

POVERTY REDUCTION IN PANAMA'S INDIGENOUS COMMUNITIES

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Introduction

While Panama has a relatively high per capita income (\$4,630 in 2005) in relation to Central and South American countries, it also possesses one of the highest rich-poor income gaps in the world. (“IDB: Country Strategy...,” p. 2) Approximately 40 percent of the population is in poverty while 17 percent of Panama’s three million people live in a state of extreme poverty. (“Interim Strategy...,” p. i) Panama’s startling income gap is related to the dual nature of its economy. The portion of the Panamanian economy connected with the Canal, the Colón Free Trade Zone, international business services, and the international banking sector has steadily increased in recent years. While growth in the above industries has stimulated the country’s economic growth, a large portion of Panama’s population is excluded from the above industries and remains in the informal economy.¹ (“IDB: Country Strategy...,” p. i) Therefore, despite a prosperous economy, Panama’s income disparity is

staggering. This is particularly evident among Panama’s indigenous populations, 90 percent of whom live below the poverty line. (“Interim Strategy...,” p. 8) Indigenous peoples comprise only 8 percent of Panama’s population but 19 percent of the country’s poor and 35 percent of Panama’s extreme poor. (“Panama Poverty Assessment...,” p. i) Therefore, in order for Panama to address its income disparities, it must address the plight of its indigenous populations.

Panama has three primary indigenous populations: the Ngobe-Bugle (also known as the Guaymi), the Kuna, and the Embera-Wounan. With a population of 150,000 in 2000, the Ngobe-Bugle is the largest indigenous population in Panama. The Ngobe-Bugle

¹The informal economy refers to the portion of the market that is not regulated by the government and does not comply with taxation procedures. Nor is it accounted for in the country’s GDP. The formal economy refers to the portion of the market that is recognized by the government, adheres to taxation procedures, and is accounted for in the GDP.

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inhabit the mountainous provinces of Bocas del Toro and Chiriqui in the west of Panama. Because of the mountainous environment, the Ngobe-Bugle communities are very small and thinly strewn. (Vakis and Lindert, p. 2) Consequently, access to social services such as education and healthcare is very limited. Furthermore, the Ngobe-Bugle have very little access to potable drinking water. All of these factors contribute to the disturbingly high rates of malnutrition among this indigenous population. According to the World Bank, 50 percent of Ngobe-Bugle children are malnourished. (Vakis and Lindert, p. 7)

The Kuna are Panama's second largest indigenous population and numbered around 56,000 in 2000. The Kuna, also referred to as the Tule, have inhabited the San Blas Islands since the mid-1800s. (Wickstrom, p. 47) The San Blas Islands are located in the Caribbean very near the Panamanian coast. Approximately 50 percent of the Kuna still live on these islands while around 50 percent have migrated to either Panama City or Colón. ("Panama Poverty Assessment...", p. 6) The World Bank has reported that, while 95 percent of Panama's indigenous peoples live in poverty, only 65 percent of Kuna living in indigenous territories are below the poverty line. (Vakis and Lindert, p. 6) However, though the statistics suggest a slightly better standard of living, the Kuna still struggle with malnutrition and poor health.

The Embera-Wounan are the least numer-

ous and most remote indigenous population in Panama. The Embera-Wounan live in the extensive and densely forested Darien region and the surrounding provinces. The Embera-Wounan are semi-nomadic and rely on agriculture, hunting, and fishing. (Vakis and Lindert, p. 2)

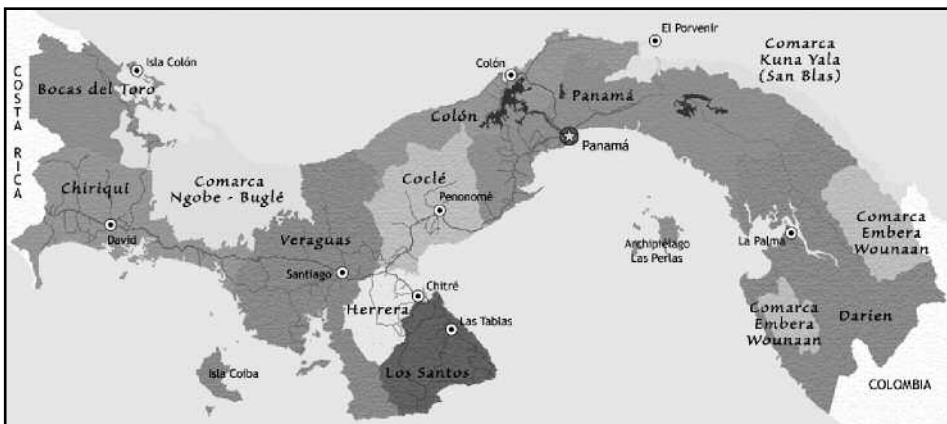
The Ngobe-Bugle, the Kuna, and the Embera-Wounan all struggle with poor education, malnutrition, and a lack of health services associated with poverty. In this article I first discuss the efforts by both the Panamanian government and the international community to reduce poverty in these indigenous populations. I then direct specific attention to efforts to improve the welfare of the Kuna of the San Blas Islands.

Panama's Previous Poverty-Reduction Strategy

In 1998 President Ernesto Perez Balladares' administration developed a strategy to reduce poverty in Panama. The strategy was named "A New Strategic Approach to Poverty" and contained the following goals:

1. Increase access to education, potable water, healthcare, employment, sanitation services, electricity and telephones, and social and community centers in poor communities;
2. Strengthen environmental protection;
3. Focus social spending on indigenous

Figure 1
Map of Panama's Regions



Source: World Headquarters.

populations and impoverished communities. ("Panama Poverty Assessment...", p. 39; "Program for Poverty...", pp. 3-4)

The third goal of the New Strategic Approach was particularly significant. Despite a relatively high rate of social spending (21 percent of GDP in 1997), poverty among Panama's indigenous and poor populations was not declining. Public expenditures in Panama are extremely inequitable, with the non-poor benefiting the most from governmental spending. For example, whereas the poor comprised 43 percent of school-aged children in 1997, only 28 percent of total educational spending was allocated to poor communities. Similarly, although indigenous citizens totaled 10 percent of Panama's school-aged population, only 5 percent of government education funds were allocated to indigenous children. Finally, two-thirds of educational spending was designated to urban areas, even though only one-half of the school-aged population lives in urban areas. This disproportionate distribution of funds was also the case with government spending on infrastructure and healthcare.

In its effort to implement the New Strategic Approach, Panama was granted a \$289 million loan from the World Bank for eight poverty reduction projects. These projects covered road rehabilitation, educational developments, and health sector reforms. However, before the New Strategic Approach could be implemented there was a national presidential election in Panama, and Balladares was replaced by Mireya Moscoso as president.

Moscoso's advocacy for poverty alleviation during her campaign provided hope that the efforts of the Balladares administration would not be lost; and initially these hopes were met. The Moscoso administration adopted the plans of the New Strategic Approach and joined with the International Development Bank (IDB) to implement them. The IDB lent the Republic of Panama \$48.85 million to be allocated towards local investments and community development. ("Program for Poverty...", p. 1) Local investments included infrastructure development and social service projects related to potable water, telephones, electricity, transport,

roads, education, sanitary services, and community centers. The focus of community development was to utilize local knowledge by involving indigenous communities in the planning and completion of projects.

In its efforts to target the most impoverished regions, the government classified all of Panama's communities into four levels of poverty: level 1 signified a community in extreme poverty; level 2, a community in poverty; level 3, one in near poverty; and level 4, a community that was not poor. These levels were based on a community's monthly per capita income. Government finances from the IDB loan were to be directed towards level 1 and level 2 communities, which comprise 49 percent of Panama's population and essentially all of Panama's indigenous populations. ("Program for Poverty...", p. 7)

After level 1 and level 2 communities were identified, the government accepted formal petitions from these communities for infrastructure and social service projects. There were several disadvantages for indigenous communities inherent in this selection process. For example, language barriers and a lack of political organization made drafting formal petitions to the government more difficult for indigenous peoples.

Despite some weaknesses, the New Strategic Approach was a comprehensive strategy for poverty alleviation, at least in theory. Unfortunately, however, it met with very limited success. The Moscoso administration continued Panama's high rates of social spending (20.2 percent of GDP), but most resources were not reallocated to level 1 and level 2 communities. Furthermore, although the \$289 million loan from the World Bank was intended for eight poverty alleviation projects, the Moscoso administration only pursued three of the projects. Stephanie Wickstrom, professor at Central Washington University, described President Moscoso as being "a master at speaking the language of indigenous rights and sustainable development while not doing much to empower indigenous peoples." (Wickstrom, p. 43) The acceptance of the New Strategic Approach proved only to be lip service by the Moscoso administration. Consequently

Panama's poverty rate among indigenous populations remained high through the Moscoso presidency.

Yet another change in administration offered hope of a renewed poverty reduction effort in indigenous territories when current President Martin Torrijos Espino took office in 2004. The question remains, however: Is the new administration addressing the issues of Panama's poorest, the Ngobe-Bugle, Embera-Wounan, and Kuna? The following sections address this question.

Panama's Current Poverty Reduction Strategy

Upon taking office in 2004, President Martin Torrijos Espino's administration developed a new poverty reduction strategy entitled "A Strategic Vision of the Economic and Employment Development towards 2009." Panama's new poverty reduction strategy builds on some of the strengths of the New Strategic Approach, such as the emphasis on community involvement and infrastructure development. However, unlike the previous plan, the Strategic Vision places a stronger emphasis on poverty reduction in indigenous populations. The new plan has set four goals for 2005–2009 that directly affect indigenous populations. These goals are:

1. To reduce indigenous poverty from 98 percent to 80 percent;
2. To reduce infant mortality from 20.6 per thousand live births to 15
3. To increase life expectancy in *comarcas*² from 65 years to 70 years;
4. To reduce the number of people living in poverty and extreme poverty from 40 out of 100 to 32 out of 100. ("Interim Strategy..." p. 12)

The Panamanian government expects to reach the first and fourth goals by incorporating the indigenous populations into the formal economy through micro-finance and bilingual cross-culture education and by developing a social protection program. ("Interim Strategy..." pp. 33–34)

²*Comarcas* are lands legally recognized by the government as being owned by an indigenous population.

Micro-finance is the funding of very small businesses through modest loans. Previous efforts in Ngobe-Bugle suggest that micro-finance is a viable means of reducing poverty in Panama's indigenous populations. For example, through the Project for the Development of the Ngobe-Bugle Communities initiated in 1994, rural and indigenous inhabitants were taught how to start and manage a small company. From 1997 to the completion of the project in 2001, 395 micro-businesses were established. Some of the companies sold chickens, scholastic uniforms, organic agricultural produce, and coffee. Micro-finance initiatives are beneficial because they meet a need in the community, develop sustainable ways of making a profit, and integrate the population into the formal economy.

In addition to micro-finance, the Strategic Vision proposes bilingual education as a means of reducing indigenous poverty. A World Bank study in 2000 reported that education is highly correlated with poverty status: the higher one's education, the lower the probability of one's being poor. (Vakis and Lindert, p. 17) On average, each additional year of education produces a five-percent increase in hourly earnings. ("Panama Poverty Assessment..." p. 12) The same World Bank study found that fewer people involved in the formal economy experience poverty than those involved in the informal economy. Bilingual education increases the probability that a person will enter the formal economy while also preserving the community's culture. Consequently the government plans on increasing the number of preschools and secondary schools and also on improving the facilities of already existing schools in indigenous regions. ("IDB: Country Strategy..." p. 24) The Strategic Vision also includes a social protection system that provides monetary subsidies to families living in extreme poverty. ("Interim Strategy..." p. 34)

Because a large portion of this target population is indigenous, the social protection system will potentially benefit indigenous people. In addition to providing subsidies, the government will financially support programs that combat poverty by teaching marketable skills and providing social services. ("Interim Strategy..." p. 34) For example, the government may provide financial grants to vocation-

al schools located in indigenous communities. Currently there are very few vocational schools in *comarcas*, although one does operate in Ngobe-Bugle. Students at a vocational school can learn domestic services, construction, agriculture and forestry, and administration of sustainable farm lands. (Gomez, "Un Centro...") Financial support for vocational schools in Panama's indigenous communities is desperately needed.

Panama's Cooperation with the IDB

In order to accomplish the goals outlined in the Strategic Vision, the Torrijos administration has joined with the IDB and the World Bank. The IDB intends to coordinate with Panama to reduce poverty by increasing the economy's competitive power and by building human capital (technical skills and knowledge of the labor force). ("IDB: Country Strategy...", p. i)

One way that the IDB and Panama hope to boost the economy's competitiveness is by strengthening basic infrastructure. ("IDB: Country Strategy...", p. 17) The IDB specifically aims to increase the availability of potable water and sanitation services in indigenous territories. The government also aspires to broaden access to electricity and expand hydroelectric power generation. This process has already begun. In 2006, the IDB approved a \$30 million loan to Panama for a rural electrification program that will expand services to many uncovered areas. The loan will encourage the private sector to provide electricity to Panama's poorest communities. The IDB will also coordinate with Panama to develop tourism and agricultural exports. Furthermore, the IDB and the Torrijos administration will make distinct efforts to include indigenous populations in these sectors. ("IDB: Country Strategy...", pp. 17-19)

In addition to improving the competitiveness of Panama's economy, the government also seeks to build human capital. The government plans on expanding social services and making them more accessible to the indigenous populations. For example, the government will provide nutritional services to children two years old and younger and to pregnant women

in indigenous provinces. ("IDB: Country Strategy...", p. 23) Such improvements in social health services are particularly needed in indigenous areas where 40 to 50 percent of the population is malnourished. (Vakis and Lindert, p. 7)

Panama's Cooperation with the World Bank

In addition to collaborating with the IDB, the Panamanian government has proposed to join the World Bank in enacting the Strategic Vision. The World Bank will partner with Panama to evaluate current poverty levels, monitor infrastructure projects, and determine target areas for future projects. Additionally, the Panamanian government has proposed a \$100 million World Bank loan for three poverty-reduction projects in 2007. Thirty-five million dollars will be allocated to rural poverty-reduction, \$30 million to water supply and sanitation in low income communities, and \$35 million to a social protection project. ("IDB: Country Strategy...", pp. 21-22)

In March 2007 the rural productivity project was approved by the World Bank. The objective of the project is to increase the productivity of rural small-scale producers by creating an alliance between these producers and commercial partners. The goals of the project are to increase sales of small-scale farmers by 25 percent and increase net revenues for small-scale farmers by 40 percent. The loan will finance the fixed capital, working capital, and technical assistance needed.

The second project that Panama proposed to the World Bank involves the improvement of water supply and sanitation services. Water and sanitation are inadequate throughout most of Panama, but are particularly so in Panama's indigenous communities. In 2004 only 56 percent of indigenous peoples had access to potable water, and those who had access faced frequent interruptions. ("Water Supply...") Moreover, while sanitation services cover approximately 94 percent of people in rural provinces, such services are available to only 39 percent of peoples in indigenous territories. Progress in improving water and sanitation services in indigenous regions is greatly

hindered by governmental inefficiency. Currently many state agencies are involved in water and sanitation services. These agencies provide services to overlapping regions while other provinces are entirely ignored.

Because of Panama's inadequate water and sanitation coverage, the current administration aims to increase rural water coverage from 75 percent in 2004 to 82 percent in 2009 with the loan from the World Bank. First, Panama proposed that most of the loan funds be allocated to indigenous and rural communities. Second, Panama proposed that MINSA, Panama's primary water and sanitation agency in rural areas, implement the programs in indigenous provinces. The plan's greatest weakness is that it does not allocate sufficient funds to improve sanitation services in indigenous populations living in remote communities (i.e., the Ngobe-Bugle, Kuna, and Embera-Wounan). ("Water Supply...")

The third project planned by the World Bank and the Panamanian government is the social protection project. The primary component of the project is a conditional cash transfer (CCT) that provides cash to families living in extreme poverty. The purpose of the CCT is to enable families to invest in their children's education and to improve healthcare and nutrition for pregnant mothers. Currently the CCT program is being implemented in approximately 10,000 households with the goal of eventually reaching 50,000. In addition to establishing the CCT program, the loan will also financially support agencies that help indigenous families gain access to proper identification documents and educate communities what social programs are available.

All in all, the Strategic Vision is an advanced poverty-reduction strategy. Unlike the former New Strategic Approach, the Strategic Vision contains specific goals for Panama's indigenous populations and proposes ways of meeting these goals through micro-finance, bilingual education initiatives, and a conditional cash transfer program. Furthermore, Panama's loans from the IDB and the World Bank suggest that the Panamanian government has the financial support to implement the Strategic Vision. However, any comprehensive poverty reduction strategy is doomed to fail if

it is not a high priority item on the political agenda. The previous administration demonstrated that a comprehensive strategy and support by the World Bank and IMF are not sufficient to reduce poverty. Thus far, the number of infrastructure and social projects being implemented suggests that the Torrijos government is actively trying to combat poverty.

The Kuna

A 2000 study conducted by the World Bank found that indigenous communities with high levels of social capital have greater success lobbying the government and nongovernmental organizations for aid. (Vakis and Lindert, p. 15) In fact, communities that have high levels of social capital³ are four times more likely to receive government aid and two times more likely to receive assistance from nongovernmental organizations (NGOs) than indigenous and non-indigenous communities with low social capital. For the past 80 years social organization has been one of the greatest strengths of the Kuna. According to O'Donnell-Morales, "By using local levels of government to ensure representation at the national level, the Kuna set an example of successful indigenous activism for the rest of Latin America." (O'Donnell-Morales, p. 37)

The General Kuna Congress (GKC) is the basis of Kuna political organization. The GKC meets semiannually and is comprised of five delegates (*caciques generales*) from each of the forty-eight Kuna communities. During the congressional meetings the leaders discuss threats to Kuna society, such as ecological degradation, urban migration, and malnutrition. However, in recent years the GKC has largely focused on strategies to reduce the poverty level among the Kuna. Three areas in which the Kuna have united to reduce poverty are bilingual education, sustainable development, and the *mola* trade.

³Social capital is defined as community norms and networks that facilitate cooperation, such as churches, fraternal organizations, sports, educational boards, and the like. (Vakis and Lindert, p. 15)

Bilingual Education

As previously discussed, education is negatively correlated with poverty. Unfortunately, a lack of schools and the absence of bilingual education have prevented Kuna from entering formal labor and product markets. As a consequence, the GKC began to lobby the Panamanian government in 2001 for bilingual education and more schools on the San Blas Islands. According to Panamanian law, all indigenous communities are entitled to receive bilingual education that integrates the curriculum with the culture of the indigenous population. After lobbying for several years, the GKC coordinated with the Panamanian government to implement a bilingual education program on the islands in 2004. (“Proyecto Implementación...”) The Kuna use cassettes, CDs, cameras, videos, and other technology as aids for the bilingual education program. They also distribute scholastic texts and pamphlets on the islands. (Hernández) The new program incorporates the history, art, and culture of the Kuna as well as aspects of the Panamanian national curriculum. Additionally, the program plans to increase intercultural connections between the Kuna and other indigenous populations in Panama. (“Proyecto Implementación...”) Additionally, another milestone for Kuna bilingual education was achieved in 2005 when the Kuna alphabet was recorded for the first time. (Tapiá) However, despite these advances, there is still a need for more schools, better supplies, and trained teachers. (“Proyecto Implementación...”)

Sustainable Development

A lack of education is one of the Kuna’s greatest hindrances to overcoming poverty. Degradation of the environment is another. Like Panama’s other indigenous populations, the Kuna suffer from malnutrition. One significant factor contributing to the high malnutrition rates is the breakdown of coral reefs on the San Blas Islands caused by overfishing by the Kuna as well as coral mining. Sedimentation from deforested areas also corrodes the coral reefs. Traditionally the Kuna have relied on fishing as one of their primary food sources as well

as one of their primary means of earning an income. Consequently, the degradation of the coral reefs is particularly harmful. In response to this ecological breakdown, the Kuna have formed approximately thirty organizations dedicated to sustainable development. One example is the Institute of Integral Development of the Kuna Yala that develops strategies to sustain ecological development. Association Napguana is another organization that supports development projects within the San Blas Islands through financial, administrative, and legal assistance. One project currently implemented by Association Napguana is UA GALU. The objective of UA GALU is to teach Kuna fishermen how to fish using traditional methods without destroying the coral reefs. Association Napguana also offers free legal services to those in the Kuna community who cannot afford legal consultation. The Kuna utilize their NGOs, such as Association Napguana, to lobby the Panamanian government and the international community for financial assistance. For example, one Kuna NGO, the Center of Popular Legal Assistance, joined forces with the World Conservation Union to draft sustainable development plans, to educate the population on healthy environmental practices, and to form laws that regulate destructive activity.

The *Mola* Cooperative

Perhaps one of the Kuna’s most successful organizations is the *mola* cooperative. *Molas* are the decorative handiwork of Kuna women. They take the form of embroidered blouses, shirts, and tapestries. Selling *molas* is one way the Kuna are involved in the cash economy and is one of the more important sources of income for the Kuna along with agriculture and fishing. Many women partially or completely support their children’s educations through *mola* sales. The *mola* cooperative came about as a response to the commercialization of *molas* in the 1960s. Kuna women were frustrated with the large profits that middlemen acquired through *mola* sales. Consequently, the Kuna women organized to lower the cost of supplies and to develop a more comprehensive system to sell *molas*. (Tice, p. 103) The Kuna’s success at entering the cash economy is commendable;

Figure 2
Mola



Source: *Molas of the Kuna Indians*.

however, *mola* sales are currently still not sufficient to lift the Kuna out of poverty. Furthermore, *mola* sales are extremely vulnerable to shifts in the tourism trade.

Conclusion

Despite a growing economy, 95 percent of Panama's indigenous population is impoverished. If Panama intends to reduce poverty within its indigenous communities, the government must have a comprehensive strategy and be prepared to pursue it. Currently the

Torrijos administration appears willing to provide more than lip service to reducing poverty. Not only does the New Strategic Approach develop a method of tackling indigenous poverty through micro-finance, bilingual education, and CCT transfers, but projects funded by the IDB and the World Bank are already being implemented. Nonetheless, because poverty reduction is a long-term goal, the plight of the poor, and the indigenous more specifically, must be on the political agenda of future administrations if Panama is to experience any sustainable success in reducing poverty.