Board Meeting of November 18, 1998
Statement by Murilo Portugal

Panama – Country Assistance Strategy and Public Policy reform
Adjustment Loan

On behalf of my Panamanian authorities, I would like to thank Management and staff for preparing this Country Assistance Strategy.

The ultimate objectives of the economic strategy implemented to date by the Government of Panama are the reduction in the levels of poverty and the elimination of barriers to a more equitable distribution of income for all Panamanians. These objectives are envisioned by both the current CAS as well as by the prior one. The Panamanian Government adopted on September 17, 1998, by Cabinet Decree, a New Strategic Focus on Poverty which, in large measure, is also reflected in the CAS.

In order to achieve these objectives, the government’s strategy has been to enact legal reforms which have permitted the operation of market forces in a number of key sectors of the national economy. Other major policy changes have been targeted to the productive segments of the Panamanian economy which had been divorced from world commerce in order to integrate them into the mainstream of international trade with a minimum of trauma. In this manner, Panama has left behind policies which were perceived to foster social inequities.

Transformations have affected both the private and public sectors. In the latter, reforms have introduced competition to public services through privatizations, while consolidating the medium term macro-fiscal position of the government.

While there has been a major strengthening of market mechanisms that will permit the sustainable development of Panama’s economy, it is necessary to focus attention on those pockets of the population that are most vulnerable, especially those who lack education, health or access to the national infrastructure and thus have been largely untouched by recent economic gains. In this regard, Panama is pleased and appreciative for the support received from the World Bank in designing its first Survey of National Living Standards, completed in 1997, which will furnish detailed information to policy makers on the living standards of its population. It is largely on this survey and with the advice of the World Bank that the New Strategic Focus on Poverty referred to earlier was prepared.
The rich statistical and analytical information yielded by this survey will permit the discussion, design and evaluation of a new generation of reforms in the social area that will include education, health and other programs directed to marginal groups in remote areas of the country. These measures will complement the reforms already underway so that all Panamanians will have access to the benefits of economic growth.

A new comprehensive environmental law has been adopted that will require that all investment projects - including social and economic infrastructure projects - to be executed according to modern environmental standards, including environmental and social impact assessments, development of mitigation measures, and consultation with civil society.

It is necessary to point out that the current crisis in the international financial markets has impacted not only Panama but all of Latin America, the consequences of which are not yet completely clear. Therefore, Panama may well require to recur to the World Bank to use its guarantee lines to finance and mobilize resources for projects of social reform or investments.

Finally, on behalf of my Panamanian authorities, I wish to thank the Bank for the technical support and financing offered to Panama throughout the long process of implementing its social and economic reforms agenda. Panama trusts that it can continue to count on the IBRD Group participation in the future development of the country.