
PANAMA



Capital: Panama City
Area: 77,080 km²
Population: 2,418,000 (a)
Population density: 30/km²
Urban population: 54.8%
Per-capita GDP in US\$: 1,900 (1990) (b)
Life expectancy at birth: 72.4 years (c)
Infant mortality rate: 22‰ live births (1990) (d)
Illiteracy: 23% (1986) (e)
Population under poverty line: 52% (1990) (f)
Human Development Index 1992: 0.731 (62nd) (g)¹

After the invasion: the challenges of rebuilding the political system, reactivating the economy, and overcoming the social crisis

From 1950 to 1980, Panama went through an extensive modernization that resulted in profound economic and social changes. During that period the size of the population multiplied and the economy grew at an annual rate of about 5%. Industry, the energy, social, and communications infrastructure, and the size of its cities experienced unusual growth. There was a major movement of population from the countryside to cities at the same time. A middle class and an urban proletariat arose as political and social forces. Further, advanced social and labor laws were approved during the 1970s. The model of growth was based on the Panama Canal service sector, with an important international financial center, Colón's free trade zone, and the establishment of numerous transnational companies. Against this background, Panama's identity consolidated

during the 1970s around nationalist demands for the return of the Canal and recovery of full sovereignty over its territory. Those demands were achieved in 1977, during the presidency of the nationalist General Omar Torrijos, with the signing of the Torrijos-Carter Canal Treaty, according to which full restoration of the Canal will occur in 2000 and the United States would gradually give up its military bases and the so-called "Canal Zone."

The 1980s brought the economic crisis and political instability, however, which culminated in the U.S. invasion of December 1989. In addition to the motives related to drug trafficking alleged at the time, the invasion saw the reemergence of the strategic interest of the United States in the Canal, a transoceanic communication route it considered of vital interest to its national security.

and a factor that has dominated Panama's history since its birth as an independent nation. The invasion and later U.S. occupation have shaken the nation and created uncertainty and doubts about the future. Following these events, the country faced the immediate challenges of national reconciliation and reconstruction of its political system and, in the medium term, the restoration of its economy and overcoming its social crisis.

The Panamanian crisis and the political instability from which it sprang are immediately rooted in the death, in 1981, of General Torrijos in circumstances that have not yet been clarified. The army maintained considerable influence, despite the measures adopted in Torrijos' last years to democratize the country. Two presidents succeeded each other between 1981 and 1984 as the result of different coups d'état, a reflection of the conflicts existing between different sectors of the Armed Forces and the Democratic Revolutionary Party (PRD), then in power, which was created by Torrijos. Manuel Antonio Noriega, commander of the Defense Forces from 1983, emerged as strongman in this process. When Eric Delvalle assumed the presidency in 1985, after elections the opposition called fraudulent, Noriega's position was consolidated.

Growing differences then began to arise between the United States and Panama about the Central American crisis, the United States' anti-Sandinista strategy, and the role played by Noriega in the financial center. As part of this distancing, the United States began to make accusations regarding Noriega's ties with drug trafficking. At the same time, the Government saw its credibility and social backing slip. The center-right opposition of the Civil Crusade undertook a vigorous campaign demanding the country's democratization and the resignation of Noriega.

As a means of pressuring Noriega, who was already formally accused of maintaining links with drug trafficking, the United States froze its economic and military aid in 1987 and, in 1988, blocked Panamanian assets in the United States and payment of Canal "royalties." In order to gauge the significance of these sanctions, it must be remembered that Panama's economy was very

vulnerable because of its openness which was due to its heavy dependence on transnational services, trade, and the international financial sector as well as the importance of its dealings with the United States, its high debt level, and because it uses the U.S. dollar as its national currency. After several years of significant economic growth, the United States sanctions resulted in a 16% decline in the gross domestic product in 1988.² The economic recession, lack of liquidity, and increase in poverty and unemployment (from 11% to 30%) caused by these measures isolated the Government still more. At the international level, various attempts at mediation by the Organization of American States (OAS) failed.

The political crisis reached a peak during 1988 and 1989. President Delvalle removed Noriega from office, but the National Assembly supported the general and forced the President's replacement. Demonstrations, strikes, and violence dominated the political scene until the May 1989 elections, which Guillermo Endara, the opposition candidate, won. The Government annulled the election, however, despite domestic protests and the condemnation of the international community. Relations between the United States and Panama grew very tense. Finally, in December, U.S. military forces stationed on Panamanian bases invaded the country without prior warning.

Twenty-six thousand U.S. soldiers using sophisticated weapons took part in the invasion and later occupation of Panama. During the military operations there were numerous casualties, estimated at between 4,000 and 10,000, many of whom were civilians, such as residents of the poor El Chorrillo district who were bombed by the invaders, and the Panamanian Defense Forces were physically annihilated. In addition to the casualties, the invasion resulted directly in the destruction of 6,000 dwellings and public infrastructural works, as well as a large number of displaced persons.³ The destruction caused by combat amounted to more than \$2,000 million, and several thousand people were detained. General Noriega was arrested and flown to Miami, and his Government was dissolved. The new President, Guillermo Endara, was inaugurated on

the night of the invasion at Fort Clayton, a U.S. military base. In the absence of law-enforcement authorities, looting and street disturbances took place immediately after the invasion.

The new administration, whose mandate began under the United States occupation, has confronted the difficult task of normalizing the country and overcoming the economic crisis. The Defense Forces were disbanded, but instability has not ended. U.S. economic aid has been much less than anticipated by the Government and is heavily tied to application of neoliberal reforms of the economy, which have been highly unpopular since they have led to an increase in unemployment. The economy has recovered well (the gross domestic product (GDP) grew by 9.1% in 1991⁴), but major external indebtedness continues and the structural changes needed to restart the development process are still pending. The social crisis persists and has even worsened, with open unemployment rates of 20% and more than half of the population living in poverty. This has resulted in major social conflict in the cities, which have been led by the unemployed in Colón. Finally, the Government was defeated in the 1992 referendum called to decide on constitutional reforms, including the disbanding of the Armed Forces.

The employment situation

Despite progress in the modernization era, the country continued to have a dual structure characterized by the coexistence of a large number of rural producers and a poor and marginalized urban sector with modern and sophisticated city dwellers, including a middle class, who live by trade and international banking services. In other words, Panama was an unequal urban society with backward rural areas. This "dual" character is reflected in the country's income distribution structure. In 1980, the richest 20% of the population received 60.3% of its income and the poorest 20% received only 2.7%. These inequalities were exceeded only by those in El Salvador.⁵

Panama's employment structure thus has certain peculiarities compared with other countries

in the region which we shall note in order to characterize the impact of the crisis on the labor market adequately. Twenty-nine percent of the economically active population (EAP) were engaged in agriculture in 1985, which was much lower than the Central American average. While the "modern" agricultural sector accounted for 10% of the total EAP, the "traditional," or subsistence, sector accounted for 19%. Eleven percent of the EAP worked in industry, the lowest proportion in Central America, while 46% were in the service and trade sector, the highest proportion.⁶ Other indicators of the relative modernity of the Panamanian labor market, and specifically the urban market, were the facts that women's participation in the urban EAP (37.7% in 1985⁷) was the highest in the region, that the proportion of wage-earners in the EAP was 69%, that the proportion of the urban informal sector in 1980 was only 14% of the EAP, which was much less than the average of 29% in Central America,⁸ and that the public sector's ability to absorb the work force was much higher—25% of the EAP.

The open unemployment rate is a significant indicator for measuring the impact of the crisis on the labor market because of the higher degree of modernization and "formalization" of the occupational structure. At the beginning of the decade the urban unemployment rate was 9.8%. Coinciding with the economic recession, it increased to 15.6% between 1981 and 1985. The later recovery caused unemployment to decrease to 12% in 1986 and 14% in 1987. The major recession caused by U.S. sanctions forced around 100,000 wage-earners out of the modern sector of the economy, so that the rate reached 21% in 1988. Despite the recent economic recovery, unemployment remained at 20% from 1989 to 1991.⁹ Unemployment has affected women and young people in particular. Unemployment figures among youth are even higher inasmuch as two-thirds of youths aged 15 to 24 years are jobless.¹⁰ In 1990, women's participation in the EAP fell to 27.4%.¹¹

These unemployment figures are the highest in Central America since in other countries, because of their different occupational structure, the labor

market has "adjusted" to the crisis through an increase in informal employment, and so open unemployment rates have remained relatively low. Informal work, however, represents an appreciable proportion of the EAP (14%). The self-employed predominated in the informal sector (71%). Women accounted for a smaller proportion of informal employment, in contrast to the rest of the region.

Structural adjustment measures, which have caused thousands of layoffs in the public sector, have aggravated the problem. It can be said, then, that employment was one of the sectors most affected by the conflict with the United States and, later, by the structural adjustment measures. The effect of the crisis has focused on the metropolitan areas, while the rural population has been affected to a lesser extent.

The jobless have led a vigorous grievance movement which originated in Colón. In February 1992, the violent repression of unemployed youths who occupied Colón's city hall gave birth to the Colón Movement of the Unemployed (MODESCO), which has been reproduced in places such as Barú, Bocas del Toro, Veraguas, and Pacora with support from elements in the Church and other social groups. These movements have secured concessions from the Government, such as adoption of emergency job programs.¹²

Future prospects in the employment area are uncertain. To help new generations enter the labor market and solve structural unemployment, the country's economic policy faces the challenge of creating some 28,500 jobs annually, which means that the GDP growth rates achieved in 1991 must be maintained for a considerable time, something that does not seem probable in the medium to long term, or adopting specific employment policies that identify and promote those sectors having a greater labor absorption capacity

The poverty situation and social policies

As with the labor market, poverty differs from other countries in the Central American isthmus,

except for Costa Rica. In the first place, Panama and Costa Rica are the only countries where poverty declined and became relatively stable during the 1980s, since in all the other countries it increased. Second, urban poverty appears to be associated with low wages in the formal sector, and not as much with low-productivity and low-income jobs in the informal sector. Third, there is less extreme poverty.¹³

In 1980, poverty affected 54% of the total population (1,021,000 people), 43% of the urban population (450,000), and 67% of the rural population (571,000). By 1985, the poor population had fallen to 40% of the population (730,000 people). In a context of urbanization and accelerated demographic growth in the cities, the fall in urban poverty from 43% to 33% meant that the number of poor in the cities was almost the same, dropping from 450,000 to 442,000. It is significant that although extreme poverty declined in general, it increased slightly—from 12% to 17% of the urban population—in the cities during that period. In the countryside, however, the decrease from 67% to 48% meant an unusual drop in the number of poor, from 571,000 to 287,000.¹⁴

The situation has obviously worsened since 1987 because of the economic crisis, economic sanctions, the impact of the U.S. invasion in December 1989, and the structural adjustment begun in 1990. According to governmental data, the proportion of Panamanians living in poverty in 1988 again rose to 45%.¹⁵ Other estimates are that the impact of the crisis and the invasion increased those figures even more, so that in 1990, approximately 1.3 million people, or 52% of the population, lived in poverty.¹⁶ In other words, the progress against poverty and extreme poverty of the first half of the 1980s had been lost by 1990, since the rates of poverty and extreme poverty were almost the same in 1980 and 1990. Because of population growth, however, the number of poor in 1990 was greater.

One of the signs of the crisis has been an increase in urban extreme poverty. Although urban poverty had declined in the period 1980-1985, the population living in extreme poverty in urban areas increased from 12% to 14%, or from

124,000 to 200,000 people. Poverty is associated with unemployment, self-employment, and underemployment in the private sector, but it is significant that 66% of workers in the modern and "formal" sector are poor. This is explained by the greater relative size of the formal economy in Panama, and also by the low wage level (the legal minimum), which is inadequate to guarantee subsistence. In contrast to the rural poor, there is greater access to services, but the urban poor are completely dependent on a monetary economy and housing shortages are very severe. A group of special interest among the urban poor is poor households headed by women, which are estimated at about 30% of poor households.

In rural areas, extreme poverty again increased between 1985 and 1990. The phenomenon seems to be linked to high illiteracy rates and the shortage of services such as electricity, potable water, and sanitation. Malnutrition and child mortality are very high, though less than in neighboring countries. Most rural poor devote themselves to subsistence farming on marginal land, which often they do not own, using "slash and burn" methods. Seventy-four percent of the poor are in the provinces of Veraguas, Chiriquí, Colón, and Panamá, where 89% of the rural population lives below the poverty line (94% live beneath it in Veraguas Province)¹⁷ Accordingly, the area bordering on Costa Rica, where there are around 106 deprived communities, requires special attention.¹⁸

The 1980 and 1986 economic plans made the social problem explicit by formulating plans to deal with poverty, as experienced in the 1970s. The approach taken was a policy of social integration through extension of public spending. The plans met serious difficulties in their execution as a result of the recession and U.S. invasion.

Following the invasion, the new Government adopted a different policy. The "National Strategy to Develop and Modernize the Economy" clearly voices willingness to reduce the state's role in economic and social affairs. The basis of the new Government's social policy is the concept that the economic system should be the principal means of solving social problems, through the

generation of productive jobs.¹⁹ This policy notes, however, that short-term compensation measures are needed to offset the effects of adjustment and that they should be aimed especially at the jobless, who are the main source of family income. To that end, the Ministry of Planning and Economic Policy (MIPPE) organized a "Social Action Program" in 1990 under the Presidency of the Republic whose criteria were activities aimed at the poorest people in the country, the state's subsidiarity, and a fixed period. To carry out the Program, a "Social Emergency Fund" (FES) was created with foreign resources—\$20 million from the U.S. Agency for International Development (USAID) and lesser contributions from the United Nations Development Program (UNDP)—and a planned duration of three years. A guiding principle of FES is its role as intermediary and not as direct executor. In this vein, it is thought that to conduct social programs and deal with poverty, communities themselves and nongovernmental organizations (NGOs) should be favored, the latter because their private nature is in accordance with the desired reduction in the state's role. The priority objectives of FES are creation of emergency employment, an increase in the income of the poor, improvements in the economic and social infrastructure, and satisfaction of the population's basic needs.²⁰ Because of the continuation of the crisis, the extension of this new instrument of social policy was being studied in 1992.

Health, nutrition, environmental sanitation, and food security

As part of the urbanization and modernization of the 1960s and 1970s, health service coverage and conditions experienced major improvements in Panama, so much so that today the general mortality profile of the Panamanian population has features characteristic of developed countries. Thus, Panama has certain health and child mortality indicators which are among the best in the region, and immediately after those in Costa Rica. These advances were possible because of the

creation of a specific ministry and the adoption of a coverage extension strategy relying on the creation of health centers throughout the country, supported by community "health committees." In addition, public spending on health and social assistance exceeded 10% of the national budget in 1975.²¹

Nevertheless, the 1980s, and especially the critical period that began in 1987, led to major retrogression in the health sphere. From its 1975 level, the health budget fell to 6.5% in 1980 and 5.1% in 1987, though in absolute and per-capita terms it remained above the regional average. There was a mild recovery of the proportion of public spending on health in 1990, when it was 8% of the national budget, but the levels before the crisis had not been regained.²² Because of budget cuts, health services have experienced a critical scarcity of resources, a fall in investment, and alarming institutional, infrastructure, and equipment deterioration. It is estimated that 60% of facilities have deteriorated for lack of maintenance. As a result, these services face serious limits in dealing with the country's old and new health problems.²³

In 1988, the population's annual general mortality rate was four deaths per thousand population. The leading causes of death were malignant tumors, accidents, suicide, violence, cerebrovascular diseases, acute myocardial infarction, and disorders of the perinatal period.²⁴ During the 1980s, the health problems that affected the entire population and led to governmental action were AIDS, reinfestation by *Aedes aegypti* mosquitoes, which transmit dengue and yellow fever, and the appearance of cholera. By June 1992, 369 cases of AIDS, with 233 deaths, had been reported. The largest number of cases (77) occurred in 1989, yielding a rate of 33.7 cases per million population.²⁵ These are relatively low figures since Panama, as a transit country, is at risk of the disease. As for dengue, it was reported in 1987 that there were prevalence levels higher than 5% in the dwellings investigated.²⁶ Finally, 1,360 cases of cholera had occurred by September 1992, of which 591 patients had to be hospitalized.²⁷

According to UNICEF data, the infant mortality rate was 22‰ live births in 1990. Among the main causes of death in newborns at mid-decade were septicemia, which shows hospital infection problems, and, in the countryside, intestinal infections. The mortality rate in children less than 5 years old was 31‰ live births, which places Panama in the category of countries "with average child mortality."²⁸ In 1987, malnutrition and anemias accounted for 10% of the deaths in that age group. Because of the economic crisis and the increase in poverty, the incidence of this problem may have increased.

Panama's health system has a public sector, which is the more important, and a private sector. The public sector consists of the Ministry of Health and the Social Security Fund, created in 1941, which together had 6,150 beds in 1988. In 1987 the public sector had 35 hospitals, 110 health centers, and 24 Social Security Fund polyclinics. In the same year, the private sector had 19 hospitals with 1,016 beds. In addition, Panama has 17 blood banks and 93 radiological units. There are 352 beds for treating drug addicts, a clearly inadequate number in view of the scope of the problem.²⁹

The Social Security Fund has considerably expanded its coverage, and so contributed decisively to improving Panamanians' health. In 1960 it covered 20% of the active population, and in 1970, 33%. In 1980 the proportion was 52%, and in 1988, 59%, or 57% of the total population. This is the fifth most extensive coverage in Latin America and the Caribbean.³⁰ The Ministry believes that 40% of the population lacks regular access to health services, however.³¹

A policy and administrative reform of the health sector based on integration of the various services was begun in 1973. In 1988, eight of the nine provinces had integrated services; the exception was the metropolitan area of Panama City. This has caused problems of coordination, duplication, and inefficiency in the use of installed capacity. There are 11 health regions or integrated systems, which are in turn divided into health areas and subdivided into health sectors. More than 1,000 communities have health committees.

which are a means for community participation in prevention activities and solving health problems.³² During the first quarter of 1991, the Government began drawing up a National Health Plan, and as a result various guidelines have been established. Primary health care (PHC) and strengthening of local health systems (SILOS) will be the strategies enabling an increase in coverage.

In the realm of environmental sanitation, 83% of the population has access to potable water, but that proportion is appreciably less in rural areas, where it is only 64%.³³ This means that around 400,000 people are at high risk of water-borne diseases such as cholera. In addition, approximately 12% of the country's population lacks any means of excreta disposal. This proportion is higher in the countryside (25%).³⁴

The education situation

Although illiteracy has been reduced to 12% in the country as a whole, the figure is higher in rural and indigenous areas. The 1980 census, for example, estimated that illiteracy was 50.6% in the San Blas district, whereas it was only 5.5% in Panama City.

Among young people, 7.7% lack any schooling whatever.³⁵ Ninety-three percent of the population aged 6 to 15 years in the capital attend schools, but the proportion is much smaller in districts with large indigenous populations (only 34% in Chiriquí Grande, 49% in San Lorenzo, and 55% in Narganá and Toié).³⁶

The housing situation

Construction declined quite rapidly during the 1980s. Annual investment in housing dropped from \$154 million in 1982—the year that saw greatest building activity—to \$92 million in 1987 and \$6 million in 1989. The drop in investment has accentuated the housing deficit, which had

already begun to build up in the 1970s, until it reached 40%.

Lack of housing, together with countryside-to-city migration, have made land squatting acute. In 1986, the Ministry of Housing (MIVI) identified 145 "spontaneous settlements" in urban areas in which 48,100 families, or close to 200,000 people, lived. In the district of Panamá there were 40 settlements with 12,320 families; in San Miguelito, 26, with 30,806 families, and in Colón, 18, with 3,330 families.³⁷ Official 1988 reports noted that even more land invasions were occurring as a result of the paralysis of housing programs.³⁸ Starting in 1990, population dislocations caused by the destruction of poor neighborhoods produced additional pressures on low-income housing supply.

Ethnic and cultural problems

The Panamanian population consists of a mosaic of peoples of varied origin who are undergoing a process of integration. Among them, three indigenous peoples account for 100,000 inhabitants, or somewhat more than 4% of the total population. The group of African origin and Antillean culture, who arrived to work on the railroad and canal, has around 125,000 people, or 5% of the population; and the remainder of the population is mixed and forms the "middle layers."

The ethnic and cultural problem is directly related to the distribution of wealth and political power. We have noted that the provinces with the highest proportions of indigenous, black, and mulatto population are also those with the highest proportions of poverty, illiteracy, and shortfalls in meeting basic needs. In cities, economic segregation is also ethnic segregation, and is especially visible in poor neighborhoods and marginalized areas. Indeed, descendants of Europeans use Hispanic and U.S. cultural parameters to legitimize their economic and social dominance.³⁹

The environment and vulnerability to disasters

The most important environmental problems facing Panama are deforestation and soil degradation, misuse of pesticides, and pollution of surface and coastal waters by inadequately treated industrial and household residues. Fifty-five percent of Panama is still forested.⁴⁰ Although the deforestation rate is 0.9% a year, the lowest in Central America, it is estimated that 19.4% of the country's forests have been lost since 1979 alone.⁴¹ Expansion of the agricultural frontier to establish cattle estates and banana plantations, or to apply the "slash and burn" methods used by traditional peasants, are major causes of forest cover loss. Deforestation and extensive overpasturing also lead to soil degradation. In a 1987 World Bank study of Panama, it was found that from 14% to 20% of the lands on cattle-raising estates were severely degraded.⁴² Tropical forests are gradually turned into pasturelands, which has adverse effects on soil conservation. Erosion and sedimentation clog water basins and deteriorate their flows and regeneration capacity. Gatun Lake, which forms part of the Canal, has already begun to suffer from the effects of excessive felling.

The process of deforestation and loss of biodiversity and natural habitats may accelerate if plans materialize for extending the Pan American Highway toward Colombia through the Darien jungle, which separates the two countries. This

project has led to heated debate because of its great environmental impact.

Agrochemical pollution is linked to banana plantations, which operate as enclaves and use natural resources intensively. Pesticides and organochlorides are the chief agents contaminating surface and coastal waters in such areas. The Gulf of Panama is severely contaminated by fecal bacteria.⁴³

Despite the widespread notion that Panama is outside areas of seismic risk, its location places it in an area where tectonic plates meet. The fact that during this century three earthquakes with intensities of more than 6 points have occurred in Panama City and three others with intensities of more than 7 in David suggests that there are risk factors that should be taken into account.⁴⁴ The most recent earthquake, which occurred in April 1991 in Bocas del Toro, a Panamanian border area, caused \$20 million worth of housing and transportation infrastructure losses.

Moreover, the Atlantic coast is in an area at risk of the hurricanes that traverse the Greater Caribbean every year. In 1988, Hurricane Joan crossed the provinces of Chiriquí, Veraguas, Los Santos, Herrera, Darién, Colón, and Bocas del Toro, severely damaging the infrastructure, harvests, housing, and the productive infrastructure.⁴⁵ Another meteorological problem requiring attention is the recurrent droughts and risk of flooding on Azuero Peninsula.

PANAMANIAN RED CROSS

Normalization and change

Panama experienced one of the most difficult times in its history at the turn of the decade. The U.S. invasion in 1989, together with the period of economic and political crisis that preceded it, were events that shook the entire country and caused the very foundations of the Panamanian state to shudder. The Panamanian Red Cross, naturally, was not an exception. December 1989 is a turning point clearly marking a "before" and an "after" for purposes of analyzing the present situation of the National Society, since the invasion and its consequences created great challenges for the National Society in the humanitarian sphere. Moreover, after the invasion the Panamanian Red Cross went through a brief period of institutional instability, aggravated by the threat of governmental intervention, which was followed by intense redefinition and normalization of its internal situation and duties toward society and the public authorities.

This process, which has extended over about three years, has had many manifestations. Enumerating quickly, we will note the most significant aspects. First, the Panamanian Red Cross had to make major efforts to reaffirm its independence from the public authorities, as the new regime that arose after the invasion criticized the National Society for its closeness to the immediately preceding regime. Despite an initial period of tension because of the risk of governmental intervention in the National Society, gradual normalization of relations was achieved and, with support from other components of the Red Cross Movement, intervention did not in the end take place and the National Society was allowed to undertake internal reorganization on its own. The National Society's reorganization took concrete shape in the preparation and approval of new statutes, the election of new leaders, and the preparation and execution of a biennial development plan for 1990-1992. The plan, which was more oriented to internal normalization than to

development strictly speaking, identified the National Society's areas of action and short- and medium-term priorities and focused efforts on restructuring the institution and strengthening the relief and emergency area. Finally, the National Society undertook to restore its credibility with Panamanian society, overcoming an image that linked the National Society with the preinvasion regime and its Defense Forces.

In mid-1992 the General Assembly met, new leaders were elected, the new statutes were approved in the Assembly, and the Development Plan for 1992-1996 was formulated. All these events showed that the normalization process could be ended and that the National Society could begin a new stage, in which institutional development needs and the social demands created by Panama's situation, still characterized by a deep social crisis and the existence of large, extremely vulnerable groups, would assume first priority.

The Panamanian Red Cross has been immersed in this normalization process at the same time that it has had to confront a growing demand for services, caused by the aftermath of the invasion, the economic and social crisis the country has been experiencing, and natural disasters such as the Bocas del Toro earthquake—all against a background of reduced financial resources. We may thus note operations such as that conducted in the Albrook displaced persons' camp to assist those uprooted by the destruction of the El Chorrillo neighborhood, the heavy demand to which the National Society's social services have been subjected since then, and the ambulance service, as a result of the disappearance of the service provided by Panamanian state institutions before the invasion.

Despite all these facts, the Panamanian Red Cross has maintained a fairly diverse profile of activities and services, which has characterized the National Society for several years and in which two major orientations may be seen. The first is

the relief and emergency area, through relief work and the ambulance service, all of which is coordinated by the Assistance Operations Center (COS). The other is social assistance and welfare programs, in which priority is given to children through programs such as the Child and Family Guidance Centers (COIF) and the home for abandoned children.

Organization of the Panamanian Red Cross

Organizational structure and geographic coverage

Following the events of 1989 and 1990, which for the Panamanian Red Cross meant going through a phase of institutional instability, it quickly undertook the task of restructuring its organization and normalizing its organizational life. To do so it created a Department of Institutional Development and Strengthening (DOFI) as part of a biennial development plan and undertook the task of restructuring the National Society.

Between 1990 and 1992 the Panamanian Red Cross formulated and approved new statutes, which replaced those in force since 1968, and drew up new internal by-laws. Governmental approval of the statutes, the last step needed for them to take full effect, may occur around January 1993 and would represent the final step in the process of restructuring and regularizing the National Society after the events to which the U.S. invasion of 1989 led. Although the new statutes do not substantially alter the institution's structure, as defined by the earlier ones, they include important changes in internal organization, specifically in the composition and responsibilities of its governing bodies—the General Assembly, Central Committee, and National Presidency. The Central Committee in turn has a four-member board of directors that replaces the Executive Committee provided for in the earlier statutes. Although most of the governing bodies are retained, the General Assembly has increased its

duties with respect to the Presidency, now electing not only the National President but also the Vice Presidents and Treasurer, whom the President formerly appointed. Nevertheless, the Presidency continues to be responsible for appointing the Secretary General, the Panamanian Red Cross's chief executive officer, and all paid staff.

Perhaps more significant are the changes that have occurred in the Central Committee, the most important governing body among the general assemblies. According to the 1968 statutes, it was composed of the President, the Executive Committee's three members, and 17 unspecified "relevant persons" from the Government and civic bodies. The participation of such persons in the new Central Committee has been drastically reduced, to three: one representative from the Government, one from private businesses, and one from civic bodies. The directors of voluntary agencies, representatives of the provincial chapters, and a member for each district now serve on the Central Committee.

Through these changes the Central Committee gains representativity, internal cohesion is facilitated, and the risk of governmental interference in the institution is reduced since the Panamanian Red Cross has attained greater autonomy and independence. The statutes also have other significant aspects worth noting. Specifically, the nongovernmental nature of the institution is made explicit and there is no longer an Honorary President, who according to the 1968 statutes was automatically the First Lady of the Nation.

Finally, the new statutes grant volunteers greater participation, not only through the greater representation of their leaders in the governing bodies but also through the election of officers such as the presidents of provincial and district chapters, who formerly were appointed by the Central Committee from candidate lists.

The Panamanian Red Cross is organized according to provincial chapters, which exist in the country's nine provinces, and 17 district committees. The provincial assemblies, which are central bodies, have been strengthened in the new statutes, in that the authority to elect governing bodies for four-year periods and to recall them if

necessary is recognized. Some chapters, such as Chiriquí, have achieved a notable amount of self-sufficiency, capacity, and leadership. Coclés and Penonomé are thriving. A significant event in geographic expansion is the formation of the Kuna-Yala District Chapter in the San Blas indigenous area of Darién Province, which was created because of the implementation in that area of the "Child Alive" health and nutrition program and a small-scale fishing program run by indigenous women.

The 1992-1996 Development Plan's general objective is to bring about greater integration of the provincial and district chapters and their deployment in the country on the basis of their possibility of being supported by their respective communities. The National Society's leaders have stated that this means considering provincial chapters as the institution's basic geographic units since in principle they would be able to attain complete financial self-sufficiency and avoid dependence on the central headquarters.

Administration and planning

The chief executive officer of the National Society is the Secretary General, who heads the administrative and operational structure. The latter is based on "departments" such as Relief and Social Welfare, whose chiefs are national directors. These officials coordinate closely with the leaders of the voluntary agencies in carrying out the programs and operation of the National Society's services. Some programs conducted in the provinces work in coordination with and under the supervision of the central headquarters. The Child and Family Guidance Centers (COIF), for instance, are a responsibility of each chapter but operate under the supervision of the Department of Social Welfare as regards teaching and education regulations. The quarterly visits that paid staff and departmental directors make to the chapters are coordination mechanisms in addition to those provided for in the statutes and the current development plan. An annual "workshop"

is also conducted for the provincial presidents and secretaries before each General Assembly.

The National Society had a biennial development plan during 1990-1992 which was based on the need to reorganize the institution in a context of serious financial problems, internal organizational deficiencies, and external image problems. As a result, the plan was adapted to the need to regularize the institution after the armed conflict of December 1989 ended, by strengthening the Panamanian Red Cross's traditional programs. It cannot be considered a satisfactory development tool, however, because of its limited term (two years) and its content. The 1990-1992 plan itself noted the need to draw up a development plan for the following four years. With respect to activities, the plan gave priority to those related to International Humanitarian Law and relief and emergencies, and held health, social welfare, and community development activities to be "supplementary." In addition, the Development Plan defined a general framework and instruments for planning. It accordingly provided that annual planning of projects would be conducted.

At the operational level, some programs are being carried out by unifying staff from different volunteer bodies, but at different levels of the National Society the lack of coordination between the different bodies as well as between the chapters and the central headquarters' departments, and the lack of periodic evaluations, are cause for concern.

The Five-Year Development Plan for 1992-1996 was drawn up in 1992. It focuses on three major areas of activity: protection and dissemination of the Principles of the Red Cross and International Humanitarian Law, assistance (putting priority on relief), health, and social welfare. A problem affecting the Plan, as the National Society itself notes, is that it still has a certain charitable bias. The following have been established as development goals in support activities: the organization of an austere, efficient, and entrepreneurial administration, for which reason the number of employees at the central headquarters was recently reduced; ensuring the financing needed to accomplish the guidelines; on-going training of

paid staff and volunteers; execution of community education programs; a greater effort to publicize activities to fortify the National Society's image; and, finally, promotion of volunteer service and humanitarian values. An important part of the current Development Plan is evaluation of the activities of the provincial chapters through examination of their suitability to existing needs in each of their respective communities.

Human resources

The Panamanian Red Cross has four volunteer bodies: Relief, Volunteer Ladies, the Legion of Volunteers, and Youth, which have their own representation structure and conduct annual "national get-togethers." The number of volunteers has increased since 1989. Volunteers carry on almost all activities of the provincial chapters, including those in the capital.

Women constitute a large proportion of the National Society's volunteers and paid staff, and even hold certain middle-level management posts. Nevertheless, men dominate the high positions. As in other National Societies in the region, there is a tendency to consider assistance and social activities, and especially those dealing with children, as areas of work "appropriate" to the Volunteer Ladies, most of whom are middle-aged. The Relief Volunteer Corps, in contrast, consists mostly of men, a fact that at times makes its organization and certain features of its "organizational culture" resemble those of military bodies. Despite this, interest in socially significant activities is growing among all volunteers.

The National Society rates the stability of its volunteers positively, but is today concerned about their profile. Specifically, it is concerned about how to reconcile larger recruitment of trained human resources with the lowest possible requirements for joining the institution. There is also concern about the continuing recruitment of volunteers by other organizations, and about the need for new profiles and specific training based on the National Society's new activities. Executing the new statutes means that elections will be

held in the provincial and district chapters between 1992 and 1994, something that may favor the renewal of middle-level leaders and the appearance of new leaders in the National Society.

Volunteers are concerned about matters such as bureaucratization of entry and recruitment procedures, lack of incentives and motivation, and the few internal opportunities for training, especially in the social area. Great emphasis has been put on training in relief work and first aid since 1990, but the National Society does not have a unified training plan, with levels and curricula defined according to the needs of its different spheres of activity, since training is carried out as part of each project. These facts, as we noted, have caused worry among volunteers. One of the main development objectives of the National Society is to increase the number of trained volunteers. Plans are also afoot to promote the entry of young people by strengthening youth programs.

The National Society has 53 paid staff, most of whom are in the capital. It once had more than 60 staff, but its number was cut to reduce operating expenses and achieve greater administrative efficiency. The staff's wages were also cut by about 25% because of the crisis the country has experienced. Part of the staff is responsible for the functioning of the operational departments, and they have some professional training. Others are support staff with fewer qualifications. According to the statutes, they are appointed directly by the President. It has been confirmed that some of the central headquarters staff need training in planning and project preparation. A financial fund was recently created that allows recognition of staff seniority through application of the labor legislation common to NGOs, thus favorably resolving an old labor dispute for the National Society.

Finance and budgeting

One of the most visible signs of the crisis period that preceded the U.S. invasion and the subsequent period of normalization was the finan-

cial problems, and later recovery, which the Panamanian Red Cross experienced. At the same time as the country went through the economic crisis caused by the U.S. economic sanctions of 1987-1989, the National Society's budget suffered severe cuts. It was more than 986,000 balboas (dollars) in 1987, but in 1989 it was only 746,000 balboas. There was a mild recovery—761,000 balboas—in 1990.

In 1989, 43% of its funds came from the National Lottery, a traditional fund-raising activity of the institution and its main source of revenue. Governmental subsidies were the second source of revenue in importance, and accounted for 37%. Volunteers collected 5% (through activities such as "Little Flag Day"), and the Child and Family Guidance Centers, 3%. Red Cross Movement international cooperation, which has been fairly active, helped offset the reduction in revenue during that period.

In the area of expenditures, those for administration in 1989, including the salaries of paid staff, accounted for 32%; transfers to the chapters, 15%; relief and assistance activities, 13%; the home for children and the elderly, 12%, and the COIF, 7%. Training, Youth, and the ambulance service each represented 5% of the whole. During the first half of 1990, however, changes matching the institution's situation occurred. Wage and administrative expenses increased to 56%, as did the proportion spent on the ambulance service, which is also consuming major resources. The reorientation of expenditure toward the categories noted, together with cuts in the budget, meant that some programs, including primary health care, were not carried out, or that certain social programs, such as the COIF, were postponed.

There were some significant differences in the composition of revenues between 1989 and 1992. Governmental subsidies became the leading source of revenue, representing 55% of the whole. The

proportional significance of the National Lottery fell to second place, 40%. Fund-raising activities were responsible for the remaining 5%. One of the priorities of the National Society's present leaders, reflected in the Development Plan, is to increase and diversify revenue sources in order to solidify the institution's financial foundation.

A matter of concern to the National Society is the extent of financial self-sufficiency of the branches, since some chapters are only partially self-sustaining and others, such as the Colón chapter, have seen their self-sufficiency decline somewhat. Most have been receiving transfers from the central headquarters. The problem can be viewed from different perspectives, however. While the branches believe that the central headquarters redistributes funds obtained from lotteries to the chapters in a limited way, the headquarters is concerned about the dependence of the branches and urges the latter to achieve greater self-sufficiency. Achieving branch financial self-sufficiency is, in fact, one of the chief development goals of the 1992-1996 Plan, and to that end a study is going to be made of the possibilities and priorities of each chapter. The Panamanian Red Cross has already conducted some useful experiments to attain greater self-sufficiency in certain programs, such as the La Ginebrilla farm, whose products are allocated to the dining rooms in the homes for children and the elderly as well as the COIF, or are marketed. It is thought that such experiments could be developed, expanded, and diversified.

Although no budget was prepared in 1990 because of the difficult situation, the problem has been remedied since 1991 according to the 1990-1992 Development Plan's guidelines, which provided for preparation of an annual budget by program. Nevertheless, the lack of unified criteria in the accounting procedures of the chapters has made financial control in the institution difficult.