainly focused on the possibilities for attracting capital through the technological transformation of the country's geographic position. In other words, during this period, the outward-looking growth model was strengthened further through zones specializing in technology, product processing, and goods distribution.

Between 1994 and 1999, employment policies focused on establishing a market economy: free entry to all economic activities; freedom to set prices; free competition; lack of distortions; an appropriate legal base; domestic prices aligned to international ones, in addition to an outward-looking economy. Subsequently, between 1996 and 2004, employment policy focused on generating opportunities and on boosting employment through the large-scale creation of productive job opportunities, which enabled Panamanian families to have a stable and adequate income. In the period 2004-2009, employment policy focused on capacity building, in both urban and rural areas, by increasing public and private investment and supporting consumption. To guarantee an adequate process of capacity development, the system was structured to increase training for employment and productivity.

A similar pattern developed in the case of labour-market policies (see table 33). The 1995 labour-market reforms paved the way for the centralization of vocational training and job training, while decentralizing wages and working conditions. Labour-market policies then focused on increasing labour productivity through wage incentives or building capacities for participation in sectors that make intensive use of technology in all of its forms. In operational terms, labour-market policies focused on social security and its problems in responding to the increasing demands of the contributing population. In the period 2009-2014, as a continuation of the above, it was decided to streamline training programmes for both income and job continuity. These actions will be combined with steps to attract foreign firms. In other words, the aim is to complete the model that was inaugurated in 1984.

**TABLE 33**  
**PANAMA: TREND OF EMPLOYMENT AND LABOUR-MARKET POLICIES, 1994-1999/2009-2014**

1994-1999		1999-2004		2004-2009		2009-2014	
Employment policy	Labour market policy	Employment policy	Labour market policy	Employment policy	Labour market policy	Employment policy	Labour market policy
Attract foreign investments by developing competitive labour market legislation	Reformulate the CSS financial strategy	Strengthen the confidence of private investors with financial and legal certainty standards	Strengthen CSS financial management	Strengthen the outward-looking growth model	Resolve the financial problems of the CSS through reform	Create industrial parks for specialized activities (pharmaceuticals, manufacture of computer chips, etc.)	Strengthen occupational health, firstly developing rehabilitation and labour market reintegration centres; secondly education centres for employers, workers and inspectors
Increase the system's competitiveness and productivity levels	Define and formulate a social security strategy	Make the most of the country's geographic position, with the expansion and modernization of the Canal	Implement a wage policy in line with productivity increases	Promote the market economy with neutral incentives and freedom to enter the various markets	Strengthen productive capacity, through the implementation of specific job training programmes, to ensure greater employment opportunities and improve labour productivity	Create a suitable climate for investment and quality job creation on a sustainable basis	Eliminate the minimum wage from Zone 3
Maintain the monetary system, improving the country's international image	Develop a fair, merit-based wage policy	Make progress in negotiations with the United States	Promote vocational training to increase labour-force productivity	Grant tax credits, subsidies, apprenticeship contracts, incentives agreements for firms that hire young people in their first job	Promote vocational training that allows for a genuine integration into the formal labour market and includes professional practice programmes	Emphasize education and training, raising the quality and relevance of education for work, developing capacities for effective integration into labour market with quality jobs	Make activities related to the promotion of training for workers in firms tax-deductible

Source: Prepared by the author on the basis of data from the Ministry of Employment and Labour Development (MITRADEL) and the Ministry of Economy and Finance (MEF).

## X. Final thoughts

For more than 50 years the policies, programmes and actions of contributory and non-contributory social protection and promotion that have been developed in Panama have nearly always aimed to reduce vulnerability in the urban social sectors and generate guarantees and benefits associated with citizen participation in the formal labour market, which is predominantly urban. Social promotion and protection has been characterized by a set of institutions, policies, programmes, projects and actions, of an assistance and guarantee nature, which sought to improve the population's social welfare. The priorities have included employment and social security, health, education and housing as its main areas of intervention, along with sector policies related to vulnerable population groups or those subject to social risk: poverty, the indigenous population, childhood, youth, women-gender, older adults, disability, among others. There was no practical evidence of a specific institutional framework for promoting and guaranteeing overall social protection. It was more the result of the interaction and coordination of ministries and institutions which, through a mechanism such as the social welfare office (*gabinete social*), define the social agenda of a given government administration, which is also influenced by the requirements of international agencies (international agreements); and in addition, civil society, which used the dialogue round tables and national consensus as participation mechanisms to affect the topics and agenda of public policies in the country.

Social promotion and protection in Panama is developing and evolving from social policies emphasizing the supply of services to vulnerable and at-risk groups, towards the formation of social protection networks aimed at providing greater coverage, quality, effectiveness and efficiency in the supply of life-cycle-based social services. The shift between programmes and the social promotion and protection network reflects the tension between poverty relief and overcoming the factors that prevent and restrict the welfare cycle and reproduces poverty between generations. The transition from programmes towards the social promotion and protection network means balancing targeting strategies, types of conditionalities, times of exposure to actions, and levels of development of institutional coordination and exit mechanisms. In other words, the programmes are used as a basis for designing a system for managing poverty and indigence; while the network is used to develop a system for managing social risk and reducing unmet basic needs. The programmes focus on promotion, whereas the network objective is social protection. Between them they can produce a promotion, precaution (*previsión*), and “propulsion” package, targeting the population in accordance with its life cycles. It is therefore increasingly clear that the final step in redesigning social protection policies consists of establishing a system of social protection and promotion based on citizens' rights, with guarantees and quality services for citizens. Nonetheless, redefining and adapting the role of the state in social affairs, particularly in relation to social promotion and protection, means taking account

of the current historical turning point in the region and intervention modalities in the process of development and consolidation of public policies. This is what the current reform, adaptation and refounding of social policy generally, entails.

For social protection to overcome the unidirectional and benefactor notion of the welfare state, the asymmetries that exist between approaches, interventions and regional and local operations need to be reduced. Social promotion and protection cannot be confined either to the contributory mechanisms provided in the sphere of employment or to the compensatory mechanisms offered by the State. Overcoming poverty, exclusion and inequality requires rethinking social policy with social promotion and protection aims on integrated basis, both within and outside the employment domain; and, in that framework, deliver mechanisms for transferring and redistributing wealth. In other words, in the medium term, the designs, and the mechanisms of monitoring, follow-up and evaluation of social programmes formulated with a social-protection-and-promotion rationale, need to respond and adapt to the degrees of complexity present in phenomena such as poverty, exclusion and inequality. Identifying in each level the social risks and vulnerabilities that sharply and directly decrease welfare and the sustaining thereof, need to become the hub of the whole process of reorganization and alignment and hence the refounding of public policy.

In short, the emerging debate on the development of the social protection and promotion system involves an institutional framework that combines an organizational arrangement, regulatory adaptation, and human, physical and budgetary resources, according to conditions of social heterogeneity. It also raises the need to redefine a concerted agreement to reduce poverty and indigence, in addition to the pursuit of equity and redistribution of income as fundamental elements in generating development and human capital. Lastly, it requires government and non-governmental actions to prioritize active participation by citizens and by the beneficiaries of public policies in the design, development and evolution of sector-level interventions.

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This report is part of a series of national case studies aimed at disseminating knowledge on the current status of social protection systems in Latin American and Caribbean countries, and at discussing their main challenges in terms of realizing the economic and social rights of the population and achieving key development goals, such as combating poverty and hunger.

Social protection has emerged in recent years as a key concept which seeks to integrate a variety of measures for building fairer and more inclusive societies, and guaranteeing a minimum standard of living for all. In particular, social protection is seen a fundamental mechanism for contributing to the full realization of the economic and social rights of the population—to social security, labour, the protection of adequate standards of living for individuals and families, as well as the enjoyment of greater physical and mental health and education.

Albeit with some differences due to their history and degree of economic development, many Latin American and Caribbean countries are at now the forefront of efforts to establish these guarantees by implementing various types of transfers, including conditional cash transfer programmes and social pensions, and expanding health protection. One of the key challenges that the countries of the region face, however, is integrating the various initiatives within social protection systems capable of coordinating the different programmes and State institutions responsible for designing, financing, implementing, regulating, monitoring and evaluating programmes, with a view to achieving positive impacts on living conditions.



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