Board Meeting of Thursday, November 19, 1998
Statement by Godfrey Gaoseb

Panama: Country Assistance Strategy

1. We support the proposed CAS for Panama as we find it consistent with the Government’s development objectives and policies. It is a product of extensive and close consultations with the authorities, civil society and Bank partners. It is gratifying to note the Government’s full agreement with the proposed Bank’s assistance program.

2. Despite the world financial crisis and the effects of El Niño, considerable improvements have been made recently in dismantling macro-economic distortions and reinvigorating growth. New legislations, such as Bank and Competition Laws, establishing Superintendency of Banks, reforming the Labor Code and establishing Anti-Corruption bodies, are clear indications of the Government’s resolve in forging ahead with the economic liberalization efforts. We are also impressed with the steady progress made in the privatization realm. For a country like Panama, which is heavily dependent on international markets and on services, putting in place world standard institutions, as well as legal and regulatory frameworks are clear imperatives. We are, therefore, encouraged by the steps taken so far by Panama to foster its competitiveness in world markets.

3. Two interesting issues stand out clearly from the analysis. These are the acute and deteriorating poverty situation and inequality in income and wealth distribution. The picture portrayed in paragraph 4 is quite alarming, particularly the dire environment with which the indigenous people are confronted. We are happy to note that tackling this problem comes at the top of the Government’s development strategy. The LSMs and the ensuing Poverty Strategy and Action Plan are steps in the right direction and we are happy to note the Bank’s active role in helping the Panamanian authorities in this endeavor. It is a comprehensive strategy, and if implemented properly, it will lead to significant improvements in the social indicators and services targeted to the poor. The document clearly spells out what will be done in each sector, the type of Bank support, and where increased emphasis is needed. While we are in broad agreement with the proposed Bank interventions, we would like
to stress that particular attention should be given to the indigenous people, land titling and gender issues.

4. IFC deserves to be congratulated for its impressive work in Panama, and we endorse its proposed assistance strategy, which is spelled out in paragraph 54. We hope to see the active involvement of MIGA and EDI soon.

5. We are also happy with the division of labor and the level of coordination between the Bank and the other partners, particularly the IMF and the IDB.

6. With respect to the lending scenario, while we have no difficulties with the proposed targets and associated triggers, we would have preferred to see a high case scenario, as in our view, this will provide incentive to the new government to adhere to the objectives and targets of the proposed CAS.

7. In closing, I would like to commend all Bank Group staff for the active role they are playing in Panama and wish the Panamanian authorities success in their efforts to combat poverty and insulate their economy from the contagion effects of the world’s financial crisis.