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Panama Shelter Sector Assessment

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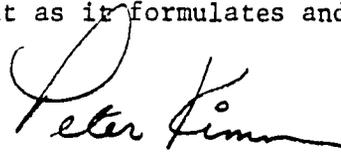
FOREWORD

This study was conducted by the Foundation for Cooperative Housing in cooperation with representatives of the Government of Panama under the auspices of the Office of Housing of the Agency for International Development and through financing provided by this office. The purpose of the study was to develop information and make recommendations relating to the shelter sector in Panama and was in response to a request from the Government of Panama.

The study team was headed by Ted Priftis with other team members being Juan Casasco, Earl Kessler, Marjorie Sorock, and Donald Stout. Field work was completed in December, 1977.

The findings and recommendations of the study are for the purpose of discussion and review and are not to be considered as the official position of either the Agency for International Development or the Government of Panama.

We hope, however, that the Government of Panama will find the report and its recommendations useful to it as it formulates and implements its future shelter programs.



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ABBREVIATIONS

AID	Agency for International Development
ANAP	Asociacion Nacional de Ahorros y Prestamos
APLAFA	Asociacion de Planificacion Familiar
BHN	Banco Hipotecario Nacional (National Mortgage Bank)
BNP	Banco Nacional de Panama (National Bank of Panama)
CAPAC	Camara Panamena de la Construccion
DEC	Direccion de Estadistica y Censo
FUNDAVICO	Fundacion para la Vivienda Cooperativa (Panamanian Foundation for Cooperative Housing)
GOP	Government of Panama
HLC	High Level Commission of San Miguelito
IDAAN	Instituto de Acueductos y Alcantarillados Nacionales (National Institute for Water and Sewage)
IDB	Inter-American Development Bank
IFARHU	Instituto de Formacion y Adiestramiento de Recursos Humanos
IRHE	Instituto de Recursos Hidroelectricos (Institute for Hydraulic and Electric Resources)
IVU	Instituto de Vivienda y Urbanismo
MIPPE	Ministerio de Planificacion y Politica Economica (Ministry of Planning and Economic Policy)
MIVI	Ministerio de Vivienda (Ministry of Housing)
MOP	Ministerio de Obras Publicas (Ministry of Public Works)
POERM	Plan Preliminar de Ordenamiento Espacial de la Region Metropolitana
PVO's	Private Voluntary Organizations
UNDP	United Nations Development Plan

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INTRODUCTION

For the past three years Panama has been in its worst recession since 1947-51. Real per capita GDP has decreased. The causes can be found in exogenous world economic shocks, long-term structural changes within the economy which dictate a need to exploit new sources of growth, and the short-term effects of new social policies. During the recession, Panama's public debt has grown. Direct debt service is high (28% of current government revenues in 1976) and is projected to rise to 45-46% of current government revenue after 1978. Creditworthiness, income redistribution, and reduced unemployment all hinge on an ability quickly to resume the 8% p.a. real growth rate of 1952-72.

A major housing effort could provide an immediate growth pole around which to mount a recovery program. The Ministry of Housing (MIVI) and the private sector have all of the experience, entrepreneurial ability, supply of labor and materials inputs which would be needed. The vastly underutilized capacity of the construction industry could be mobilized without appreciable new investments in production facilities.

AID's below-median-income target population for its housing assistance programs has a large component of the "poorest of the poor" who live in spontaneous settlements in the Panama City-Colon metropolitan region. As might be expected, these are the uneducated and unemployed with worse health and nutrition standards than the country as a whole. They are largely outside the formal housing sector. They spend little or nothing on housing on a regular basis. Commonly the head of household is an unmarried woman. They constitute the proper focus of MIVI and AID efforts. The very poorest of the families will have to be considered welfare cases.

The private sector has not been able to compete with MIVI in providing housing for the upper income ranges of the AID target population because of exacting building and infrastructure standards. The housing deficit, at the same time, continues to grow. MIVI should withdraw its competition and encourage the private sector to attend to the upper ranges of the target population, thereby freeing its own funds and capability to better attend to the lower income housing needs.

The housing stock also is deteriorating. Private investors have stepped back from housing investments in part because of rent control laws which make housing investments financially unattractive. The effect of the consequentially reduced housing supply is compounded by the low percentage of family income which Panamanians expect to budget for housing, a consumer psychology itself a product of two generations of rent controls.

The shelter delivery system is basically sound. There is an adequate supply of land, construction materials, and labor; and construction technology is properly relatively labor-intensive. Improvements in the Panamanian lumber industry could make it possible to take greater advantage of Panama's relatively untapped vast forest resources. More use could be made of self-help and

and community participation, as in Nuevo Chorrillo cooperative housing program, without unduly sacrificing standards and without inviting competition to MIVI's own authority and programming.

The organization of the financial system for housing is good. Panama enjoys a large and vigorous commercial banking sector with a heavy participation by foreign banks. There are credit unions and housing cooperatives. The Banco Hipotecario Nacional (BHN) is the financial arm of MIVI and also regulates the saving and loan associations. The state-owned National Savings Bank (Caja de Ahorros), the Social Security Bank (Caja de Seguro Social) and the National Bank of Panama (BNP) are major sources of housing finance.

The operation of the housing finance system, however, is unsatisfactory. It could do much more. The S & L contribution is miniscule, in part because its regulatory agency, the BHN, has been unable to stimulate activities. The BHN itself lacks autonomy, being a MIVI vehicle. It has been (predictably) largely ineffectual in dealing with the S & L.

In the short period of its existence since 1973, MIVI has become the most dynamic factor in the housing sector. It has quickly become the major supplier of housing and is capable of greatly increasing its present expanded efforts. Attention to some policies and matters of coordination with other agencies involved in the housing field could increase its effectiveness still further.

Urban planning is unsatisfactory. Growth has been project specific without any policy framework to guide it. Better planning cannot be postponed further without heavy social and economic costs. An urban rehabilitation and renewal program in Panama City and Colon is required urgently. Finally, unless careful plans for the use of Canal Zone lands and facilities immediately are prepared, the GOP may find irreversible de facto invasion of lands adjacent to Panama City and Colon. This would be a tragic misuse of extremely valuable resources.

This report on the shelter sector in Panama is divided into two main parts. Part I is the shelter sector assessment itself together with the recommendations which stem from the analysis. The more voluminous Part II is a description and analysis of the components of the shelter sector. We have attempted to make maximum use of substantive annexes in order to leave the text as uncluttered as possible.

I. SHELTER SECTOR ASSESSMENT AND RECOMMENDATIONS

PREFACE

The overall assessment of the Panama Shelter Sector is that the sector can and should expand its level of activity. The existing capacity is greatly underutilized. The available supply of construction materials, of entrepreneurial and management capabilities, and of specialized and unskilled labor could support a huge expansion of construction and housing effort. At the same time, Panama urgently needs an economic stimulus to gear it back onto a higher level of activity. The shelter sector could be quickly mobilized to serve this purpose (see section 5 below).

The opportunity is clear, the need compelling. To realize a greatly increased volume of output, however, attention must be directed toward several aspects of the shelter sector environment which need improvement.

- a. Housing finance should be improved.
- b. Rent control laws should be gradually dismantled.
- c. There is a basic need to improve coordination in the shelter sector.
- d. New programs should be devised to address the housing needs of the target population.

At the same time, some key processes closely related to the shelter sector merit an enhanced awareness. Among the processes which deserve greater attention are urban planning, data collection and distribution, and review and monitoring of the environmental impact of the shelter sector.

The shelter sector assessment and recommendations presents the constituent decision-making elements under ten headings, each of which has policy and operational implications. First, however, it is useful to key the above logic framework into that institutional and policy presentation.

Section 3 discusses some steps which could improve the housing finance sector. It recommends that consideration be given to upgrading the role of the BHN, that efforts be continued to establish a healthy secondary mortgage market, and that the coordination and performance of the BHN, Caja de Ahorros, and the S & L system can be substantially improved.

Section 1 analyzes the pernicious effects of two generations of rent controls. Predictably, the net effects have been to decrease the effective demand for housing and, at the same time, to decrease the potential supply of private sector housing.

The need to improve the overall coordination of entities involved in the housing sector is discussed in both sections 2 (Constraints in the Delivery System) and 3, which focuses more specifically on MIVI.

Section 7 summarizes the case for upgrading the existing sub-standard urban housing stock through selective renewal and rehabilitation programs. Complementary community services are essential, for example, day-care centers to permit female heads of household to enter the labor market. Finally, secondary city housing efforts should be integrated into overall urban planning (see also section 8).

Urban planning as an on-going process should be given greater attention (section 6); the utilization to be made of the Canal Zone lands is of immediate urgency in this regard (section 9).

Part I concludes with an analysis and some recommendations regarding the environmental aspects of shelter sector activity (section 10). The most imminent threat to welfare is water pollution and inadequate sewage treatment systems.

1. Rent Controls

Panama has had a rent control system since the end of World War II. Until 1973, rents up to B/.80 per month were frozen. Since October 1973, rents up to B/.500 per month have been frozen in practice. Although the owner is legally entitled to a 15% annual return on his housing investment, the investment seems to be interpreted as historical cost rather than replacement cost or market value. ^{1/} One would expect the effects of two generations of rent control to exert a pervasive and dominant influence on the housing sector and this in fact is the case. Although a national law, the effects of the rent control law has been particularly pernicious in Panama City.

The effect has been to divert potential investors from housing to other investment and consumption opportunities. If the investor actually were assured a 15% return on the market value of his investment, investors would flood the private housing market. It would be a buyer's market limited only by the effective demand for housing. This has not been the case. Not only is the potential housing investor's enthusiasm dulled by the prospect of a real rental value which continually shrinks with inflation; the owner also has no incentive to maintain his property, much less to improve it. The predictable result has been a deteriorating housing stock. The GOP has paid a heavy price for its rent control. It has sacrificed the trade-off of a greater supply of privately financed housing for the evanescent hope of price stability and the perceived goals of equity. As a long-term policy, this must invite evasion and disrespect for the law while promoting a progressive distortion in the allocation of resources for housing.

The effect of two generations of rent controls on consumer psychology is still more insidious. The middle class Panamanian family does not expect to dedicate anything like 20-25% of its income to housing; 10% would be a more reasonable expectation. This attitude pervades consumer attitudes down

^{1/} See the section dealing with Government Economic Policies for further details.

through the lowest income groups, who rank housing far behind their wants for clothing and manufactured consumer goods. At the extreme, those who have lived for years in condemned housing expect to pay nothing for housing beyond incidental utilities, if any. ^{1/}

If the government is to make progress in its goal of ensuring that decent housing is available for everyone, it could take a giant step toward that end by progressively dismantling its rent control laws. Pending the abolition of rent controls, MIVI should undertake market surveys of its target population to ascertain how much people are willing to spend on housing. At this time, the implicit assumption that its potential clientele is willing to spend 20-25% of family income on housing may greatly overstate the effective demand for MIVI housing.

Recommendation: The government should re-examine its rent control laws with a view to gradually eliminating them. They are an anomaly in the relatively free, market-oriented economy of Panama. At the same time that Panama seeks to attract private and external financing for housing, it encourages rent freezes but frowns on other price controls and subsidies. One way to eliminate the effect of rent control would be to interpret the fair rate of return on housing investments as a return on replacement cost or market value--in effect nullifying the intent of the laws. If this is not politically possible in the short run, it is recommended that new private-sector housing, at least, be exempted from the laws.

2. Constraints in the Delivery System

Looking at housing as a sector, we find that the sector has a greatly underutilized capacity and, at the same time, that there is a large unsatisfied demand for housing. The weak points in the delivery system center primarily on (a) the policy and coordination issues referred to in the following section on MIVI, (b) constraints of the housing finance system, and (c) a lack of sharp focus on what MIVI's specific client group should be.

There are no major constraints posed by land availability, infrastructure, the building industry or the supply of building materials. Only if activity regains its 1973 boom level could problems conceivably arise in some supply elements. There is adequate land available in the current expansion areas in the northeast sector of Panama City. The areas west of the Canal Zone also provide alternative expansion areas in Chorrera and Arraijan. With the exception of Colon, land availability for housing in other cities poses no problems. The land situation in Colon is critical; its amelioration is dependent on access to land now in the Canal Zone. The ability of the current water and electrical systems to absorb new development poses no problem. The water storage capacity for Panama City is 14 million gallons, enough to supply Panama City for 14 hours, and including projected demand, the calculated 10

1/ One has the impression that, in more and more young middle class marriages, both the man and wife are employed these days. One reason for this may be that it is necessary in order for them to be able to afford the housing standard to which they were accustomed before marriage. The rents of newer housing reflect higher nominal costs; and the price should be further inflated by the relative shortage of housing which itself is a consequence of the rent freeze.

hours supply is deemed satisfactory. IRHE's dam construction program will supply ample hydro-electric power to both urban and rural areas. Sewage lines are being installed in peripheral areas of Panama City, opening them up to development at reasonable costs. Sewage treatment is a problem area since there is no sewage treatment plant in operation in Panama City and water pollution already is a major problem in much of the country (see section 10, The Environment).

There are major issues in housing finance. The housing finance system is not as well organized as it could be. One set of issues, discussed below in the analysis of MIVI's relationship with the BHN and the performance of the S & L system, provides evidence that much more housing could be financed than is now being done. The entire S & L system has averaged less than B/2.7 million of lending annually during the past 5 years, over half of which has been by the Central de Ahorros. The BHN could be much more than the accounting unit of MIVI's programs; the S & L's could be helped to do much more; and the Caja de Ahorros should somehow be drawn upon to strengthen the S & L system. The Caja de Ahorros is big compared to the S & L's and lends significant amounts for housing; but its housing activities are not coordinated with other financing in the housing sector.

The Caja de Seguro Social has its own housing finance program, lending B/.5 million a year for mortgage loans. The loans are at 7% p.a., at maximum terms of 90% for 25 years. This middle class housing finance competes directly with the S & L's; but the important point is that the subsidized interest rate distorts resource allocation. The subsidized interest rate understandably leads to an excess of applicants and an unsystematic allocation of the funds on other than market or social criteria. The distortion is compounded by setting up a situation where subsidized money is being made available for middle income groups while the GOP borrows money externally at higher rates to finance housing for lower income groups. The loanable funds should be channeled through MIVI directly or via the BHN.

The role of external private financing should also be examined. Although such financing has dried up during the recession, commercial bank lending of short-term construction money has figured prominently in the housing sector in the past. External funding evidently has been a response to a shortfall of domestic financial resources. This is neither healthy nor necessary. Panama can and should generate much vaster amounts of domestic savings and make external private housing and construction finance redundant.

Because the public sector housing policy is to deal with families whose incomes range up to B/.600 per month, the impact on any one particular group is minimal. The large group earning less than B/.300 per month, 50% of the population, is not as well attended to as would be possible if public policy concentrated its attention on that target group. Within the target group, one can distinguish between (a) the lower middle class, where housing needs are largely served by the private sector; (b) the urban poor who live mostly in spontaneous settlements; and (c) the rural poor. It would seem appropriate for MIVI to channel its programs to the higher risk income groups and to look to the private sector and other state organizations such as the Caja de Ahorros as the source of housing finance for higher income groups. Without a clear

commitment, public sector funds will be dissipated in unrelated projects spread across the country. At the same time, unless MIVI does restrict itself to the lower income range of the below-median-income group, the private sector will be hesitant to operate in housing for the upper range of the income group. The private sector could attend to the upper ranges of the group if MIVI were to withdraw as competition. MIVI should consider facilitating private sector participation in this manner, thereby encouraging an increase in the total supply of housing and an increased contribution to the lowest income groups.

3. MIVI: Problems of Policies, Coordination and Shelter Sector Financing

MIVI is properly at the center of Panama's housing activities. It is unnecessarily penalized in carrying out its mandate, however, by some inappropriate policies, unnecessary problems of coordination with other entities involved in housing-related activities, and by the ill-defined role and inadequate performance of some financing agencies. Attention focused on these problems could multiply the effectiveness of MIVI.

Policies and Finance. MIVI labors under conflicting policies of making housing available for low income groups while at the same time avoiding widespread subsidies and maintaining a strong investment portfolio. We understand that MIVI's delinquency rates are much lower than those of its predecessor agency (IVU). Concern for its portfolio is understandable on the grounds that projects should be replicable without drawing on general government revenues. ^{1/} This must bias MIVI, however, in the direction of diluting its efforts for the lowest of the low-income groups.

Although the Constitution envisages that adequate housing should be available to all citizens, it should be recognized that in any society there are some disadvantaged groups which cannot be expected to pay for decent housing. As one goes down the scale of physical, emotional, social and intellectual ability, one reaches a point below which society collectively must render assistance. The elderly, the sick, the female head-of-household with many young children--some people need welfare. MIVI, however, should not be responsible for providing shelter for welfare cases and still be held responsible for maintaining a sound portfolio. The GOP should recognize that some people are unemployable, often through no fault of their own, and can never be expected to be good credit risks nor be able to afford MIVI housing. An alternative to MIVI's ignoring these welfare cases would be for the GOP to vest financial responsibility for their housing with a welfare agency. MIVI could and should build for them; but MIVI should be primarily in the building business. The GOP should define the welfare group in terms of housing and assume responsibility for financing MIVI's construction of welfare housing. Otherwise, the lowest income groups of the target population will have to continue having recourse primarily to the informal market of spontaneous settlements and inner-city slums.

^{1/} This is especially true since the government relies heavily on borrowing to finance its investment programs. Some 70% of MIVI's 1978 investment budget is to come from foreign funding.

A second policy which should be rethought is the role of the BHN and its relationship to MIVI. The BHN is the financial arm of MIVI and also is responsible for regulating and supervising the S & L system. Its role as the financial arm of MIVI translates in practice into a complete lack of autonomy for the BHN. It cannot plan its own operations, make decisions or sign checks. It responds to MIVI decisions. The frustration which the BHN must feel is exemplified by the fact that it has had five general managers in four years, including three who were acting general managers.

It is not necessarily bad that BHN be the financial arm of MIVI and that the general manager in effect be a MIVI department head. If this is to be its role, however, then responsibility for supervising the S & L system should be placed elsewhere. Because of its lack of autonomy, the BHN has not adequately promoted the activities of the S & L system. The system is operating far below its potential. The Panamanian S & L's have financed 2,367 units since beginning operations in 1965. In comparison, the S & L system in Costa Rica financed 2,781 housing units during the first ten months of 1977. In the past three years, the Panamanian S & L's have been financing about 30 units a month on the average; the Costa Rican S & L's, 278. ^{1/} The S & L's have a big untapped potential. The BHN plans to set up a secondary mortgage market and this may make it possible for the S & L's to increase their volume of housing finance; but still more could be done. ^{2/}

There are a number of other specific attitudes and policies, some outside MIVI's direct area of responsibility, which should be re-evaluated. A brief list would include:

a. Until now, MIVI in general has eschewed mutual aid and self-help programs in its housing programs. This reflects an implicit attitude that emphasizes quality control out of proportion to the housing built for the target population. MIVI might reconsider the trade-offs between quality controls, standards and community participation. Reduced standards would enable MIVI to reach a lower income group.

b. The private sector cannot compete with MIVI's housing programs because it cannot obtain waivers for building standards or infrastructure. MIVI is understandably reluctant to waive infrastructure standards for fear that the government would have to step in subsequently and bear the cost of infrastructure upgrading. This fear need not relegate private sector efforts to its present role of middle and upper income housing. Planning and supervision should enable MIVI to relax standards upon occasion, as it can do in its own programs, without sacrificing unduly the quality of the housing product

^{1/} This comparison is not entirely fair since the Costa Rican S & L's act as the government's agent for external housing finance, a function of the BHN in Panama. The conclusion, nevertheless, that Panama's S & L's have a significantly unused potential is persuasive.

^{2/} Thought might also be given, for instance, to associating the Caja de Ahorros with the S & L system.

which the private sector could produce.

c. A recommendation is made in the section dealing with the calculation of median incomes that MIVI should participate in the design of the 1980 Census and in the national household survey scheduled for August 1978. In the section dealing with a description of the target population, it is evident that there is a serious absence of information. Most of the questions concerning benchmarks of well-being cannot be answered specifically and directly for the target population.

Information about the large informal sector--its needs, preferences, and financial assets and limitations--is limited and unsystematic. Information on the informal sector is derived from spot surveys, which, in the heterogeneous communities that comprise the informal sector in Panama, is at best community specific. A concerted effort should be made to include in the 1980 census a housing questionnaire to gather necessary shelter information. MIVI should also participate in the design of the national household survey which is scheduled for August 1978.

A relatively small manpower and budget allocation within MIVI to systematically improve the data base collection of statistics would be of great use in evaluating and tailoring programs more efficiently for MIVI's target population.

Coordination. The lack of planning and coordination in urban expansion policies described below also is endemic in MIVI's operations. Inadequate coordination with MIPPE is evident in the fact that MIVI is not kept informed of MIPPE's urban planning activities. 1/ MIPPE is preparing a preliminary report on urban growth patterns and physical planning. The study has similar objectives to MIVI's POERM. 2/ This is a clear and unnecessary duplication.

The operating relationships between MIVI, IDAAN, IRHE and the MOP need to be more closely coordinated. The agencies responsible for the infrastructure of MIVI housing projects are not brought into the picture early enough. Coordinated project planning requires at least a year's anticipation. IRHE scheduling problems have delayed the adjudication of MIVI projects in the past because electrical connections were still lacking upon the completion of MIVI's work. MIVI has no plans for urban renewal programs which the infrastructure agencies can use for advance scheduling. MIVI clears with the MOP the specifications for essential housing infrastructure which MIVI then finances and develops. Upon completion and with MOP inspection approval, the roads, sidewalks and drainage systems are passed over to the MOP for maintenance. MIVI does the work instead of the MOP in the interest of speeding up the project. With sufficient lead time and advance planning, the MOP could

1/ The UNDP team at MIPPE which is developing plans for the Panama City-Colon area said that other ministries were kept informed but that there was no communication with MIVI--in many respects the most affected entity.

2/ Plan Preliminar de Ordenamiento Espacial de la Region Metropolitana, 1976.

integrate MIVI needs into its own work program, thereby releasing MIVI resources for housing proper. In principle, the major shortcoming in MIVI's relationship with these three agencies is simply lack of sufficient planning and enough advance notification of MIVI's programs so that MIVI's projects can be accommodated in the work schedules and budget of these other agencies. Delays in MIVI programs are predictable unless coordination is improved.

Recommendations. Implicit in the above description and analysis of some of MIVI's problems are the following recommendations.

a. MIVI should make a major effort to improve its coordination with other agencies involved in MIVI housing projects--MIPPE, IDAAN, IRHE, the Ministry of Public Works. In order to accomplish this, MIVI should direct more of its attention to planning its programs far enough ahead of time so that these other agencies can accommodate MIVI needs without the delays which now commonly occur.

b. The GOP should recognize and define the "welfare housing" sector and assume financial responsibility for serving this group. MIVI should be held financially accountable for its non-welfare client group housing but not for the housing for welfare cases.

c. MIVI should consider giving more autonomy to the BHN in the interest of efficiency. The BHN could become much more efficient in carrying out its other housing finance programs and in bringing the S & L system into housing finance on a greatly expanded scale.

d. The Caja de Seguro Social should not administer its own housing financing program on subsidized terms for middle class clients.

e. The role of self-help and of the private sector should be re-examined with a view to making greater use of both.

f. It is recommended that MIVI increase its efforts to systematically collect, generate and evaluate the data base which it needs for housing programming.

4. The Implications of Median Income Calculations

In compliance with its Congressional mandate, AID directs its housing programs to families earning less than the median income. The calculation of median urban income by province and for Panama as a nation is presented in the section on the economic characteristics of the target population. The definition of what population the median is to be calculated for has fundamental implications for the types of housing programs which are eligible for AID financing. If the definition is construed to be the median income of the urban population of Los Santos, for example, the maximum affordable mortgage would be B/.5,685; for Panama as a whole, B/.7,381; for Panama City, B/.8,869. ^{1/}

^{1/} 25-year mortgage at 9% p.a.

This would be the upper limit affordable by the highest income family in the target group on the assumption that the client is willing to spend 25% of his income on housing. If the family is not willing to spend more than 15% of its income on housing, the corresponding maximum affordable mortgage would be B/.3,410; B/.4,425, and B/.5,321. The range of these six examples, B/.3,410-8,869, translates into diverse housing solutions. Since any housing program will need to address more than just the top income family in the target groups, this implies a range of something less than the basic core unit in Cerro Batea (solution B) to something less than the standard two-bedroom unit offered in Los Andes (solution B). (See Annex 17.) ^{1/} The target group in the metropolitan area received 11.8% of national income in 1970; the target population in the rest of the country, 3.1%. The two graphs on the following page pinpoint the relative income position of the target group and the portion of that group which can afford minimal MIVI housing solutions A and B. It is noteworthy that almost none of the rural target population can afford MIVI housing solutions.

The data base for median income calculations is unsatisfactory, though still probably better than in many countries. Systematic inquiries into the housing preferences of various income groups is also lacking. Condominiums have perhaps been overbuilt in Panama City in part because consumer preferences for single-family homes at the income level being addressed were misjudged.

Recommendation. Since the affordable housing programs are sensitive to consumer preferences as well as to income, market surveys of consumer preferences are indicated to determine (a) what income levels prefer what kinds of housing and (b) how much families, by income levels, are willing to spend on housing.

5. Trends of the Target Population

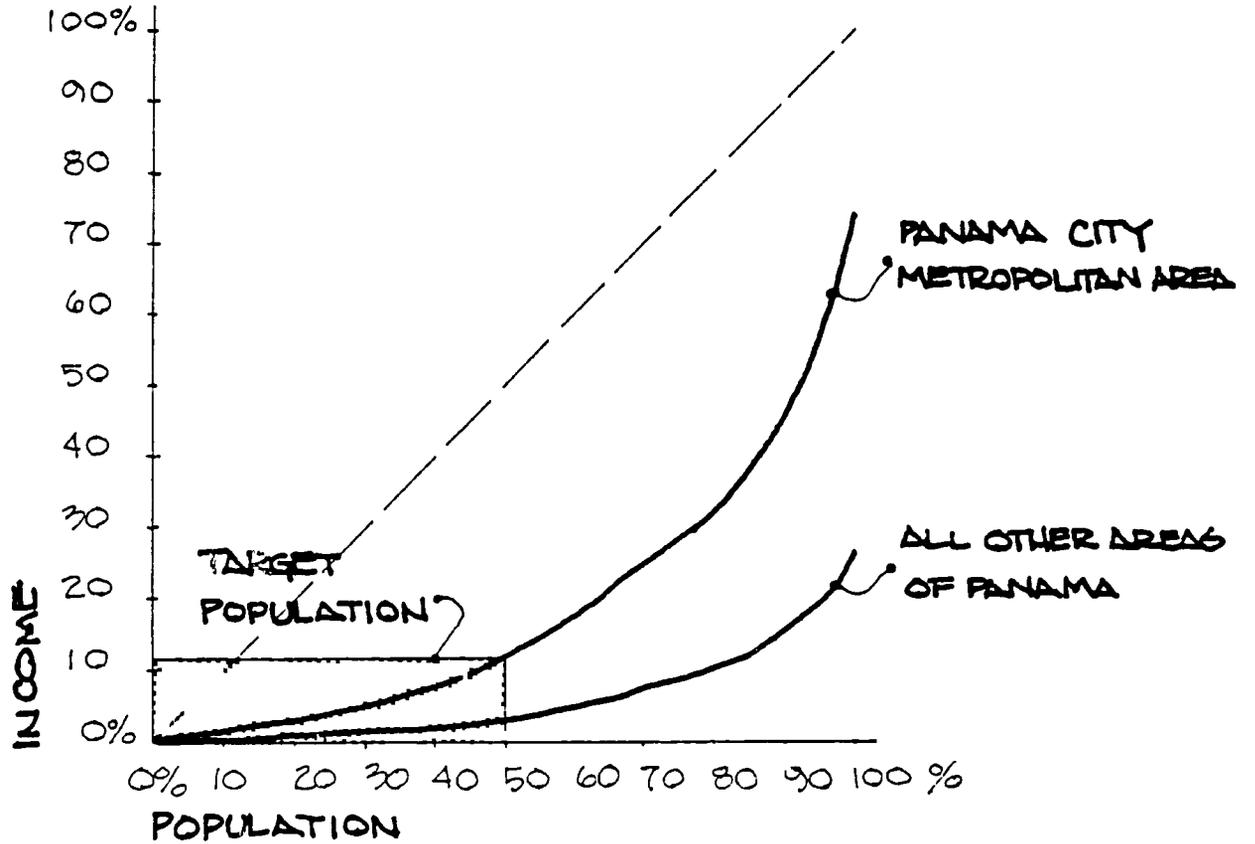
The 1976-1980 National Development Plan gives first place in its ordering of priorities to improving the economic and social position of lower income groups. Policies are designed to attack the root causes of poverty and to bring the "poorest of the poor" into the mainstream of economic life. MIPPE projects that the net effect of the Plan's measures will be to raise the target group's income from 12.8% of total national income in 1970 to 18% by 1981 and 25% by 1988. The top 20% of the income distribution is expected to decline correspondingly from 59.8% of the total in 1970 to 45% in 1988.

The principal measures which are to be employed are: (1) programs in education, health and nutrition; (2) training courses to make the disadvantaged more employable; (3) improved infrastructure; (4) housing programs for low-income groups; and (5) the use of taxes and government spending to redistribute income. It is noteworthy that the Plan's goal of 5,000 housing units to be built annually by MIVI already has been exceeded. ^{2/}

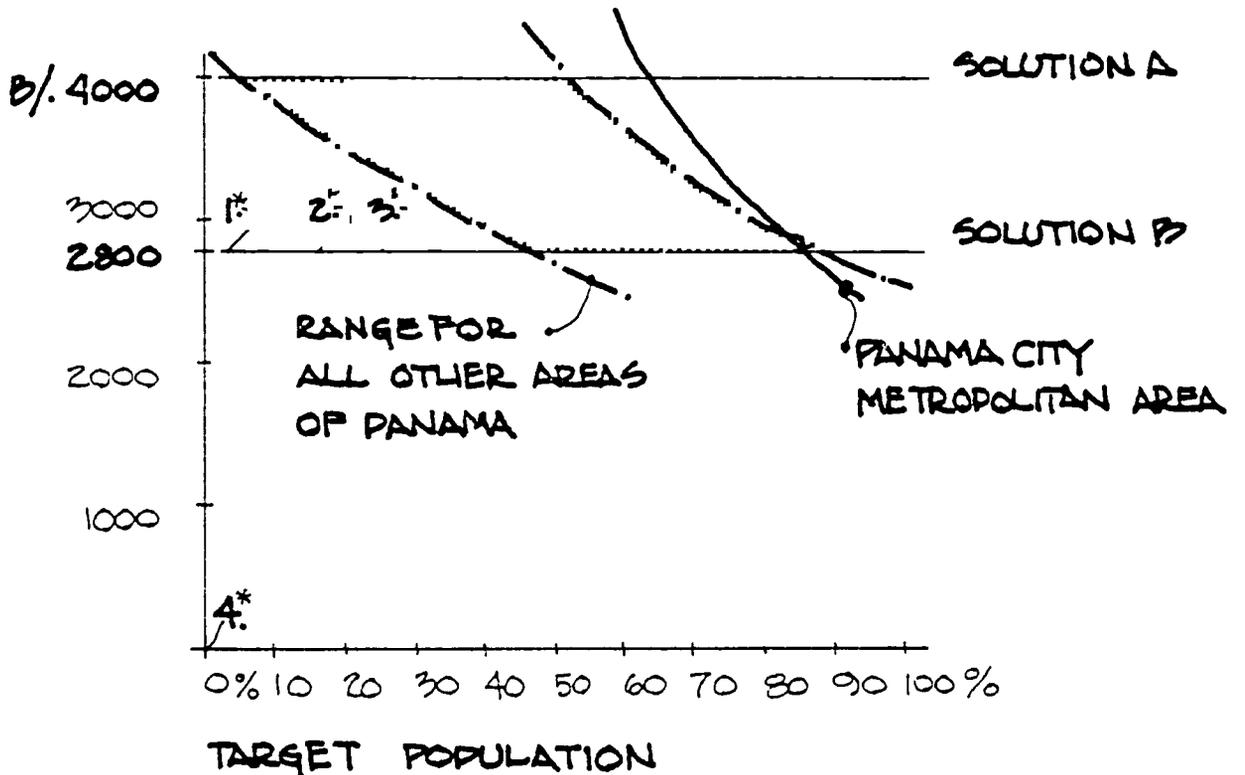
^{1/} The maximum affordable mortgage is assumed to be 90% of the total sale price of the housing unit.

^{2/} Resumen del Plan Nacional de Desarrollo (1976-1980), Vol. 1, p. 15, states the goal of constructing an average of at least 5,000 housing units a year through MIVI and the BHN. The Plan Nacional de Desarrollo (1976-1980) itself, however, posits a higher goal averaging 8,800 units a year during the period.

TARGET POPULATION AND INCOME DISTRIBUTION



HOUSING AFFORDABLE BY TARGET GROUP



*1 COLON RURAL
 *2 PANAMA RURAL
 *3 POCAS DEL TORDO RURAL
 *4 ALL OTHER RURAL
 SOURCE: D.E.C. & M.V.I., SEE TABLE 5.

The basic development strategy is to achieve and maintain a high rate of economic growth in part by making the poorest half of the population more productive. The government aspires to the creation of some 114,000 new jobs by 1980, nearly half of which would be outside the metropolitan region of Panama City-Colon. Government investments will also be used to promote the creation of growth poles in the interior and to bring more of rural economic activity into the money economy.

Insofar as the economy recovers its former long-term healthy growth, there can be no doubt that the relative position of the target group will improve. The absolute level of well being, however, will continue to be so low that direct government intervention will be required for the foreseeable future. In housing, MIVI's goal of 5,000 new units per year could well be increased substantially. Doubling MIVI's program, for example, to 10,000 units a year is within the technical capacity of MIVI; and the higher level of effort could provide quick, direct and indirect employment benefits throughout the economy. All that is lacking is a policy decision to do so and to face up to the implications for the housing finance system.

The government is aware of the magnitude of the task it has set itself. MIPPE recognizes that the economy is unlikely to grow faster than 5% a year without exploiting new growth potentials. MIPPE calculates that a return to the 8% annual average rate of growth historically realized (1957-72) is essential in order to generate the jobs necessary in order to bring more of the unemployed and underemployed into the productive labor force. An 8% growth rate also is a prerequisite for obtaining the fiscal resources necessary for the Plan's investments. Finally, the higher growth rate is a precondition for maintaining the level of external resources which Panama relies on; a significantly lower growth rate or continued stagnation could jeopardize Panama's ability to service its external debt without arousing severe internal pressures and conflicts.

The record of the recent past should not be allowed to induce an exaggerated pessimism. Nor should the mixed record thus far of redistributing income be overemphasized. It is true that economic growth has stopped since 1973 and, consequentially, that private sector employment and investment have declined by more than the government has been able to compensate for. Gross capital formation has fallen by 3%, 1973-1976, while private gross capital fell by more than half. ^{1/} The consumer price index for low income groups has not risen less than the average since 1972. ^{2/} The low income CPI rose 35.6%, 1972-76; the overall CPI, 34.8%. Housing costs have risen less than the CPI (21.6%) during the period and rental costs still less (8.1%). These slower rising costs do not benefit the target group relative to other groups. Some redistribution of income in favor of the target population may be inferred from the 25% rise in public sector employment since 1973; but the 2% decline in private employment, 1973-76 (6%, 1974-76), reminds us that any such redistribution was within the context of a total income which was not growing satisfactorily.

^{1/} Contraloria General de la Republica, Direccion de Estadistica y Censo (DEC), November 1977, Panama en Cifras, p. 156.

^{2/} Ibid., p. 165.

But there can be no doubt that the government is committed to improving the welfare of the target population. The intention and appropriate measures to realize the intention are at hand. The central doubt is how quickly and if the government can nudge the economy back onto a higher growth curve. The government must somehow balance its commitment to welfare measures with the need to instill private sector investor confidence. A massive low income housing effort could serve both ends. ^{1/}

6. Planning

Urban expansion policies are neither clearly defined nor readily identifiable. An analysis of written information on the subject and discussions with executive and technical personnel at several of the agencies and institutions involved in the study and programming of urban development in the metropolitan region reveal discrepancies between stated and de facto policies. ^{2/}

^{1/} There are recurring indications throughout this report that a massive housing undertaking would be an appropriate stimulus around which to mount a major economic development program in Panama. It will be recalled that this was tried in Colombia a few years ago, but the successes of the program were clouded by the mixed effects of the financial measures which were associated with it. The savings in the S & L's were indexed at a rate which, in the inflation then being experienced in Colombia, made the real return on S & L savings far higher than in other financial instruments. The result was not only to experience a building boom with multiplier effects throughout the economy but also progressively to distort the capital market and the allocation of savings. Panama would not tamper in that manner with its financial system; it could realize the benefits of a housing growth pole without deleterious side effects.

^{2/} The evidence of policies, or the lack of policies, which has been used includes:

- (a) the past and current lists of MIVI projects as reported in their "memorias" (1974 to 1977) reflect the Ministry's urban growth intent;
- (b) the series of planning exercises for the Metropolitan region undertaken by MIVI in the past;
- (c) the level of implementation of that planning; and
- (d) the urban planning studies for the Metropolitan region undertaken by other government agencies.

The principal MIVI planning exercises for the metropolitan region are:

- (a) DEPLAN/CONSULA SA, Panama, Programa de Regeneracion Urbana "El Maranon," MIVI, 1974.
- (b) MIVI. Colon y el Area Metropolitana, 1974.
- (c) MIVI. Plan Preliminar de Ordenamiento Espacial de la Region Metropolitana, (POERM) 1976.
- (d) MIVI "Renovacion Urbana de El Chorrillo." Marzo, 1977.
- (e) MIVI "Colon y su Area de Influencia, Esquema para la Expansion Urbana." Mayo, 1977.
- (f) MIVI "Consideraciones sobre la problematica de Colon." Agosto, 1977.

Urban expansion reflects a piecemeal response to the pressures to provide housing solutions in the shortest possible time. Planning studies have not been developed into policy guidelines or planning instruments which can be implemented and fed into the national budgeting process.

The rationale for locating high-rise apartments in the periphery of Panama City, remote from the main places of employment and community services (as well as the breakdown between multi-family and single-family solutions at the various projects) is unclear; and the location of projects appears to have been determined by the availability of suitable land rather than by other pertinent considerations such as the place of employment of the population to be housed in the projects. The consideration of "frictions of transportation" (journey-to-work in terms of time and cost) has been relegated to a secondary role.

Little consideration seems to have been given to alternative strategies for housing. At this point there is scant evidence that urban renewal of downtown areas is being considered on a selective rehabilitation basis. Finally, there do not appear to be any innovative solutions for such planning (i.e., cluster development) or housing designs (e.g., high density, low-rise units) aimed at producing a better quality of environment (and of life) for the project population. Projects could greatly benefit by more efficient design and specifications.

Recommendation. While recognizing the need to respond to day-to-day pressures, these actions should not be taken as a substitute for a comprehensive development plan. A re-orientation of approach and a logical framework for planning should be instituted. This framework should include and recognize the need for different levels of planning and targets. A first step would be a rigorous analysis of the need for and/or constraints to urban growth in the Metropolitan region. The POERM and UNDP studies could constitute a valuable basis for the formulation of a "policy plan" ^{1/} to be adopted by the GOP and to be developed into a set of physical plans by MIVI and other organizations responsible for the engineering of utilities and services. These plans could then be targeted and budgeted in response to priorities established by the GOP; and the capital investments and municipal finances should be programmed accordingly.

7. Urban Housing Rehabilitation Programs

There is a clear need for improvement of a sub-standard urban housing. It is within the central areas of Panama City and Colon that overcrowding is at its worst and slum improvement, rehabilitation and selective renewal should be undertaken. Downtown rehabilitation and revitalization would benefit the population as a whole and broaden the economic base of the city by providing new sources of employment and economic activity.

^{1/} A flexible tool for city management rather than a rigid set of physical "master" planning directives.

It is inevitable that in the process of carrying out improvements some of the population will have to be displaced. A determined effort should be made, nevertheless, to keep displacement at a minimum. Some of the downtown slum areas undoubtedly are destined for commercial development. It may be tempting to capture other inflated land values also by building high-rise luxury apartment buildings. This temptation should be resisted. Other high-density solutions should be used to keep most of the present low income families in the area. A downtown location offers evident advantages to these people in terms of job opportunities and transportation costs.

The earlier comments regarding project design and location in Panama City can be translated into specific shelter sector programs for low income groups.

a. A concerted effort should be made to upgrade center city areas, specifically Chorrillo and Santa Cruz (as opposed to the policy of attrition being informally followed in Marañon). The upgrading effort should provide adequate infrastructure through the replacement of damaged or unserviceable elements of water, sewage and electricity systems. Complementary community services are also needed--day-care centers, clinics, meeting rooms, recreation areas. The upgrading of the areas should maximize the use of existing structures while at the same time establishing acceptable densities within the existing community. Those structures found to be structurally unsound should be cleared and replaced incrementally by high-density, low-rise buildings. ^{1/} The buildings could be walk-up apartments constructed in phases to a maximum height of 3-5 stories through aided self-help and aided mutual-aid support programs. What is crucial is that the areas remain residential, occupied by their present inhabitants, and provided with operable essential infrastructure and access to complementary social services.

b. Reception areas like Samaria in the San Miguelito upgrading program should be established in other San Miguelito and Juan Diaz areas. In order to keep costs down the areas should tie into infrastructure now being installed in the area. The location of the projects should be contiguous to current development activity for development continuity. Reception areas would organize and direct informal construction efforts for future shelter services. By establishing a spatial order into which families can locate themselves and by maintaining construction standards at a minimum, very low income families could participate.

c. New construction programs of site and services projects, reception area, and basic core units should be constructed alongside and interspersed with existing communities and reception areas and should be provided with complementary commercial, recreational and transportation services. Aided self-help, with loans for materials, should be employed to expand the contract-built basic core unit. Vertical as well as horizontal expansion of the units should be encouraged through technical support services. Locations could be in San Miguelito, Juan Diaz, Arraijan and Chorrera for Panama City. A market analysis for these program types should be made to guide programming.

^{1/} A specific study of the area's physical resources will be required to determine the current utility of the existing structures.

d. No investment should be made in existing center-city communities judged to be inappropriate for programs due to location, topography or other reasons of health and safety. Forced relocation is not recommended; rather incentives should be offered to these families to self-select programs and locations that would be developed as recommended above.

e. Secondary city programs should be coordinated with the decentralization program of the GOP, as proposed in the URBE project. A review of the lot size and shelter type should be made if secondary city growth is to be supportive of the community social and economic activities. Urban sprawl, even on a reduced scale, should be avoided even though there are large areas of open space. 1/

8. Decentralization Policies

Two decentralization policies are evident: one at the level of central government activity and a second at the regional level. The first is a de facto policy which has been in effect since the early 1960's whereby some ministries have first established regional offices in each province and later relocated the Ministry's central office outside the Metropolitan area. The most notable example of this is the Ministry of Agriculture, which relocated its central office in early 1974. The entire administration had to be transferred from Panama City to Santiago. However, only 2-3% of the rural technicians already in the field were affected by the move. The rationale for the decentralization was to provide closer contacts between the Ministry and the "campesino." No data or evaluation of the effect of the move on housing in Santiago is available in Panama and only very little in Santiago. An assessment would have to be made in the field to determine the implications for MIVI.

The Ministry of Public Works (MOP) also moved from Panama City to David in 1974-75. The rationale for moving was said to be to generate local employment through the injection of government services. However, the MOP's staff suffered a high rate of attrition among technicians who were unwilling to uproot themselves and their families from Panama City.

The second decentralization policy, enunciated in the 1976-1980 National Development Plan, is to stimulate the development of the Central and Western regions of the country. The Plan recommends the development of private as well as public activities in the regions. These two regions contain some of the most impoverished districts in the country. Project URBE is a consequence of this decentralization policy.

1/ Rural housing should incorporate a wider variety of dwelling types with the flexibility of development mode, be it self-help, mutual aid or by contract. The seasonal nature of rural activity leaves more time than in the cities for family and community participation. This should be encouraged. Local materials should be promoted for construction. A specific study of acceptable regional materials is suggested.

Project URBE focuses on a growth and service centers program aimed at strengthening the two growth centers of David and Chitre-Los Santos. The goal is to reduce inequalities within the area and to stem migration to the Metropolitan region. The URBE project would upgrade infrastructure, improve housing (especially for the lower income groups) and stimulate small and medium-size business activity.

The URBE program identifies David and Chitre-Los Santos as regional growth centers. The city of Santiago, currently the headquarters of the Ministry of Agriculture, should be considered as a possible third growth center. The development of these three urban centers would have implications on the growth of the Metropolitan region.

The decentralization programs are too embryonic at this stage to permit hard recommendations from the viewpoint of a shelter sector assessment beyond the obvious: As the programs mature, MIVI will routinely examine their housing implications.

9. Utilization of Canal Zone Lands

The basic documents of the proposed Panama Canal treaties have been reviewed by various groups within the GOP and by the University of Panama. To date, however, there are no specific plans for the utilization of the land and facilities which are to be transferred in stages to Panama. Some of the land adjacent to Panama City offers substantial possibilities for urban development in terms of mixed land uses--recreation, industry connected to the port of Balboa and Albrook airfield, higher education, commercial entertainment centers, and housing activities in Paraiso, Pedro Miguel, Rainbow City, Altos de Curundu, and Altos de Brazos.

The Ministry of Planning's preliminary study for Metropolitan Panama will include considerations for the utilization of the land to be transferred. MIVI has also produced a preliminary study containing a set of guidelines for urban development for the Panama-Colon Metropolitan Area (POERM). Unfortunately, neither of these studies provides concrete plans which can be immediately adopted and implemented. Members of a special commission are working with several ministers on a GOP task force examining the program for the transfer of land and facilities. Information at the ministries responsible for urban development of the Panama-Colon Metropolitan area does not include flow charts or logic networks for the planned use of Canal Zone lands.

An interministerial committee to coordinate urban development planning for the metropolitan area (including the Canal Zone lands) is tentatively scheduled to begin work in early 1978. Chaired by MIPPE, membership of the committee is to be constituted by the Ministry of Public Works and MIVI as well as the public utilities--water, sewer, electric and telephone authorities--and possibly the mayor of Panama. The Committee will be vested with the authority to formulate and carry out policy with the approval of the President and Chief of State. It may well become something akin to a "Mini Consejo de Gobierno" on urban development. The effectiveness of metropolitan planning

will depend in large measure on the degree of coordinated action of this committee. The committee will be a key factor in determining the future uses of the Canal Zone lands and facilities.

Recommendation. The GOP should make a separate and distinct study complementary to the shelter sector assessment in order to make best use of the Canal Zone lands to be transferred to Panama. The study should include a CPM or logic network depicting target dates when the various lands and facilities would be transferred to Panama. The study would incorporate the analysis of the interministerial committee. Furthermore, since some of the lands and facilities do not have a definite schedule for their transfer, the study should include information from the Panama Canal Coordinating Committee in order to assess possible (ranges of) targets for the transfers. The Treaty, in its Annex A, ^{1/} outlines a schedule for the transfers which is sufficiently detailed to permit planning. The study should contain alternative strategies for land use and management and be undertaken jointly by the responsible agencies within the GOP.

The urgency of proceeding as rapidly as possible with plans for the use of the Canal Zone lands and facilities cannot be overemphasized. The time factor is crucial if the GOP is to avoid being overtaken by unplanned use as a fait accompli. This is particularly the case for the lands adjacent to Panama City and Colon. There will be tremendous pressure to make decisions on land use for housing immediately upon acquiring control of those areas if Panama is to avoid an explosion of new spontaneous settlements.

10. The Environment

The environmental analysis in section II recommends specific measures to conserve ecologically critical areas, to curtail erosion, to guard against flood damage, and to deal with water pollution. Although adequate legislation exists to deal with the environmental aspects of development, little attention has been given to ecological considerations thus far. The free-market development of Panama's resources has ignored the external social costs of development. Consequentially, the metropolitan area now is confronted with the adverse effects of deforestation and soil depletion; and there is a serious problem of waste disposal and water pollution throughout the country.

At present the most serious threat in urban areas is water pollution. Malfunctioning sewage treatment systems and inappropriate point-source sewage discharges endanger the quality of life. Existing sewage systems should be cleared and repaired; and discharge water courses should be cleaned and maintained in better condition.

^{1/} See: The Department of State Documents associated with the Panama Canal Treaties "Agreement in Implementation of Article III of the Panama Canal Treaty." Washington, D. C., September, 1977.

New shelter projects adjacent to existing housing developments should take into consideration the capacity of sewage treatment facilities; site selection and project design should incorporate environmental guidelines.

Recommendation. The technical staffs of entities involved in the shelter sectors--MIVI, MIPPE, MOP, IDAAN--should become more sensitive to environmental factors. It is suggested that:

- a. A short training course be offered for the staffs; and
- b. A position of environmental specialist be created in each of the agencies involved in the housing field.

II. SHELTER SECTOR DESCRIPTION AND ANALYSIS

A. COUNTRY SITUATION

Overview of Government Structure

Panama has a republican form of government divided into legislative, executive and judicial branches. The constitution of 1972 provides a detailed outline for the organization of society, emphasizes individual rights and liberties and human welfare, both as a social ideal and as a juridical concept. The constitution also provides General Omar Torrijos a six-year period of broad powers to govern the nation.

Under his direction, the executive branch is divided into twelve ministries. Among the most important of these is the Ministry of Government and Justice which is charged with far reaching responsibilities including the administration of such diverse agencies as the National Guard and the fire departments of 26 cities. The importance of this ministry also derives from the fact that the provincial and local governments are organized under its supervision.

The Ministry of Planning and Economic Policy (MIPPE) prepares the national development plans, coordinates regional and sectoral programs and plans, and advises other governmental entities on their programs and operations. It also is in charge of preparing the public sector budget and of overseeing its implementation.

The Ministry of Housing (MIVI) is charged with establishing, coordinating and overseeing the carrying out of a national urban development policy and providing housing, with particular attention to low-income groups. Its operations are carried out at the national, regional and local levels, both urban and rural.

Several autonomous agencies administer a wide range of activities. These include the National Bank of Panama, the Savings Bank, the Social Security Fund, the Institute for Economic Development, the Office of Price Control, the University of Panama, the National Mortgage Bank, the National Institute for Water and Sewage (IDAAN) and the Institute for Hydraulic and Electric Resources (IRHE). Officials of these agencies are appointed by the executive, the national assembly and private groups. The origin of these independent agencies has often been more circumstantial than planned. Nonetheless, they do afford a liaison of cooperation between the different branches of government which might otherwise be lacking.

The country is divided into nine non-autonomous provinces, plus the territory of San Blas (Comarca) which for statistical purposes is treated as a part of Colon province. Each province has an appointed governor who presides over the Provincial Council for Coordination (Consejo Provincial de Coordinacion). The provincial council is made up of the representatives of the corregimientos, the chief of the military zone, and the provincial heads of each ministry, autonomous and semi-autonomous agency. Among the council's functions are to prepare an annual development plan for the province for the consideration of MIPPE.

The provincial council in turn, has a permanent Technical Commission (Junta Tecnica Provincial) which carries out the basic technical studies for economic and social development at the provincial, municipal and local levels.

The provinces are divided into districts, each of which has a municipality governed by a municipal council chaired by the district head of government (alcalde). Finally, the districts are divided into political and administrative units called corregimientos. The 505 corregimientos in the country each has a representative in the national assembly. In each corregimiento there is a Community Commission (Junta Comunal) which organizes Local Commissions (Juntas Locales) in each of the communities, districts and settlements under the jurisdiction of a corregimiento. An overview of the Panamanian governmental structure is provided in Annex 1.

Geographic Conditions and Human Settlement Patterns

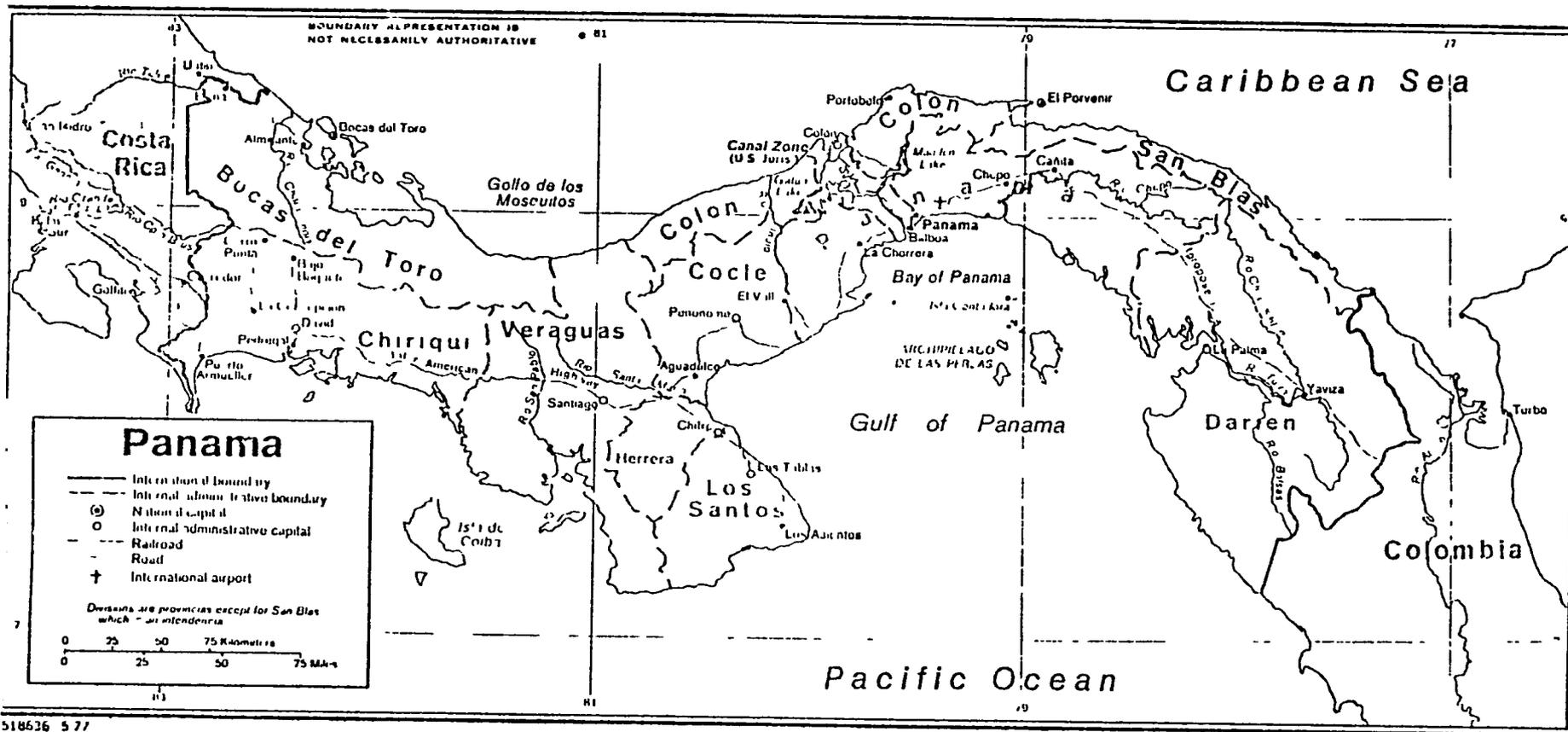
Panama, with an area of 29,208 square miles (75,650 sq. km.), located at the southeast extremity of Central America, forms the narrowest and lowest portion of the isthmus that links North and South America. Near its midpoint the territory is divided by the Canal Zone, a strip of land 553 square miles in extent, and only 10 miles wide at most points. The airline distance between the Atlantic and Pacific terminals of the Panama Canal that bisect the Canal Zone is about 38 miles. Shaped like a flattened letter S that extends west to east some 420 miles, the country has a width that varies between 31.5 and 113 miles. (See the following map.)

Panama's most productive soils with the greatest capacity to support a large agrarian population are located along the southwest Pacific coast below the Cordillera mountain range in the Western and Central Regions. In addition, these areas are favorably situated to receive substantial rainfall to support farming activities. The climate in the lowlands is tropical with high humidity and an average temperature of 90 degrees. There is a rainy season from May to December. The average annual rainfall varies between 69 inches in Panama City and 128 inches in Colon.

The 1978 population of Panama is estimated to be 1.8 million with an average density of 62 people per square mile. The annual rate of increase of the population is 3.1%, one of the highest in the world. The population is 48% urban with approximately one-half of it concentrated in the two largest cities-- Panama City and Colon. In contrast, most of the interior is sparsely populated. According to the 1970 census, there were 33 urban centers in Panama, urban being defined as places with 1,500 or more inhabitants who have access to electric light, a public water system, a sewer system and paved streets. Nearly 50% of the territory, however, has not been incorporated into the national economy. It constitutes an almost uninhabited virgin area. The composition of the population is 70% mestizo, 14% black, 9% white and 7% Indian.

Three main conclusions emerge from an analysis of population projections: (1) the total population of Panama will probably exceed three million by the end of this century; (2) the urban population will increase more rapidly and

Figure 1



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comprise 64 percent of the total by the year 2000; (3) an increasing share of the national and urban populations will be located in Panama City, which by 2000 will contain nearly one-half of the population of the country.

The Metropolitan Region. The pattern of human settlements is dominated by the Panama City-Colon Metropolitan Area which comprises the districts of Colon, Panama, San Miguelito, La Chorrera, and Arraijan. In addition, the Metropolitan Region contains the adjacent districts of Portobelo, Chagres, Capira, Chame and San Carlos. These are graphically illustrated in Figure 1. The economic function and growth dynamics of these emerging suburban areas are principally linked to the primate center of Panama City and Colon. Located at opposite ends of the Canal Zone, Panama City and Colon have been the principal focal points of the country's political, social and economic development to date. While considerable distinction exists between the physical and social character of these two cities, there are strong planning and economic reasons for considering Colon, Panama City and surrounding districts as a single region of complementary rather than competing urban centers. In recent years, they have begun to act as a cohesive economic unit to take on the characteristics of an extended metropolitan region or urban corridor.

The physical configuration of the Metropolitan Region's urban growth pattern can be described as an unequally balanced "barbell". On the Pacific side of the Isthmus, Panama City is the country's largest and most highly concentrated population center. In 1975 its population was estimated to be 512,420 with a density of 261 inhabitants per kilometer. In terms of the national urban system of human settlements, Panama City represents the country's primate center based on a ranking by size of urban population among all urban centers. Historically, the dominance of Panama City can be clearly seen from Table A (see also Annexes 2 and 3). In 1975 fifty-five percent of the country's total urban population (925,020 persons) resided in this center. The second largest city is Colon, located on the Atlantic side of the Panama Canal. Its population in 1975 was 72,425. The position of Colon among other urban centers has remained relatively constant due in part to the city's limited potential to expand physically because of its location in the middle of the Canal Zone on an island connected to the mainland of the Zone by a causeway.

Located outside the major urban centers of Panama City and Colon is an expansive area located to the east and west of the Canal Zone. Until recent years, this part of the Metropolitan Region was largely undeveloped and contained few inhabitants with the exception of the town of La Chorrera, which had a population of 13,696 in 1960 and 45,269 in 1970.

The spatial location of these urban settlements conforms to three broad physical patterns. Some are located immediately adjacent to the built-up areas of Panama City-Colon and thus function as suburban areas to these central cities. Within this grouping of urban centers would be San Miguelito, Tocumen, San Isidro, Samaria, Catiúa, Puerto Pilón and others. In addition, satellite communities have sprung up principally along the highway corridor of Carretera Inter-Americana which links Panama City to Penonome. Some of the largest satellite centers include La Chorrera, Arraijan, Chepo, Chame

TABLE A
POPULATION OF THE URBAN CENTERS OF PANAMA
BY RANK ORDER OF SIZE, 1940, 1960, 1970 (1)

1970				1960				1940			
Rank	Urban Centers	Population		Rank	Urban Centers	Population		Rank	Urban Centers	Population	
		Number	Percentage(2)			Number	Percentage(3)			Number	Percentage(4)
1	Panama-	519,643	36.4	1	Panama-	331,804	30.8	1	Panama-	148,352	23.8
	Colon	95,421	6.7		Colon	73,547	6.8		Colon	48,939	7.8
2	David (San Jose)	40,822	2.9	2	David	22,924	2.1	2	David	9,222	1.4
3	Chitre-Los Santos	22,914	1.6	3	Chitre-Los Santos	17,475	1.6	3	Chitre-Los Santos	6,743	1.0
4	Santiago	14,602	1.0	4	Puerto Armuelles	10,712	1.0	4	Santiago	4,253	0.6
5	Puerto Armuelles	12,020	0.8	5	Santiago	8,746	0.8	5	Puerto Armuelles	3,328	0.5
6	Aguadulce (Pocri)	11,352	0.8	6	Aguadulce (Pocri)	8,409	0.8	6	Aguadulce	2,829	0.4
7	La Concepcion	9,245	0.6	7	La Concepcion	6,532	0.6	7	Penonome	2,418	0.3
8	Penonome	5,067	0.4	8	Penonome	4,266	0.4	8	La Concepcion	2,182	0.3
9	Almirante	4,211	0.3	9	Almirante	3,521	0.3	9	Las Tablas	2,127	0.3
10	Sona	4,091	0.3	10	Las Tablas	3,504	0.3	10	Bacas del Toro	3,101	0.3
11	Las Tablas	3,869	0.3	11	Sona	3,176	0.3	11	Almirante	1,566	0.2
12	Changuinola	3,799	0.3	12	Anton	2,684	0.2				
13	Anton	3,563	0.2	13	Boquete	2,611	0.2				
14	Nata	3,371	0.2	14	Bocas del Toro	2,459	0.2				
15	El Valle	2,911	0.2	15	Nata	2,319	0.2				
16	Boquete	2,621	0.2								
17	Chepo	2,590	0.2								
18	Bocas del Toro	2,420	0.2								
19	Ocu	2,121	0.1								
20	Pese	1,940	0.1								
21	Volcan	1,840	0.1								
22	La Palma	1,742	0.1								
	TOTAL	772,175	54.1		TOTAL	504,689	46.9		TOTAL	234,040	36.9

- (1) See definitions and source of information.
(2) In relation to the total population of the country in 1940 (1,428,082)
(3) In relation to the total population of the country in 1960 (1,075,541)
(4) In relation to the total population of the country in 1940 (622,576)

SOURCE Panamanian Census Data, 1970

and Capira. Between Panama City and Colon along the Carretera Boyd-Roosevelt, a third pattern of urban growth is occurring. Gradually a linear pattern of small urban settlements is merging together to form an urban growth corridor. They are located just outside the boundaries of the Panama Canal, but some are located within watersheds which drain towards the Canal Zone. The urban corridor between Panama City and Colon is comprised of these major urban settlements: Alcade Diaz, Chilibre, Buenos Aires, Buena Vista and Agua Bendita.

The Interior of Rural Regions. The remainder of Panama outside the Metropolitan Region is frequently referred to as the "rest of the country" (resto del país). This reflects not only the dominance of the Panama City-Colon corridor in the country's development but also the extent to which benefits of economic activities have been distributed throughout the country.

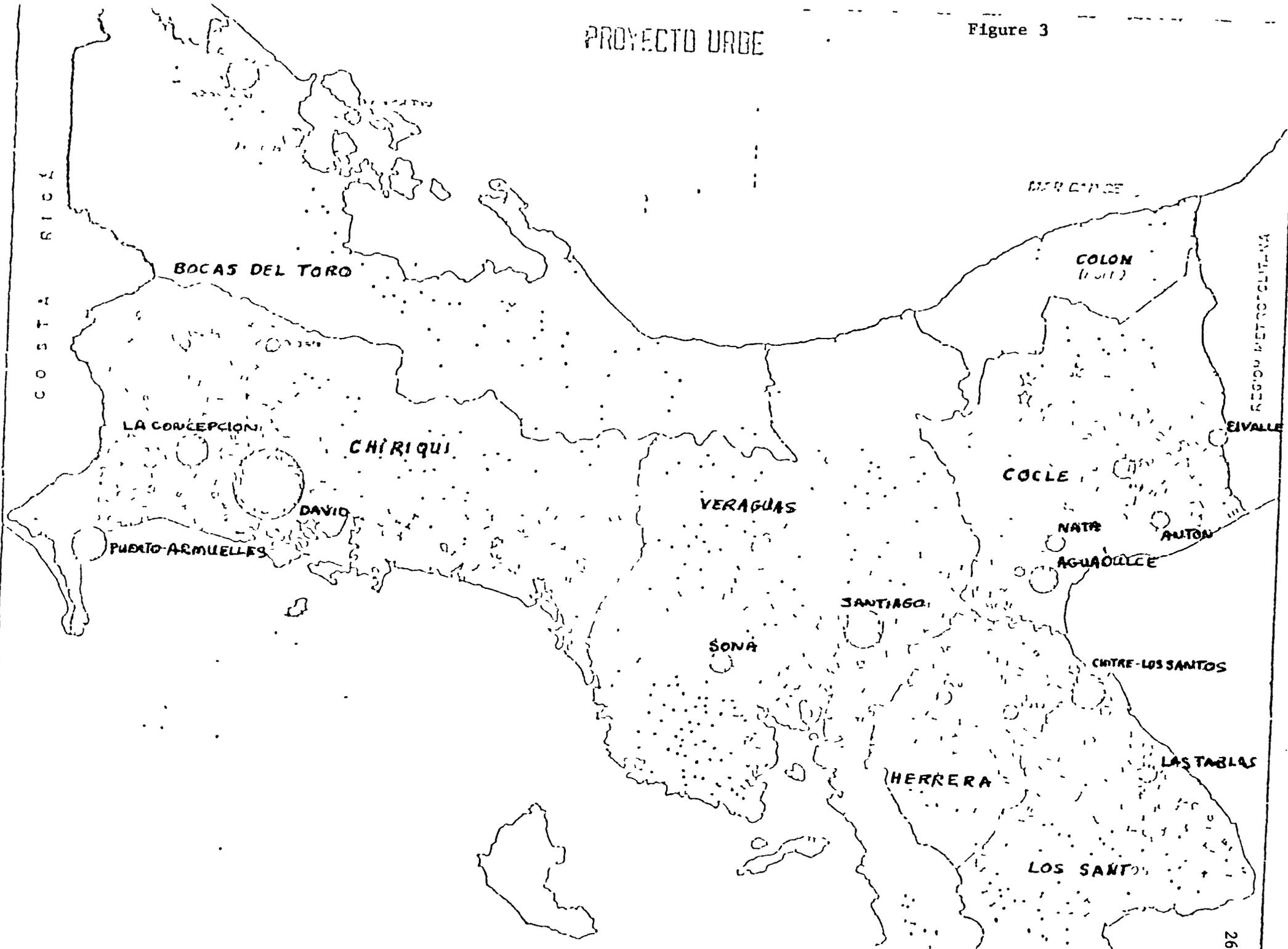
An analysis of Table A and Figure 2 readily suggests several basic conclusions regarding the spatial pattern of urban settlements within the interior of Panama. With the exception of the urban centers on the Pacific side of the country extending from Panama City to the Costa Rica boundary, the remainder of Panama is sparsely populated. The Eastern Region of the country contained only two urban centers in 1970--Chepo (population 2,590) and La Palma (1,742). Accessibility to these urban centers and surrounding hinterlands is severely limited; in the case of the latter, it can only be reached by boat or aircraft. In addition, it should be noted that a series of small scattered settlements exists along the Archipelago De San Blas off the northeast coast of Panama. These tiny island settlements are inhabited by the Cuna Indians who utilize canoes and motor boats for travel between islands and the mainland. Similar conditions of sparsely populated areas exist in the Western Region of the country (Province of Bocas del Toro). Access is limited to air and water transportation. Three urban centers exist in this area--Changuinola (population 3,799), Almirante (4,211) and Bocas del Toro (2,420). Because of the unique economic circumstances surrounding the area's monoculture (banana production on the plantations of the United Brands Company) and the absence of land transportation to the rest of the country, this part of the Western Region's urban centers is not integrated into Panama's overall system of urban settlements.

The majority of urban centers in the interior of Panama is located south of the mountain spine (Cordillera De Talamanca and Cordillera Central) which runs east-west through the Central and Western Regions of the country. This area comprises the provinces of Chiriqui, Veraguas, Herrera, Los Santos and Cocolé. They contain sixteen of the twenty-two inhabited places classified in 1970 as urban places (see Table A). Furthermore, seven of the ten largest settlements are found in this area. Next to Panama City and Colon, the city of David is the third largest city in the country and performs the economic functions of a regional center. While somewhat smaller, Chitre-Los Santos performs a similar regional role among surrounding market towns. The spatial location of these urban centers is in all cases within a short distance of the Pacific coastline and are spaced apart somewhat evenly.

Another important feature to be noted in the pattern of human settlements in the interior of Panama is the proliferation and dispersion of small populated

PROYECTO URBE

Figure 3



places. (See Figure 2.) Sixty-three percent of the nation's total population resides in places of less than fifty inhabitants (1970). Within the five western provinces of Chiriqui, Veraguas, Herrera, Los Santos and Cocolé, a total of 1,324 rural settlements is inhabited by an average population of about 250 persons. Simply stated, these figures indicate a very low grade of physical and economic integration of Panama's interior.

Urban development in the interior is generally represented physically by market town aspects. A central plaza is surrounded by commercial shops and stores and relatively compact residential neighborhoods near the center. Residential density decreases sharply as the distance increases from the center of town. Mixed land uses of small-scale industrial and commercial enterprises are commonly found along the principal streets leading out from the center of most towns. The location of bus terminals and public markets is frequently found near the central plaza area. However, the scale of these operations in meeting current population demands poses serious problems of vehicular circulation, conflicting traffic movements between vehicles and pedestrians, and insufficient pavement widths to accommodate traffic volumes on market days (Saturdays).

B. ECONOMIC SITUATION

Performance of the Economy

Panama has been undergoing its worst recession since the immediate post WW II period (1947-51). After several decades of impressive economic growth averaging 8% per annum in real gross domestic product, 1957-72, the economy slowed to 1.1% per annum during 1973-76. The high population growth rate has produced an actual decline in real per capita product each year since 1973. By any measure--production, foreign trade, investment, public finances, inflation, housing, the banking sector--the picture is disheartening. And while there are some few signs which can be interpreted optimistically as harbingers that the recession is bottoming out, the recession continued unabated through the first half of 1977. Table 1 summarizes the main macro economic indicators.

	1972	1973	1974	1975	1976
Aggregate Demand	1,541.1	1,589.0	1,577.0	1,571.5	1,538.9
Exports	397.4	399.6	380.2	408.2	342.7
Domestic Demand	1,143.7	1,189.4	1,196.8	1,163.3	1,196.2
Investment	333.3	315.8	281.7	294.4	283.8
Private Sector	208.1	238.9	200.6	147.8	128.4
Public Sector	125.2	76.9	81.1	146.6	155.4
Consumption	810.4	873.6	915.1	868.9	912.4
Private Sector	682.9	741.6	778.1	720.9	761.6
Public Sector	124.6	132.0	137.0	148.0	150.8
Aggregate Supply	1,541.1	1,589.0	1,577.0	1,571.5	1,538.9
Imports	455.2	442.9	446.9	434.3	401.3
Gross Domestic Product	1,033.2	1,101.2	1,130.1	1,137.2	1,137.6

The reasons for the poor performance of the Panamanian economy in recent years can be lumped into three main categories: ^{1/}

a. The impact of world economic conditions. Panama is extremely vulnerable to occurrences in the world economy. Its economy is open, characterized by a narrow economic base and a relatively small domestic market, and the country has no independent currency which could enable it to use monetary policy to cushion shocks transmitted from abroad. Instead, external economic events dictate to a large extent national economic performance. Thus it is that the inflationary effect of a sudden increase in world oil prices immediately translated itself into a two-fold inflationary pressure in Panama. Its oil bill increased and world inflation reflected itself in higher prices for Panama's other imports as well. At the same time, the slow-down in economic activity in the industrialized nations reduced the demand for and the relative price of Panama's exports. The vise squeezed the economy from both sides and halted--and even reversed--economic growth. Inflation as measured by the wholesale price index had averaged 2.6% p.a., January 1966-71. It totaled 91.9% during the next five years, peaking at a 30.2% p.a. rate in 1974. Gross domestic product averaged 7.2% p.a. real growth, 1970-73; 2.6%, 0.6%, and 0% respectively, 1974-76. Investment, consumption, imports and exports; all were at reduced levels. Consequently, official unemployment nearly doubled from 5.6% of the labor force of 1974 to 11% in 1976. ^{2/}

b. Structural Changes. Structural changes which the economy was confronting almost certainly would have slowed economic growth even without the trigger of world inflation and recession. The traditional sources of export earnings--bananas, shrimps, the provision of goods and services to the Canal Zone--and easy, though limited, import substitution had been exploited rather fully. They no longer afford relatively easy opportunities for still further growth. Similarly, in the rural sector new lands promise to yield to commercial use only at increasing unit costs. The effects of these structural deterrents to continued rapid expansion were temporarily disguised by a robust construction boom during 1970-73; but the construction boom itself increasingly fed on speculation and its very exuberance made the subsequent awareness of overbuilding and a "saturated" market for commercial buildings and upper and middle income housing all that much more painful. The construction industry switched from being a major stimulus to constituting a major depressant on domestic activities. Construction activity abruptly fell from an annual growth rate of over 10%, 1970-74, to a negative 11.5% p.a., 1974-76.

^{1/} The following analysis draws from the October 1977 publication by MIPPE, Informe Economico, 1977.

^{2/} The statistics grossly understate the problem of unemployment. The ILO in Panama estimates that the "real unemployment," which attempts to make some allowance for underemployment and disguised unemployment, averages 18% nationwide; and this measure itself understates the magnitude of the problem because, during the depressed situation since 1973, many potential workers have withdrawn from the labor force in discouragement.

c. The Social Reorientation of Society. The social reorientation of society which the government committed itself to produced predictable frictions. Expanded programs in education, health and nutrition, housing and rural development are most easily introduced into an expanding economy. Expenditures for social programs produce delayed and indirect benefits to the economy. Other more controversial measures, such as the new Labor Code of 1972 ^{1/} and the Housing Laws of 1973, changed the rules of the game, promoted uncertainty, and inhibited new investment on the part of the business community.

External Debt and the Balance of Payments ^{2/}

Conventional measures of debt service--measuring export earning as a percentage of external debt service obligations--are not useful in Panama. Panama's currency, the Balboa, is the U. S. dollar. The entire money supply consists of foreign exchange, liabilities of foreign entities, and can be used to meet foreign obligations directly. Unlike most countries, Panama has no central bank with the ability to exercise monetary and foreign exchange policies. Panama's debt service liabilities must be judged by a comparison of its total revenues and its total debt services--domestic as well as external. An examination of this concept of debt and debt service suggests some cause for apprehension, at least, if not yet alarm (see Table 2). ^{3/} Total debt has grown rapidly in recent years as the government has been forced to resort to (shorter term) bank borrowing as well as official credits. ^{4/} The per capita indebtedness is absolutely high--some \$825 per person at the end of 1976--and growing.

-
- ^{1/} The Code has since been modified to enable employers greater freedom to dismiss employees and to hire construction workers on fixed-term contracts. The Severance Pay Fund has been of particular interest to the construction industry which by its very nature is relatively more labor intensive and more dependent on casual labor than most other sectors of the economy.
- ^{2/} Some balance of payments data are presented in Table 1 and Annex 4.
- ^{3/} The debt figure in Table 2 of Dec. 31, 1976 is higher than most official statistics show (for example, B/.855.2 million according to Panama en Cifras, op. cit., p. 160) because Table 2 includes the consolidated debts of autonomous agencies and other public entities as well as the debt of the central government itself. Conceptually it is this total which is of interest in evaluating Panama's creditworthiness.
- ^{4/} The trends in the recent past can be seen in Annex 5. The financing of the deficit of the balance of payments shows:

(B/millions)	<u>1974</u>	<u>1975</u>	<u>1976</u>
Private	-0.6	6.6	15.1
Govt.	92.7	129.4	262.7
Banks	237.6	121.7	41.6

Some comments and observations concerning Table 2 are in order.

- a. The projected debt is a compilation of specific detailed inquiries into the programs and expectations of lending sources--official sources, supplier's credits, external bonds, foreign commercial banks, and domestic branches of foreign banks which are major sources of lending for domestic debt. The figures do not reflect computer printouts of projections based on behavioral assumptions. The data are the hardest data encountered.
- b. The disbursement figures for 1976 were "unusually" high as the government resorted heavily to bank credit to meet its short-term liquidity problems. The growth of total public debt returned to a more "normal" pattern in 1977.
- c. The Table does not make any allowance for increased revenues which are expected if the Canal Zone treaties are ratified. Under the most optimistic assumptions, however, those revenues might amount to as much as \$70 million annually (in constant dollars). ^{1/} Even if an additional net revenue of \$70 million annually were realized, however, it would not close or even stabilize the projected revenue gap. The gap does not peak and then begin to close.
- d. Consequentially, the projections of the ratio of total debt service to current revenues is expected to grow rapidly in the next few years, stabilizing at around 45%. This is a heavy burden to carry unless the economy inspires investor confidence and achieves an early renewal of sustained vigorous growth.

The attitude of the private banking sector will continue to figure prominently in any assessment of Panama's creditworthiness. Since the new banking law of 1970, the number of banks licensed to do business in Panama has grown from 21 to 77 in September, 1977, the supply of local credit has more than quadrupled and local deposits have tripled (see Annex 6). The difference between the quantity of local credit and local deposits is a component of net foreign lending to Panama via the banking system. This difference rose rapidly through 1975 but has since been stationary. The credit expansion in the private sector also has come to a halt since 1975 even in nominal terms--a decrease in real terms--as demand declined during the recession. The biggest single factor in the decline has been the stagnation of the housing and construction sector (see Annex 7 for the sector composition of bank lending in recent years). The point to be noted is that the domestic supply of credit is not under Panama's control. If the international banking community were to contract sharply their operations in Panama, for whatever reason, the government could be confronted quite suddenly with severe liquidity problems. In this connection Professor Sjaastad noted a strong move by the major banks in Panama to upgrade their portfolios and reported that this

^{1/} This is probably an optimistic upper limit estimate because it is based on the past volume and composition of Canal transits. The volume of traffic and canal revenues have decreased in recent years. The \$70 million figure also includes \$10 million for Panama's cost of assuming public service functions such as the police. This could prove to be a gross figure which does not account for possible increased public service costs and scope of services.

TABLE 2TOTAL PUBLIC SECTOR DEBT, 1976-1981
(Millions)

<u>Total Public Sector</u>	<u>1976</u> (Actual)	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Disbursement	482	297	289	294	301	258
Amortization	137	142	159	189	195	201
Interest	<u>84</u>	<u>111</u>	<u>115</u>	<u>122</u>	<u>126</u>	<u>132</u>
Total	221	253	274	311	321	333
Outstanding 12/31	1,425	1,580	1,710	1,815	1,921	1,978
<u>Central Government</u>						
A. Current Revenue (increase 10% p.a.)	281	309	340	374	411	453
B. Direct Debt Service	80	101	129	173	186	202
B/A as % of Current Revenue	28	33	38	46	45	45
(A-B) Balance	201	208	211	201	225	251
C. Current Expenditure excl. debt service (increase 10% p.a.)	258	284	312	343	378	415
(A-B)						
D. Revenue Short-fall	57	76	101	142	153	164

Source: GOP for existing debt; creditor sources compiled by U.S. Embassy, Panama, for approved/planned new loans and revenue/expenditure projections.

policy is a permanent change from the freewheeling past. ^{1/} From the view of the availability of private bank credit to the public sector, the decline since 1974 may be potential cause for concern.

Quite aside from the inherent vulnerability of the economy to international economic and banking activities, the government has found it necessary to rely heavily on borrowing to finance its investment programs. AID was told, for example, that 70% of MIVI's 1978 investment budget is to come from foreign funding. This is not healthy except that, in so far as official bilateral and multilateral borrowing can be substituted for private bank borrowing, it may be possible to improve the profile of government debt. In sum, the government's creditworthiness should not be suspect unless the prospects for economic recovery, political stability and prospects for satisfactory resolution of the Canal Zone issue deteriorate--possibilities which at the moment appear moot. At the same time, continued or increased AID lending will tend to improve Panama's creditworthiness both through improving the debt profile and by demonstrating to the international community confidence in the country's prospects.

Government Economic Policies

The response of the government to the economic recession in recent years has been to adopt a number of ad hoc measures designed to stimulate the economy--easing access to longer term bank credit, providing some tax relief for private investment and retained earnings and amendment of the Labor Code. All of the measures point in the right direction but they do not add up to a program which has been able to cope with the magnitude of Panama's economic troubles.

Table 1 includes stark evidence of the reduction of private investment by 46% between 1973 and 1976. The construction boom itself continued into 1974 as projects underway were continued; but the contribution of the construction sector toward gross domestic activity fell sharply. Table 3 shows the value of private sector construction in the District of Panama, 1970-77. ^{2/}

TABLE 3

Value of Private Sector Construction, 1970-77
District of Panama
(Millions of Balboas)

<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
35.6	45.3	60.6	83.4	48.8	26.6	29.8	24.5 (1)

(1) Based on straight line extrapolation of data for first 10 months.

SOURCE: Camara Panamena de la Construccion (CAPAC)

^{1/} L.A. Sjaastad, "Money and Credit in Panama," 1977, p. 14.

^{2/} The District of Panama accounted for two thirds of the total value of construction in 1976. Direccion de Estadistica y Censo, Panama en Cifras, op. cit., p. 100.

The construction boom overbuilt middle and upper income housing. CAPAC listed 1,212 new completed housing units in Panama City which, as of November-December 1977, were unsold. The largest savings and loan association, Central de Ahorros, for example, has been holding Villa Norma (consisting of two completed apartment buildings, each of 40 apartment units priced at B/.35,500 per unit) unsold for 1-1/2 years. The combination of speculative overbuilding plus the recessionary drop in demand foreshadows a continued stagnation in the level of private-sector construction despite the incentives proffered by the government.

An officer at CAPAC also contended that builders' confidence was shattered by the Labor Code of 1972 and by the rent laws of 1973 and 1974. The imposition of rent controls which effectively froze rents up to B/500 per month (subsequently reduced to B/300 per month) at the December 31, 1972, level dampened investors' expectations of being able to earn a reasonable return on housing investments. 1/ 2/

In any event, it is clear that the private sector capacity for housing and other construction is underutilized. CAPAC estimates that employment in the industry has fallen from a peak of 40,000 a few years ago to about 8,000 at present. 3/ The country has a greatly underutilized resource which is capable of quickly generating significant additional employment.

1/ From WW II until 1973, rents up to B/80 were frozen. The impact of two generations of rent control on consumer psychology cannot be minimized. Two generations have grown up not expecting to pay anything like 20-25% of their household budget on housing.

2/ Professionals at MIVI correctly pointed out to the team that the Law does not formally freeze rents, that the landlord is entitled to raise rents sufficiently to recover a fair return on his investment. It is true that Law No. 93 of October 1973 provides that MIVI can authorize rent increases whenever the costs of operation and maintenance cause the rate of return to fall below a just and reasonable level. Individual requests for rent increases can also be granted in the case of property improvements (Article 38). A reasonable and just rate of return is specified in Law 28 of March 1974, to be 15% annually of the total cost of the property. At the same time, however, CAPAC does view rent control as a disincentive to housing investments, this accords with the team's observations of family housing budget psychology, MIPPE publications discuss the impact of the freezing of rent on investor psychology, and three of the MIVI officials at the meeting admitted that their own rent had not been increased during the time they had occupied their rented apartment (a four, five, and ten-year period). An explanation of this apparent contradiction may lie in the concept of the cost base upon which the 15% is to be permitted. It may be that the cost is interpreted to be the original historical cost. The Direccion General de Arrendamientos of MIVI should be asked how they interpret the law in practice.

3/ This 80% decrease in employment may exaggerate the true dimension of the unemployment picture. The First and Second National Construction Census reports employment in the construction industry as 4,707 and 8,805 in 1963 and 1973 respectively (Panama en Cifras, op. cit., p. 100). The decrease in private sector construction in the District of Panama between 1973 and 1976 was a little more than 64%.

The principal stimulus in the economy in the past few years has been the government sector. While restraining its current expenses, the government has attempted partially to offset the decline in overall economic activities by consciously increasing its own investment expenditures to more than double its 1973 level (see Table 1). Public sector consumption, on the other hand, has been successfully held down to an increase of 14.2% in nominal terms between 1973-76, well below the cumulative inflation rate of 76.8% in the wholesale price index during the period. Much the greater part of this investment was in bringing productive investments and socially needed investments, such as low cost housing, on line. MIVI's housing efforts, for example, demonstrate a quantum job in the level of housing construction in the past three years--a four-fold increase in the number of units and a six-fold increase in value.

TABLE 4
MIVI HOUSING CONSTRUCTION
1972-1977
(million of Balboas)

<u>Year</u>	<u>Units</u>	<u>Value</u>
1972	1,023	3.7
1973	206	1.5
1974	1,233	5.1
1975	1,119	5.0
1976	4,227	25.4
1977	5,903	35.4 (1)

(1) MIVI Estimate.
SOURCE: MIVI

The study in the first half of 1977 by Professor L. A. Sjaastad expressed cautious optimism that the recession had about run its course and that a real growth rate of 3 or 4% was possible during 1977. MIPPE believes that the recession bottomed out during the August 1976 - February 1977 period and points to some hopeful signs: Inflation seems to be under control; private consumption may have stopped declining; there are some private investments projects on the boards which could begin to stir the economy in the last half of 1977. The team, however, has no hard evidence that these elements are reversing the stagnation that persisted through the first half of the year; domestic consumption continued at the low levels of 1975-76; capital goods imports, manufacturing for the construction industry, and new construction permits continued below the 1975-76 levels; no improvement in the terms of trade was experienced; and while loan balances were up by more than local deposits, ^{1/} the absolute amounts of increase were less than the inflation rate, indicating little or no change in real balances.

^{1/} A sign that people may have satisfied their demand for real cash balances.

The hypothesis which seems to be emerging from this overview of Panama's economic performance and prospects is that something dramatic is called for in order to jerk the economy back to a higher plateau of continuing growth. In the specific context of the Panamanian economy, a major construction program could serve as a quick growth pole around which to organize an economic program.

C. POPULATION CHARACTERISTICS

Overall Population Characteristics

As of the May 1970 Census, Panama had a total of 1,428,082 people, 50.7% male and 49.3% female. 47.6% lived in urban areas. ^{1/} Panama is the least populated of the Central American countries. In 1974 its population density was 21.4 persons per square kilometer, an increase of 13.2% over 1970. ^{2/}

For the population as a whole the annual growth rate averages 3.1%, meaning that the Panamanian population doubles every 25 years (compared, for example, to every 41 years in the United States. This is one of the highest growth rates in the world. ^{3/} The growth rate is 2.1% in rural areas and 4.1% in cities. ^{4/}

Panama's population is youthful, with 50% of its citizens under age 18. The average family is composed of five members, representing a slight increase over the 1960s. Fertility has actually declined from 169.5 births per 1000 women of child-bearing age in 1969 to 160.7 births in 1972. All measures of mortality have declined significantly between 1970 and 1974. The average life expectancy was 66.5 years in 1974, an increase over the 1970 expectancy of 64.9 years. ^{5/}

^{1/} Direccion de Estadistica y Censo, Panorama Estadistico Sobre la Mujer Enero, 1975, pp. 1-5.

^{2/} United States Agency for International Development, English Summary of Panama's Health Sector Assessment, December, 1975 (based on an assessment undertaken by the Government of Panama).

^{3/} Gutierrez, Samuel, Marginalidad Y Vivienda, 3a. Ed., Panama, 1974, p. 18.

^{4/} Republica de Panama, Ministerio de Planificacion y Politica Economica, La Radiografia de la Pobreza en Panama, 1977, p. 39.

^{5/} United States Agency for International Development, English Summary of Panama's Health Sector Assessment, p. 4.

Recent up-dates of Panama's 1970 Census data show that there were 289,189 families in Panama in 1977. Of these, 20% at any given time are headed by females. A comparison of legitimate and illegitimate births for the year 1973 shows that 71.6% of that year's total of 52,091 children born, were to couples with partners not married to one another. This represents an increase of 1.3% in the illegitimacy rate compared with the 1969 Census. ^{1/}

Demographic Characteristics of the Target Population

In compliance with its congressional mandate, AID directs its housing programs to families earning less than the median income. This is the "target population." Within the target group, there are several substrata. Proceeding from the highest income in the group (the median of the total population) to the lowest, one can distinguish between (a) the lower middle class whose housing needs are largely served by the private sector, (b) the urban poor who live to a large extent in spontaneous settlements; and (c) the rural poor. The goal of public sector housing programs should be primarily to improve the quality of life of the urban and rural poor--sometimes referred to in this study as "the poorest of the poor"--who are outside the scope of private sector formal housing.

In 1977, MIPPE published a study on poverty. ^{2/} It used a poverty index based on housing conditions, direct per capita municipal taxes, individual/automobile ratio, and infant mortality. The higher the index, the more severe the degree of poverty. On a scale of 0 to 100, the variation in the incidence of poverty on a national basis ranged from a low of 8.6 to a high of 88.2 among 65 political administrative districts and the territory of San Blas.

The overall characteristics of the 13 poorest districts are geographic isolation, low population density and subsistence agriculture. The five districts with the lowest incidence of poverty are Panama's urban commercial centers. It should be noted, however, that the index was applied at the district level and consequently fails to highlight urban pockets of poverty.

The Urban Poor--An Overview. The differences between urban and rural areas are glaring and, to some extent, the incidence of urban poverty is directly related to the lack of opportunity in Panama's rural areas. There has been a constant out-migration from rural areas and the urban growth that has taken place has been without parallel economic growth to sustain the increased numbers. ^{3/} Poverty in urban areas exists in an environment which is, in general, prosperous. The low incomes in urban areas are directly related to the kind of work performed. Approximately half of the economically active urban poor have jobs requiring no skill such as hotel and restaurant workers, and other personal service capacities. Many of the unemployed in urban areas once worked in the lowest paid jobs in the construction industry;

^{1/} Panorama Estadístico Sobre la Mujer, op. cit., p. 33

^{2/} Republica de Panama, Ministerio de Planificación y Política Económica, La Radiografía de la Pobreza en Panama, 1977.

^{3/} Marginalidad y Vivienda, op. cit., p. 57

but since the construction industry is operating at a reduced level, there are now fewer jobs for this large unskilled labor pool. Although on an individual basis it may not be accurate to assume that any particular family in these areas falls within the lowest income bracket, studies show that more than 60% of all families earn \$200 per month or less (based on income projections to 1974). 1/

Another factor related to poverty in urban areas is the low level of education of members of the poorest groups. Panama's overall illiteracy rate has fallen from 20.6% in 1970 to 18% in 1975. However, 15% of the urban poor over 10 years of age has never attended any school whatsoever. 2/ A 1975 United States Agency for International Development loan has as one of its purposes the extension of educational opportunities to Panamanians in rural areas and, for the first time, technical subjects will be taught. There will be significant curriculum changes as well as school construction efforts--all with an eye to adapting the education system to the needs of rural areas. It is too early to tell whether this will have an impact on the migration patterns from rural to urban areas. An estimated 40% of the rural poor have never had any formal education whatsoever and the remainder have had only elementary education. Less than 1% of the rural poor have received any secondary education. 3/

The urban poor live in slum dwellings where one or more families occupy a small room in condemned tenement structures or in improvised homes in spontaneous settlements. The tenement structures in Panama City have housed generations of people from the same families. In Panama City in 1975, 46.3% of all people living in areas designated for urban renewal had never lived elsewhere and another 27.1% of the people were from other poverty areas within the city limits. 4/ The Ministry of Housing describes these dwellers as part of the urban poverty rental subculture. On the other hand, the Ministry's studies of some inner city spontaneous settlements show that only one-third of the inhabitants of these communities were born there. 5/

1/ Marginalidad y Vivienda, op. cit., p. 62.

2/ Republica de Panama, Ministerio de Planificacion y Politica Economica, La Radiografia de la Pobreza en Panama, 1977, p. 2.

3/ La Radiografia de la Pobreza en Panama, op. cit., p. 3.

4/ Republica de Panama, Ministerio de Vivienda, Asesoría de Asuntos Sociales, Informe: Areas de Renovacion Urbana, Diciembre, 1975, p. 5.

5/ Republica de Panama, Ministerio de Vivienda, Asesoría de Asuntos Sociales, Analisis de las Estadisticas del Tercer Censo Nacional de Vivienda, 1975.

In 1953 an aerial photograph of San Miguelito showed 20 houses; a 1955 study showed that there were some 220 families (approximately 1,000 people); in 1956 there were 315 homes and 1,554 inhabitants; in 1958 there were 1,355 homes and some 7,000 people. ^{1/} On July 30, 1970, the national government recognized San Miguelito as a separate municipality. In 1971 the area had 13,500 dwellings housing 75,000 people. An average of three new dwellings appeared each day. It is now Panama's second largest city. A population of 160,000 is projected for the area in 1980. ^{2/}

The Rural Poor--An Overview. The poverty in rural areas, in absolute terms, far outweighs urban poverty although it does not stand out in the same way as urban squalor. Most people in rural areas are self-employed, engaged in subsistence agriculture using neither machinery nor animal labor. ^{3/} Approximately 80% of all agriculture in Panama falls into this category. Panama is far from self-sufficient agriculturally. Of the 2,422 calories eaten per day on an average in 1973, 31.4% were imported. ^{4/} Food storage is a serious problem both at the household, provincial and national levels. The great dispersion of population in rural areas and the difficult access to small communities are serious problems, particularly when heavy rains disrupt transportation conditions. ^{5/}

Educational resources--both human and material--are scarce in rural areas. Many families who migrated to urban areas in the 1960s stated that they did so in order that their children might receive an education. All of the major indicators of the health status of the Panamanian population show significant differences between urban and rural areas--with rural areas evidencing worse health. Between 1968 and 1972, mortality on a nation-wide basis declined from 7 per 1,000 to 6 per 1,000. In urban areas this represented a mortality rate of 5.6% but in rural areas the rate was 6.3%. In three rural districts in the year 1971--San Francisco, Cañazas, and Remedios--the rate exceeded 15%. ^{6/} There are significant differences as to causes of death between urban and rural areas. In the cities the major cause of death is heart disease but in rural areas gastro-enteritis and diarrhea (resulting from parasite disease) are the chief killers. ^{7/} (See Annex 8 for some health indicators and a discussion of the questions posed by AID's "Human Rights Questionnaire.")

^{1/} Marginalidad y Vivienda, op. cit., p. 38.

^{2/} Ibid, p. 45

^{3/} MIPPE, La Radiografía de la Pobreza, op. cit., p. 3.

^{4/} United States Agency for International Development, English Summary of Panama's Health Sector Assessment, Table 1, "Daily Per Capita Availability of Calories, Proteins and Fats in the Republic of Panama (1970 to 1973)."

^{5/} Ibid, p. 27.

^{6/} MIPPE, Radiografía de la Pobreza, op. cit., p. 40.

^{7/} Ibid, p. 42.

According to the 1970 housing census, 84% of rural dwellings had no electricity, 69% had no potable water and 53% had no sanitary waste disposal system. ^{1/} Overcrowding is not as much of a problem in rural areas as in urban because rural homes are generally used only for sleeping. The kitchen is almost always separate from the bedroom structure.

The often desperate situation of rural families forces them to seek opportunities in urban areas--particularly in Panama City. Interviews with "refugees" from rural areas who had built homes in Panama City's worst spontaneous settlements in the mid-1960s revealed that an overwhelming majority of these migrants believed that they were living better than they had before in rural areas. ^{2/} The Panamanian government is mounting some rural development programs to provide a more equitable distribution of resources to the rural areas and to stem the tide of urban migration. Credit is being made available for agricultural production and animal raising. There is an agrarian reform program which has distributed lands to communal "asentamientos." Credit and technical assistance are available to these groups.

Economic Characteristics of the Target Population

It is clear conceptually that the target population is the poorest half of the total population. It is difficult to derive intellectually satisfactory measures of median income in Panama, especially for individual cities for which housing programs may be developed. Panama (as is the case with most countries) does not routinely collect statistics from which median income calculations can be derived. We are fortunate, however, in having one nationwide household survey conducted in July 1975. ^{3/} The Chief of the Sampling Department at the DEC confirms our impression that the sample is large enough and representative enough. What is not entirely clear is that the questions were designed with sufficient care to make it possible to evaluate responses in an unequivocal manner. ^{4/} Further, the survey only covers one month. This raises

^{1/} MIPPE, Radiografía de la Pobreza, op. cit., p. 59.

^{2/} Lutz, Thomas McKinley, Self-Help Neighborhood Organizations, Political Socialization and the Developing Political Orientation of Urban Squatters in Latin America: Contrasting Patterns from Case Studies in Panama City, Guayaquil, and Lima, Washington, D. C., 1970

^{3/} Conducted by the DEC at the request of the Instituto de Mercadeo Agrario, the survey sought to determine family income and family expenditures for food.

^{4/} The questions which were asked were:

1. What are the total number of people who normally reside in this dwelling?
2. How many people ate here yesterday?
3. How many people in this household received some sort of income during the month of June?
4. What was the total income of the members of this family during the month of June?
 - A. Salaries and wages
 - B. Commissions, retirement or income benefits (comision, pension, o renta)
 - C. From the sale of agricultural products
 - D. Other income
5. What were the expenditures for food?

questions concerning the representativeness of that month for the year. The raw data for the provinces of Herrera, Los Santos and Veraguas, for example, raised questions of reliability. The raw findings for Herrera seem unduly low while those for Veraguas are suspiciously high. After discussions with DEC, MIVI adjusted the findings by using the median income for Los Santos for Herrera. For Veraguas, it was decided to use the average median income of four neighboring provinces (see Annex 9 for details of the calculations). The effect of the adjustments was to decrease the median income for Veraguas from B/.247 per month to B/.186, and to increase Herrera's from B/.146 to B/.191 per month. Table 5 presents the findings with the caveat that while the magnitudes may vary in future surveys, the order of magnitude seems reasonable in regard to the range of housing solutions technically feasible. ^{1/}

TABLE 5

Median Urban Income and Affordable Housing
By Province, June 1975
(Balboas per month)

<u>Province</u>	<u>Median Income</u>	<u>Affordable Housing Mortgage by Top Family of Target Groups (1)</u>	<u>Percentage of Target Group Eligible for MIVI Housing</u>	
			<u>A (2)</u>	<u>B (3)</u>
Bocas del Toro	168	5,000	21	56
Cocle	171	5,089	23	54
Colon	202	6,012	41	65
Chiriqui	192	5,714	35	69
Darien	172	5,119	48	86
Herrera	191	5,685	6	45
Los Santos	191	5,685	27	55
Panama	298	8,869	64	81
Veraguas	186	5,536	52	62
ALL PANAMA	248	7,381	-	-

- (1) 25-year mortgage at 9% p.a., payable with 25% of family income.
- (2) 25-year mortgage at 9% p.a. This is for the lot & basic unit built in 1977 in Cerro Batea, El Retorno and Paraiso in the Panama City area at a cost of B/.4,000 per unit. Land costs probably would be less outside of Panama-Colon.
- (3) 25-year mortgage at 9% p.a. This is for a new San Miguelito project to cost B/.2,700-2,800 per unit. The higher figure has been used.

SOURCE: DEC and MIVI

^{1/} MIVI told the team that another nationwide household survey is planned by the DEC for August 1978. It would be valuable for MIVI to participate in the questionnaire design at as early a stage as possible.

The translation of the medium income calculations into housing solution designs reveals that existing solutions used in Cerro Batea and a new design planned for San Miguelito would be within the payment capacity of 54% and 75% respectively of the overall (weighted) target group. For the principal urban centers of David and Chitre-Los Santos, which figure as growth poles in the URBE project, about 34% of the urban population of the provinces would have the income capacity to service a B/.4,000 mortgage; 67% would be able to qualify for a B.2,800 mortgage. ^{1/} In short, MIVI has a potential target customer group which is large enough to merit major housing undertakings. The effective constraint, if any, in major new projects would be the willingness of the potential target customer group to dedicate up to 25% of its income to housing.

Of the population age 15 years and older in 1970, nearly 34% were involved in agriculture. An estimated 100,000 of these people eked out the barest of subsistence existences, placing them, for all practical purposes, outside of the economy. ^{2/} In rural areas the average worker works between 80 and 100 days per year with more than half of those days devoted to work on lands owned by the worker. Those who work 200 days or more in rural areas usually hold jobs on lands owned by others. ^{3/}

In 1970, 9.7% of the workforce was classified as unemployed; but when a district-by-district breakdown is studied, it can be seen that the actual rate varied from 1% in Darien to 17.4% in Colon. ^{4/} The highest rates were found in metropolitan areas. The 9.7% figure does not count the number of under-employed or sporadically employed. If the difference between the number of people employed and the number of full-time jobs is taken into account, the rate of unemployment was actually 20% in 1970. ^{5/}

The Target Population. Accurate current income and employment data are not readily available for those with incomes below the median. The Ministry of Housing has, from time to time, done socio-economic studies of the spontaneous settlements, the "poorest of the poor." A 1975 study of an area known as Brooklyncito, a spontaneous settlement in Panama City which then contained 129 houses and 132 families (approximately 660 people), shows that 60% of the workforce was unskilled. Only 43.2% had full-time, permanent employment; another 27.3% considered themselves self-employed. At the time of the survey, 15.9% were unemployed and 13.6% stated that they were sporadically employed.

^{1/} In contrast, the lower rural median income implies that there is almost no rural market. On a provincial level, none of the provinces would qualify for the Cerro Batea unit; and only 16%, 3% and 26% respectively of the rural population of Panama, Colon, and Bocas del Toro would qualify for the San Miguelito unit.

^{2/} La Radiografia de la Pobreza, op. cit., p. 11.

^{3/} Ibid, p. 70.

^{4/} Ibid, p. 72.

^{5/} Ibid, p. 70.

Families with incomes of \$250 per month or less comprised 84.1% of the total, with a median family income per month of \$175.34. ^{1/} Other studies of poverty in Panama indicate that in the lowest income group each wage earner has three or more people dependent upon his or her salary. The dependent to wage earner ratio is 1:1 in the highest income group. ^{2/} An overwhelming majority of those employed worked in personal service or factory operative capacities. Only a fraction over 1% classified themselves as technical or professional employees. Both men and women contribute to the household and only 13.6% considered themselves to be housewives, retired or inactive. ^{3/}

Although child care is generally left to women, many find it necessary to work outside the home. In 1970 the average weekly salary was \$26.70 for all Panamanians--\$28.80 for men and \$21.00 for women. ^{4/} Of the almost 116,000 women working in that year, the largest single occupational group (almost 30,000), far exceeding other occupations, was that of cooks, maids and domestic servants. ^{5/} In a 1975 survey in Panama City and San Miguelito concerning opinions about women, over half of the women who worked said they were doing so because of economic necessity. ^{6/} Of those not working, 20% said they did not work because they had no one to care for their children. Another 20% said that they had looked for work but had not found any. ^{7/} The same study showed that of the women interviewed with children under age seven who work outside the home, 21.2% leave the children under seven with a servant, 57.5% leave these children with another family member, 4.2% leave them with a neighbor, 6.7% leave them alone and 6.2% generally take the children to work with them. Only 4.2% reported having day care facilities available. ^{8/}

In November, 1977 the Panamanian National Government put a three-month emergency plan into effect whereby the unemployed will be brought on to the public payrolls in the most menial jobs--cleaners, porters, messengers, etc. The salary will be \$100 per month. Over 90% of those both seeking employment and hired have been women.

^{1/} Republica de Panama, Ministerio de Vivienda, Asesoría de Asuntos Sociales, Informe Socio-Economico de Brooklyncito, Julio 15/75.

^{2/} MIPPE, La Radiografía de la Pobreza, op. cit., p. 7

^{3/} MIVI, Ibid.

^{4/} Republica de Panama, Dirección de Estadística y Censo, Panorama Estadístico Sobre la Mujer, p. 28.

^{5/} DEC, Ibid., p. 24.

^{6/} DEC, Ibid., p. 5.

^{7/} DEC, Encuesta de Opinión Sobre la Mujer, op. cit., p. 7.

^{8/} Ibid., p. 31.

Panama has a Social Security system covering workers and their dependents. The benefits include health and retirement insurance. In 1974 only one-third of the population was covered by Social Security. The system does not cover those who perform personal services for a number of different employers (clothes washers, ironers, gardeners, repair personnel, trash collectors, etc.), therefore, effectively ignoring those who are in the lower economic brackets. ^{1/}

Consumption and Expenditure Patterns. There are considerable differences in expenditure patterns among different economic groups in Panama. Those whose incomes are the lowest spend 58% of their income on food, compared to 11% for those with the highest incomes. Those at the low end of the economic spectrum spend 16.3% of their income for housing whereas those in the higher brackets spend 35.6% of their incomes on housing. ^{2/}

In 1970 there were 20 spontaneous settlements in Panama's urban areas. In Panama City there were 59,649 people (17% of the area's population) living in 20,859 housing units. Of these units, 70% were without potable water, 15.4% had no sanitary waste disposal system; 38.6% had no bath, 29% had no electricity and 0.3% had none of these services. An overwhelming percentage (69.3%) were constructed from second hand wood. ^{3/} Despite the conditions of the dwellings in the spontaneous settlements, 40% of the homes had televisions, 70% had radios, 32% had refrigerators, and 35% had sewing machines. ^{4/} In rural areas, where straw, thatch and adobe are used to construct houses and more than 50% have dirt floors, there were radios in 58.5% of the homes, 24.3% had sewing machines, 7.1% had refrigerators and 6.3% had television sets. ^{5/} Credit exists for many consumer items and the poor share the preferences of the rest of society for these goods.

People living in Panama City's spontaneous settlements and urban slum dwellings do not place a high priority on spending money for housing. Having a nice home may be desirable but food and clothing are first priorities. Television, radio and a good stereo system come next since these items give people pleasure, can be purchased on credit, are easily resold and are portable.

The occupants of homes in spontaneous settlements are not willing to invest in home improvement because their tenancy is not secure. They may be relocated to make way for other projects. This happened in two instances in Panama City when 1,100 homes were levelled to make way for a hospital (Loma de la Pava) and a University of Panama gymnasium (Viejo Veranillo).

^{1/} United States Agency for International Development, English Summary of Health Sector Analysis, "Total Population, Workforce and Population Covered by the Social Security System 1970-1974."

^{2/} MIPPE, La Radiografía de la Pobreza en Panama, op. cit., p. 17

^{3/} Ibid., p. 61.

^{4/} Ibid., p. 64.

^{5/} Ibid., p. 66.

Panamanians in general are neatly and casually dressed. Those living in the spontaneous settlements are no exception. Within the settlements people may wear their oldest clothes and go barefoot. Since clothes washing is done out of doors, the women within the settlements dress in bathrobes or bermuda shorts and T-shirts. When they leave the area to go "downtown," however, they dress in light weight dresses, and wear make-up, earrings, rings, bracelets, polished shoes and casual shirts and slacks. People's physical appearance when they leave the settlements gives no clue as to where their homes are located nor the poverty in which they live.

The Role of Women in the Target Population. The male, often the chief breadwinner of the lowest income groups of the target family population, is unlikely to be a permanent resident in any one household. The stable adult member of the household is the mother. She is the applicant for the Ministry of Housing dwellings in 50% of the instances. Often the father of her children will agree to her name appearing on the deed to the property. He will contribute toward the purchase of the property until the relationship between him and the female homeowner terminates. In most instances, the mother is working, either taking in laundry or ironing, selling food or other similar pursuits. Her income is not calculated in the family budget for the Ministry of Housing purposes. The larger families generally have higher incomes as the older children begin to work and contribute toward the family budget. A woman with older sons can generally count on a relatively decent contribution from her older children whether they make actual cash contributions or spend their funds on the purchase of necessary household items.

The instability of the male breadwinner's presence is a common occurrence. It becomes a particularly acute problem when the instability also includes the uncertainty of the male's economic contribution. The Panamanian woman can sue for child support, and for support for herself even if there are no children if she is a legal spouse. It is her responsibility to locate the man and insure his presence in court. If a judgment is taken against him, support payments can be deducted from his salary. The law favors the married woman over the un-wed mother, but in all instances the law seeks to protect minor children. For the purposes of social security the man may register his female companion and minor children. In practice this means that the companion at the moment of registration will be protected. Former or subsequent companions will not be. Unions between man and woman can become civil marriages if the couple has remained together for at least five years and wishes to register the marriage. In practice this is seldom done since generally one of the parties has been legally married previously and never divorced. Proof of a long-term union generally becomes important to establish inheritance rights. Both legitimate and illegitimate children have equal rights under law concerning right to support, inheritance and Social Security benefits. Illegitimacy is high but there is rarely a problem in getting the father to acknowledge paternity.

Most poor households are headed by females at some time during their existence. Women have the right to own, sell and encumber their property. They may contract in their own names. They may give and receive credit and

mortgages. They may be required to contribute economically to their households in accordance with their earnings if they are employed but they cannot be forced to work. The average Panamanian woman earns 2/3 of the salary earned by her male counterpart despite the fact that the labor law requires equal pay for equal work. Furthermore, women are generally in the most unskilled and least protected jobs. They are sporadically employed and seldom covered by Social Security. The Labor Codes protect the woman from being fired if she becomes pregnant and a woman gets several months maternity leave--before and after the birth of the child. In practice the laws which were established to protect the woman often work against her. Employers are reluctant to hire women because of the additional considerations which must be extended to them. Few women can work after they have children because of inadequate child care facilities.

The woman in the most difficult position is one who has young children dependent upon her. Often her only alternative is to look for another man and bear his child so that she can get him to contribute economically to her household. The vicious cycle of dependency and child-bearing is perpetuated. Family planning has had little impact in Panama. The major health care providers, the Ministry of Health and the Social Security Agency, have had few trained family planning specialists and the private sector's APLAFA efforts have been on a small scale because of limited resources. For even the wealthier women in Panama, birth control is used by less than half of the females. For the poorest women it is used by less than one quarter. ^{1/} Family planning is seen as a program serving women and there is no attempt made to educate the male members of society about family planning methods.

Attitudes Toward Housing of the Target Population

Most people in the spontaneous settlements have not investigated the Ministry of Housing's programs. They are inclined to mistrust government programs. They see the government as an entity which interferes, providing housing which is either beyond their means or beyond their desire to pay. Even when the housing itself may be affordable, the electricity, water, taxes, etc., that must be paid drive costs up. The spontaneous settlers do not incur these expenses at the present time. Neither do those living in urban slum condemned housing units.

In 1975 the Ministry of Housing did a survey of the Maranon area. Over 70% of those living in Maranon wished to remain in the central city. More than half of these slum dwellers had incomes of \$200 per month or less. The average downpayment people said they could make is \$256. Over 65% said they could make monthly payments of \$40 or less. Only 3.5% said they could pay more than \$60 per month for housing. ^{2/} In Brooklyncito, a spontaneous settlement, the population was also surveyed by the Ministry of Housing. There the median family income in 1975 was \$174.34 per month. Almost 65% of the residents expressed preferences for single family homes with an additional

^{1/} DEC, Panorama Estadístico Sobre la Mujer, op. cit., p. 31.

^{2/} Republica de Panama, Ministerio de Vivienda, Asesoría de Asuntos Sociales, Informe: Areas de Renovación Urbana, Diciembre, 1975.

26.1% stating that they wished to purchase a lot on which they could construct their own homes. The median downpayment affordable was found to be \$163.70 and the median monthly payment, \$20.29, sums quite a bit lower than those paid by purchasers of low cost housing units. ^{1/}

D. DIMENSIONS OF THE SHELTER PROBLEM

Human Settlement Patterns

The choices available to the urban poor in Panama are a room in a condemned slum unit or a one- or two-room improvised shack in a spontaneous settlement. For the rural dweller the choice is even more limited. Here the construction materials--mud and adobe--are likely to be even less durable than the second hand warped wood of the urban structures. Neither the urban nor rural poor consider housing to be a high priority in the family budget. Housing is primarily to protect people from the rains and to have a place to sleep. Privacy, having a place to entertain, etc., are not major considerations. Life takes place out of doors because the housing is overcrowded, dark, poorly ventilated and dangerous.

The spontaneous settlers have totally by-passed the formal building and construction process. They have constructed their homes themselves or with the help of their neighbors. They neither own their lands nor have permission to use them. They construct using materials that can be found, begged, traded or stolen. Tools are acquired in the same fashion. The lands on which spontaneous settlements grew up were without drainage, sewage, water, electricity, and access roads. No attention was paid to density regulations. There was no garbage disposal or collection.

At first these spontaneous settlements were called barriadas brujas--phantom settlements. They seemed to spring up overnight without anyone being aware of their contemplated existence. They are now referred to as barriadas de emergencia--emergency settlements. During the economic crisis after WW II, people began to leave their homes in the rural areas. Many central city residents also were forced to leave their downtown homes and settle on the city's fringes because a spate of fires in downtown Panama City left people homeless.

Today an estimated 120,000 people live in spontaneous settlements in Panama City, a fifth of its population. The average density of structures per hectare is 144.49. The houses vary in age and some have changed hands several times. Only about 7% of these homes are rented out, in contrast to countries like Colombia where there is a substantial informal rental market within the spontaneous settlements. What is even more telling is that the best current estimates of growth show a 30% annual population increment in the spontaneous settlements. The numbers of homes do not increase appreciably but the density within each home continues to burgeon.

^{1/} Republica de Panama, Ministerio de Vivienda, Asesoría de Asuntos Sociales, Informe: Brooklyncito, Diciembre, 1975.

To some extent the number of spontaneous settlements in Panama City has not increased because there is little available land on which to build. The areas that are not settled are often lands which are flooded by nearby streams which become overflowing rivers during the rainy seasons. The government of Panama has tolerated the existing spontaneous settlements but is discouraging the occupation of new lands.

Panama City, and to some extent Colon and David, have been the principal areas where spontaneous settlements have taken place. The invasion of lands follows certain basic steps. People take possession of a small piece of land without following any of the formal land acquisition procedures. They construct provisional homes made of cartons, second hand wood and corrugated zinc. These provisional structures have a cash value varying from \$100 to \$300. Materials are acquired from garbage dumps and buildings in the process of demolition. A second hand "junk" market exists and dealers in this type of material are often willing to extend credit at high interest rates using violent collection tactics. There is a great deal of mutual assistance in the building process and, in return for several beers and a luncheon at the construction site, neighbors help one another out. When a family moves out of a spontaneous settlement it is not unusual for that family to dismantle the home and take it with them. Where this is not possible, the materials that can be salvaged are taken, leaving a rudimentary shell which may be occupied by an incoming family.

As the community grows and some cohesion is established, committees form to request basic services, such as water and electricity, from the government. The first response of the National Institute for Water and Sewage (IDAAN) is to bring potable water in trucks to the settlement. Deliveries of water are usually made on a bi-weekly basis. There is no charge for this service. This is a provisional measure until the municipal aqueduct can be extended. The community does not pay for the aqueduct's extension but its members do the actual construction work. Outdoor water taps, shared by a cluster of homes are installed. Connections to individual homes are not made unless and until the homeowner can show evidence of legal title to the land and structure.

The process for acquiring electricity is somewhat different. Initially homes are lit with kerosene lamps. Clusters of neighboring homes request that their homes be connected to the nearest electrical main. The Hydro-Electric Resources Institute (IRHE) connects a cluster of homes to a common meter which measures the number of kilowatt hours used. There is only one electric bill per meter. The families apportion the costs among themselves, paying rates established by IRHE for each light bulb and/or appliance. These rates must be paid regardless of whether the bulbs or appliances are used. Again, no individual connections are made to homes unless evidence of legal title is given. There have been many instances of illegal electrical hook-ups, some of which have caused tragic fires.

Once the settlements become more densely populated and begin to solicit public services, they also become concerned about legalizing their claims to the land. If the lands are abandoned private holdings, the municipality usually

acquires them from the owner through purchase or to settle past tax delinquencies. In many instances the lands are already owned by the municipality. Studies are done, lots are subdivided and sold to the settler who can afford to purchase them. Where the spontaneous settlements are large, the process of sub-dividing invariably means the relocation of some homes to make way for access roads, streets and sewers.

There seems to be a direct relationship between security of tenancy and home improvement. Once the owner acquires legal title to the lot, the provisional structure is replaced by a concrete block home. People acquire concrete blocks a little at a time. Cash is usually paid. Once enough blocks are acquired the new house is built up around the provisional wood and carton structure. When the concrete block construction is finished, the wood is taken down and used to make interior partitions within the house.

The spontaneous settlements of the 1950s took place in fringe areas that were not officially incorporated into political or administrative districts. They caused some public safety problems at the time when private landowners tried to evict them. The Curundu area in Central Panama City was abandoned farmland in the 1950s. It was an area where private landlords levelled the spontaneous settlements with tractors. Now Curundu is a recognized corregimiento divided into 14 sectors, each with its elected local junta. The area has a total of some 17,000 homes, and, although the process of sub-division and legalization of landholdings is by no means complete, the municipality has acquired the lands, thus putting an end to the violent eviction attempts of the past.

San Miguelito, too, was private farmland and municipally owned land in the 1950s. In December, 1974, after an outbreak of violence against local officials, the Panamanian Government established the High Level Commission (Comision de Alto Nivel) to serve as a bridge between the municipality and the central government. The process of political recognition and incorporation parallels the socio-economic development of the spontaneous settlements. As the communities grow they begin to get recognition from the authorities. The sheer pressure of numbers and the potential for violence where settlers are battling with landlords has required governmental intervention just to keep the peace.

Some of the older, less transient settlements have schools and transportation, libraries and health clinics. Basic public services such as drainage, sewage, potable water, and pavements are lacking. Only three of the spontaneous settlements--Morelos, Panama Viejo and La Concepcion--have a partial sewage system. These are valuable downtown properties where the land is costly and, in the future, settlers will be relocated.

Housing Stock

Panama, as other developing countries, has accumulated a backlog of shelter problems that only recently is receiving the consistent attention necessary to begin to resolve the "housing problem." Efforts are being made to offer appropriate new solutions to the different income levels and to improve existing structures to reduce the enormous shelter deficit figures.

Specific information detailing the housing situation is principally derived from the 1970 Census. It showed the total housing stock for Panama to be 316,286 units of which 285,321 units are occupied and distributed as follows:

TABLE 6

Occupied Housing Stock, 1970

<u>Area</u>	<u>Total</u>	<u>Houses</u>	<u>Apartments</u>	<u>Rowhouses</u>
Total	285,321	204,886	33,544	46,891
Urban	141,761	64,421	33,544	43,796
Rural	143,560	140,465	--	3,095

SOURCE: III Censo de Vivienda, 1970.

In urban areas, 38.8% of the units were owned by the occupants, 52.6% of the units were rented, and 8.6% leased their dwelling. In rural areas, the situation is reversed. There, 86.6% of the dwellings were owned, 3.4% were rented and 9.6% were leased.

From the gross national figures, it has been calculated that an average of 4.9% persons occupy a unit and 30.5% of the units had 3 or more persons per room. In contrast to this national average, a more detailed vision of the squatter communities in Panama City shows that there were 5 people per unit of which 49% were only one room structures. ^{1/}

Judgments of the quality of the 1970 housing stock have produced deficit figures whose magnitude varies from 156,408 ^{2/} to 203,299 ^{3/} dwellings of which the number of urgently needed varies from 117,294 ^{2/} to 164,185. ^{3/} The above totals include:

- a. household sheltered in buildings not meant for housing,
- b. tenements/rooming houses (casas de vecindad),
- c. squatter settlements,
- d. substandard units,
- e. overcrowded units.

^{1/} Gutierrez, Samuel A., Marginalidad y Vivienda, Panama, 1974.

^{2/} Plan Nacional de Desarrollo (1976-1980), p. 481.

^{3/} Informe Estimacion de las Necesidades de Viviendas en la Republica de Panama, MIVI, p. 12.

The composition of the housing stock provides a profile of the economic and locational needs and opportunities of the units' occupants. In urban areas, there were 43,796 tenements and 6,218 squatter dwellings; in rural areas, there were 3,095 tenements and 2,395 squatter dwellings. The following figures indicate that the majority of tenements and squatter units are located in Panama City.

TABLE 7

Housing Deficit and Deficient Housing
Panama, Panama City and Panama Province, 1970

	<u>Urgently Needed</u>	<u>Tenement</u>	<u>Squatter Units</u>
Panama	164,185	46,891	8,613
Panama City	47,986	29,657	5,067
Panama Province	62,871	30,241	6,048

SOURCE: Informe, Estimacion de las Necesidades, MIVI, 1976.

In addition to the existing deficit, an additional number of new units must be included for new family formation and for housing replacement. For the period 1976-1977, the estimated number of such units is 10,719, of which 7,212 are new family formation and 3,507 are replacement units for destroyed housing stock. In the Province of Panama, 4,777 units are required; in Panama City, 3,934 units.

The total housing needs for 1977, reflecting accumulated needs, units constructed and new unit demands for the nation and for Panama-Colon metropolitan area are summarized in Table 8.

TABLE 8

(SOURCE: Informe, Estimacion de las Necesidades, MIVI, 1976.)

Housing Needs for 1977			
	<u>Accumulated Need to 1976</u>	<u>Const. Sol. 1970-1976</u>	<u>Need for 1977</u>
A. Republic	223,176	48,098	185,794
Urban	101,191	47,612	59,347
Rural	121,982	486	126,447
B. Metropolitan Area (Panama-Colon)	116,588	42,754	79,513
Urban	86,182	42,621	48,040
Rural	30,406	133	31,473

To keep abreast of the new demand, the National Plan has projected the following production levels for the public sector organizations participating in Panama's housing activities.

TABLE 9

1976-1980 Public Sector Output
(Millions of Balboas)

	<u>Investment</u>	<u>Housing Units</u>	<u>Beneficiaries</u>
MIVI	105.7	42,245	211,225
BHN	19.0	1,800	9,000
Caja de Ahorros	128.8	7,800	39,000
Caja de Seguro Social	<u>27.2</u>	<u>1,319</u>	<u>6,595</u>
	280.7	53,164	265,820

SOURCE: Plan Nacional de Desarrollo (1976-1980), p. 488.

The housing sector has suffered because builders have addressed the upper income groups without really understanding the demand that other income strata can generate. Table 10 presents MIPPE's estimates of the composition of supply and demand by income group. It seems clear that a housing industry which aims 93% of its output to the 16% of estimated total demand represented by the high and upper middle income groups is not doing much in housing for the target group. The private sector has a significant untapped potential to service the upper income ranges of the target population if MIVI encourages them to do so.

TABLE 10

Supply Demand Analysis 1971-1976 (% of total)

<u>Income Level</u>	<u>Supply</u>	<u>Demand</u>
Low	0.0	30
Middle	6.8	54
Upper Middle	17.2	10
High	76.0	6

SOURCE: MIPPE, Plan Nacional de Desarrollo (1976-1980), 1976, p. 484.

E. SHELTER DELIVERY SYSTEM

Housing Institutions and Housing Finance

This section of the SSA examines the Panamanian housing institutions, classifying them by public sector, private sector, and informal sector activities. The public sector institutions are broadly separated by their primary functions of providing (a) programming and construction and (b) finance.

Public Sector

Programming and Construction

MIVI. MIVI coordinates the national housing policy and implements it in both rural and urban areas (see following maps) through the mechanisms allowed in Law No. 9 (January 1, 1973). Under this Law the former Institute of Housing and Urban Affairs created in 1958 was replaced by the Ministry of Housing. Among the Ministry's functions are: a) the formulation and implementation of housing and urban development policy and b) the guidance of policy formation for private investments in these areas. Its stated mandate is to provide housing to families most in need and gives preference to those families without access to private commercial sources of credit. It is able to control rents and rental deposit regulations for the protection and benefit of tenants and to offer incentives to promote private capital investments in housing and urban development.

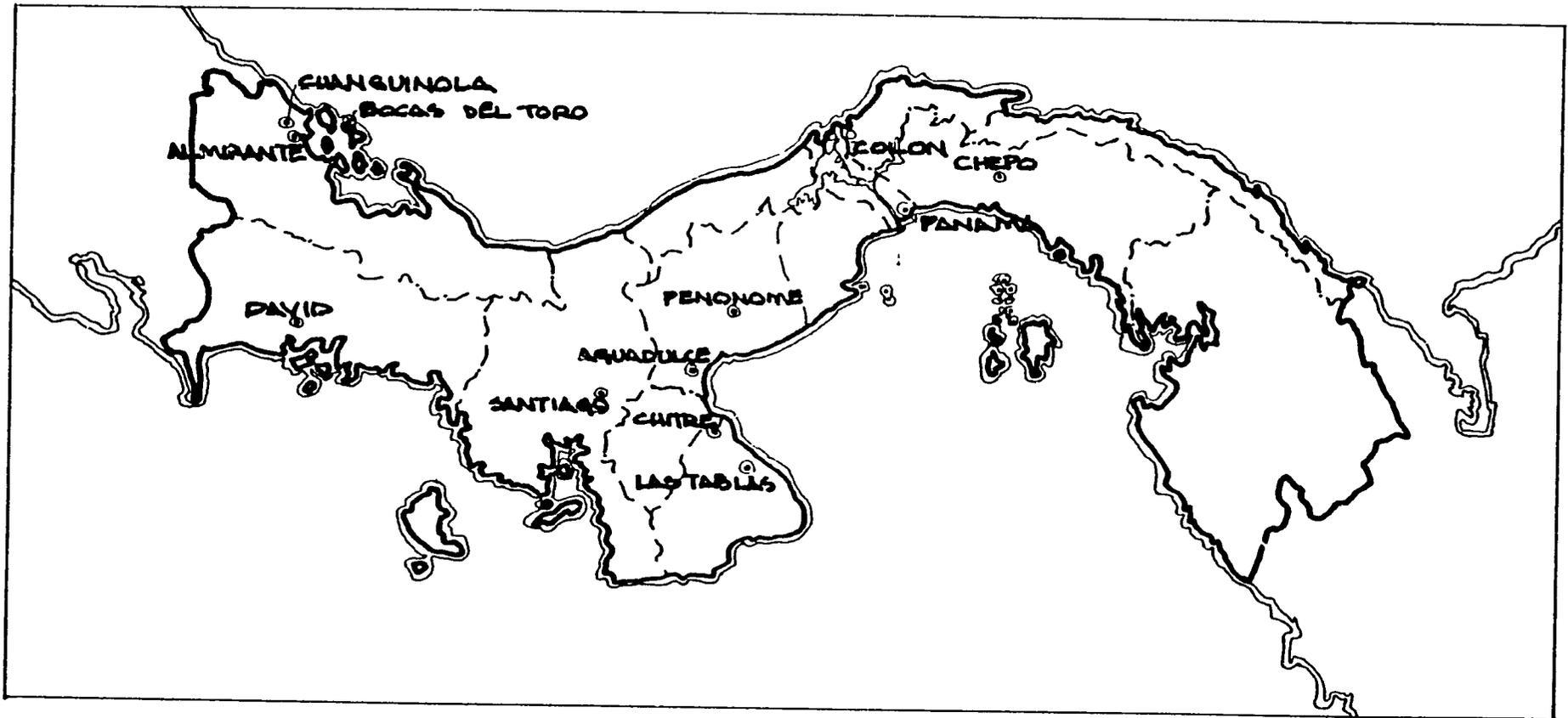
MIVI operates eight branches, four of which are in Panama City, and one each in Colon, David, Chitre, and Santiago. In October 1977, MIVI's staff numbered 2,399 employees, 922 of whom are considered permanent and 1,477 on contract. In Panama City, the professional staff included 56 architects and 20 engineers. (See Annex 16 for the organizational chart of MIVI.)

MIVI maintains contact with and control over the BHN whose principal function is to finance MIVI projects. MIVI's relationship to other state agencies such as IDAAN, IRHE, and MOP is to clear plans that MIVI designs and finances and upon completion passes to the designated agency for maintenance. While the ability to finance infrastructure expedites the development and completion of MIVI projects, it also uses funds that could be used to expand the volume of units produced. At core unit prices of B/2-4,000, this could represent an appreciable increase of housing for low-income beneficiaries. The Ministry's need to develop project infrastructure derives from the independent and uncoordinated activities which these other agencies pursue.

MIVI programs include four main types of projects: 1) serviced lots with core units; 2) single-family (completed) units; 3) multi-family units; and 4) community upgrading programs. MIVI has developed a program typology for these four program types, which includes 10 solutions. Unit price in the projects have ranged from B/.3,500 in the 1976 San Pedro project to B/.10,431 in the 1976 Patio Pinel project. (See Annex 17 for a description of the program, typology and details of MIVI projects.)

In 1974 MIVI initiated a pilot rural housing program to provide dwelling units to improve the health and living conditions of rural families organized into community groups. The community groups are selected according to program criteria that stipulate the existence of physical and economic resources and services that compliment the dwelling unit construction program. To date, 970 units comprising 38 sub-projects have been built at a total cost of \$1,982,100 of which AID provided \$800,000 in loan funds. The unit cost is \$1,900, not including the lot.

LOCATIONS OF MIVI URBAN HOUSING PROJECTS



PROJECTS UNDER CONSTRUCTION, APRIL, 1977

CHANGUINOLA	EL CUADRANTE	PANAMA	DON BOSCO
ALMIRANTE	ALMIRANTE		LAS PIEDRAS
DAVID	EL RETORNO		MONTE OSCURO
	PUEBLO NUEVO		VERA CRUZ
	PEDREGAL		SAN JOAQUIN
AGUADULCE	AGUADULCE	COLON	SANTA LIBRADA
SANTIAGO			LOS LIBERTADORES
PENONOME	SAN MARTIN DE P	CHEPO	VILLA GABRIELA
LAS TABLAS	LAS DELICIAS		SAN PEDRO #2
	LAS TABLAS		CATIVA
			NUEVA COLON
			RIO ALEJANDRO
			CHEPO

Community participation in the program includes involving each family in the selection of the model unit to be built as well as providing local materials to the project, arranging for their transportation to the site, and providing unskilled labor to assist local contractors approved by the community to construct their dwellings.

Program financing has been at an interest rate of 9% for 25 years for urban areas and 7% for 10 years for rural housing. Despite the concessional element in the 7% interest rate, the Ministry's general attitude is to minimize subsidies in the interest of being able to replicate its efforts. Investments are expected to be recuperable. Subsidies occasionally occur in response to extraordinary circumstances. In the Cerro Batea project, for example, a surface drainage system was not charged to the inhabitants. Some subsidies are extended where costs are felt to be inconsequential, such as the land for rural dwellings for which there is no charge and which come from the asentamientos campesinos development areas.

MIVI is an efficient and productive organization. Its program range and flexible construction and urbanization standards can attend to a broad range of beneficiaries, especially low income families. Its commendable planning concern with such things as the hierarchy of circulation and the phased development of dwelling units demonstrate an understanding of client group resources and limitations as well as the functional differences between site development elements. An important area that deserves further attention is site planning that looks beyond the Roman grid to cluster planning and other forms of land subdivision schemes. This would promote more economic land development and infrastructure installation as well as special hierarchies that promote community development and responsibilities for area maintenance, unit expansion, and skills and resource pools for the mutual benefit of the community.

In early November 1977, the Plan de Emergencia (Emergency Plan) was initiated, initially for a three-month period, to provide attention and funds to poor families' needs, especially employment and housing. The program leadership rotates weekly among the Ministers of Government, each in his turn promising specific numbers of employment opportunities and specific solutions to particular housing problems.

For housing-related aid, applications are made to the Ministry of Housing which then assigns a social worker to the case to verify the request. If the request is approved, the beneficiaries receive a written statement detailing the materials or credits to be received. A technical assessment is made to specify the kind and quantity of materials to be issued. Materials are distributed from two supply centers established for this program, one in San Miguelito.

The requests for assistance that pertain to housing may be for a dwelling or a lot on which to build a house, materials to repair existing units, credits for defaulted monthly payments, or a change in title for specific lots. In the first five weeks of the program, 1,400 cases were attended to, of which 40% were requests for a house and lot. These requests are passed on to MIVI's application process to determine for which of the MIVI program solutions the applicant qualifies.

For cases of home repair, the beneficiary receives not only the required materials but the services of a skilled construction worker to make the repairs for him. In this way the GOP hopes to better control the improvement program,

maintain certain construction standards and guarantee that the materials are used for the stated purpose. The Plan de Emergencia is yet another direct intervention by the GOP into the normal development of shelter programs. In this case, it competes with the home improvement component of the San Miguelito program and sets a precedent for give-aways as opposed to loans. It can only undermine the efforts being realized on a recuperable basis. This conflict will continue if the Plan is extended, as planned, beyond the original three-month period. The desire for construction standards and guarantees of end use of the materials is realized at the expense of beneficiary participation. The effect is to create an ever greater dependence on GOP efforts to resolve problems that people more appropriately would resolve for themselves.

The Comision de Alto Nivel (High Level Commission for San Miguelito: HLC) was established in 1974 in response to the community's demand for services. It initiated its activities on January 1, 1975. The HLC mandate is to coordinate an integrated development effort in San Miguelito. Its program emphasis, however, has been on the physical development and rehabilitation of the area.

The High Level Commission maintains 2 offices, the home office in San Miguelito in the police cuartel, and a field office at its Los Andes project. The technical staff includes three architects and five engineers located at the Los Andes site. The Administrative staff includes three social workers and one mortgage control agent. The accounting staff includes two accountants and one notary. (See Annex 18 for the organization chart of the HLC.)

The emphasis of the HLC on physical development has clouded its relationship with MIVI. MIVI sees the HLC as competition for limited housing funds, a competition that could result in conflicting policy orientations of the two organizations. The Ministry views the HLC's move to become a permanent organization as exceeding the bounds of its mandate and its continued emphasis on physical development avoiding its responsibility to promote integrated development programs.

The programs of the HLC were initiated with MIVI funds allocated to the Los Andes housing project, a housing program aimed primarily at residents of San Miguelito who are able to afford a standard, completed dwelling. The B/.3 million from MIVI were to build 400 units whose unit costs range from B/.6,000-8,000. The Los Andes project has since been expanded to a project of 2,000 units of which 1,107 have been completed. Funding for the additional Los Andes units is derived from a variety of sources, including the Caja de Ahorros, the BHN and the MIVI.

The unit types offered in Los Andes are:

Basic core - B/2,700-4,000
 1 Bedroom - B/5,500
 2 Bedroom - B/8-10,000

At least 421 of the units are in the B/8-10,000 range. (See typology in Annex 17.)

The HLC is a principal actor and coordinator in the ambitious San Miguelito community upgrading program. The project is designed to legalize and rationalize the land and land subdivision, to improve the existing dwellings, and to provide basic infrastructure for approximately 15,000 families, or about half of the population of San Miguelito. The HLC was supported by AID's Regional Housing Office because of the HLC's familiarity with the residents and its knowledge of the terrain and physical development problems. (See Annex 19 for a description of the San Miguelito upgrading programs.)

The effectiveness of the HLC is due in large part to its special status. It enjoys the luxury of not having to establish procedures which obligate other organizations to function on other than an ad hoc basis. If the HLC does continue its activities, especially its physical development programs, it will have to establish procedures for processing potential beneficiaries and administrative concerns. This would, in effect, create a mini-ministry of housing, duplicating much of that organization's apparatus and competing for funds to attend to similar groups. Continued intervention by the GOP into the resolution of physical development problems through other than the Ministry of Housing will only frustrate that agency's attempt to develop a viable shelter program.

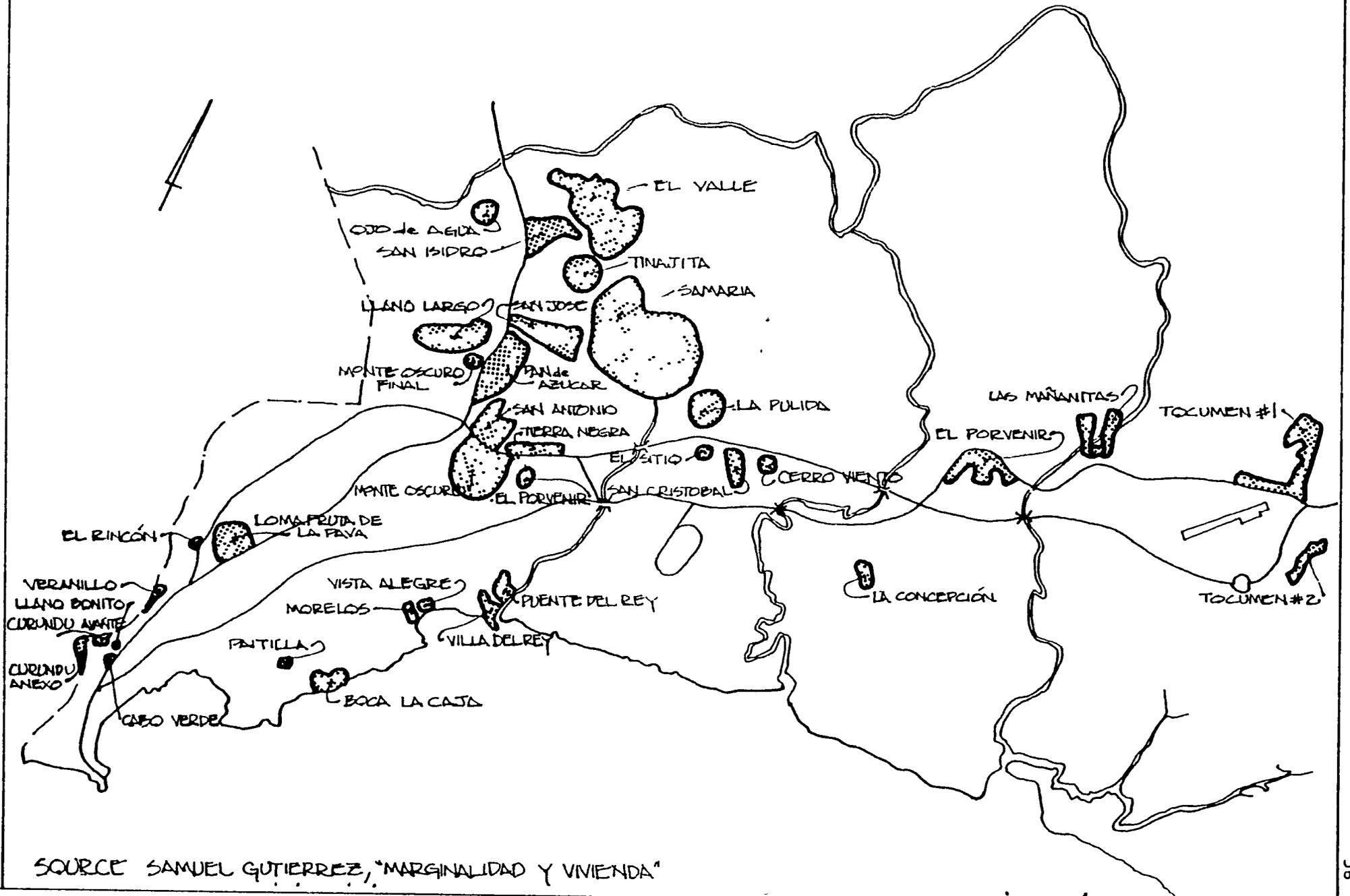
The Informal Sector

The informal sector is that group of people excluded financially from the commercial housing market. It is a heterogeneous one, including people who came to Panama to work on the canal and who for generations have lived in Panama City as well as the flood of rural families who have swelled that number and will continue to do so.

The shelter options available to these families are to rent a room in a center city tenement or in one of the squatter settlements centrally located or to establish their own squatter dwelling. According to the 1970 census, almost six times the number of families lived in tenements as in squatter areas throughout the nation. There were 46,891 tenement units and 8,613 squatter dwellings in the nation. In the Province of Panama, there were 30,241 tenements and 6,048 squatter units.

In Panama City, the locations of the low income family shelter options are the center city structures built over 70 years ago to house the workers brought in to build the canal and areas that have been marginalized because of the topography and/or their location. The following map shows the location of the 35 squatter communities in Panama City in 1973. The squatter communities appeared for the first time in the "La Boca de la Caja" area, and while the initial squatter settlements were dispersed, there were 14 isolated clusters in 1961. By 1973 that number had increased to 35 communities that have come together to form large concentrated areas, such as San Miguelito, Monte Oscuro, Pan de Azucar and San Jose. In 1974, an estimated population in the squatter areas was 100,000 people and 117,825 tenement dwellers. (Annex 19A provides further details on the squatter communities.)

SQUATTER COMMUNITIES IN PANAMA CITY, 1973



SOURCE SAMUEL GUTIERREZ, "MARGINALIDAD Y VIVIENDA"

Public sector intervention into the informal sector manifests itself as low income housing projects that address the needs of the upper portion of the low income group. Those families still earning less than the amount required for the least costly solution offered by the housing market will continue to arrange for their own shelter. Some positive programming has begun in the form of reception areas developed to receive families relocated from the San Miguelito project. More of this will be necessary if in-migration is to be anticipated and organized.

Public Sector

Financial Institutions

The National Mortgage Bank (BHN) was created under Law No. 10 (January 25, 1973) to facilitate financing national housing programs and to develop the financial guidelines for national housing policy. It is the financing arm of the Ministry of Housing. It also regulates the operations of the savings and loan associations. The Bank's mandate stems from the Constitution itself, which states that "the State will establish a national housing policy designed to provide the benefit of this social right to all of the population, especially the low income sector. MIVI has the final approval for BHN loans to the private sector. Its funds are derived from Social Security funds, ^{1/} portfolio repayments, and domestic and foreign loans.

The BHN's activities include a broad spectrum of beneficiaries, including low income units financed through the Ministry of Housing and the High Level Commission of San Miguelito and lower-middle and middle income units financed through the Savings and Loan Associations and the Housing Cooperatives. The Bank is contemplating the establishment of a secondary mortgage market that could broaden the scope and size of the programs now being carried out by the organizations it supports.

For the year ending July 1977, the Bank financed units whose total value was B/.40.7 million. This included urban projects, rural housing and housing cooperative activities throughout the country. The principal focus for BHN financing is the Panama City-Colon Corridor where 95% of BHN investment has occurred. Some financing has been extended to Cocolé, Los Santos, Bocas del Toro, Veraguas, and Chiriquí.

The BHN has financed 1,298 units valued at B/.12.4 million through the savings and loan associations. Of this total, 309 units were financed by national funds and 989 units were financed with funds from AID. In 1976 the Bank financed 351 units, for a value of B/2.9 million. Bank financing has supported cooperative housing as well. The Nuevo Chorrillo Cooperative is building 700 units and the Casino Employees Cooperative has built 8 units.

^{1/} The Thirteenth Month Salary is paid in three installments during the year. The second installment is paid in August to the Social Security Bank. The Social Security Bank then lends it to the BHN at 3% interest for 10 years. Repayments of the principal and interest are earmarked for the Social Security Bank's programs of old age, injury and death.

BHN has provided financing for new construction efforts undertaken by the High Level Commission that amount to \$4 million. Bank support to the private sector amounts to 29.5 million Balboas for mortgage guarantees and the purchase of completed but as of yet unsold units. The interest rates of Bank financed projects ranges from 7% to 9-1/2% according to the source of financing.

The BHN, as the financial arm of the Ministry of Housing, has not realized its potential for independent operations to support not only the private but other public sector organizations as well. In part, this can be traced to operating and administrative shortcomings. In recognition of this, the BHN welcomed an in-depth study of its operating and administrative procedures, financed by AID, in October 1977, which prepared detailed recommendations for the consideration of the BHN.

The National Savings Bank (Caja de Ahorros) was created by Executive Decree No. 54 (June 15, 1934), which established the first savings institution in the country. The Savings Bank generates funds through its savings campaign and portfolio and it provides funds that are used in financing housing for diverse income groups. It can finance mortgages up to 80% of the assessed value for commercial properties. Loan terms for mortgage loans is 9% for a maximum of 15 years, or 10% for a maximum of 10 years if the dwelling contains a rental unit. Due to its effective selection process, the portfolio shows only 1.3% in arrears more than 90 days.

The Caja de Ahorros maintains 23 branches throughout the country with a total staff of 500 employees, 320 in the metropolitan area, of which approximately 23 relate closely to the Caja's housing design and finance activities. (See Annex 20 for the organizational chart of the Caja de Ahorros.)

The program goals of the Caja are to provide financial support for improving the standard of living of the Panamanian work force, especially in the area of housing. Support consists principally of mortgage loans. As of June 30, 1977, 7,623 loans had been made, of which 140 were for construction, 165 loans for the Caja's own housing projects now being developed throughout the country, and 7,318 were mortgage loans. The value of the total number of loans made was B/.83.2 million. Caja policy gives preference to applications for mortgage loans on dwellings that are less than one year old. In 1976, the total value of mortgage loans made was B/20.9, representing 65% of the Caja's portfolio. The average mortgage loan for the 1976-77 period was B/.11,010.

To help stimulate the construction sector the Caja has undertaken the development of approximately 100 units in the different provinces of the country. More than half of the units will be built in David. The unit costs will range from B/12-14,500 per unit. The Caja does not finance condominiums nor does self-help play any role in the Caja's projects because of its middle class clientele.

The Caja de Ahorros' strength in attracting savings through its 23 branches, its selection procedures and its efficient administration could serve as a model for the less effective savings and loan system. The Caja de Ahorros could possibly collaborate with the savings and loans to help them expand their own operations.

The Social Security Bank (Caja de Seguro Social). The Social Security Bank has been authorized to make loans for purchasing existing houses, for new construction and for home improvements. Resources for housing come from the regular payments made into the Social Security System as well as from a portion of the thirteen-month salary payments. The housing activities of the Social Security Bank are administered by the Mortgage Loan Department and the Department of Inspection whose staff of 7 includes one architect and 6 construction inspectors.

The Social Security Bank has two principal loan programs. It lends the proceeds of the thirteenth-month salary payment to the National Mortgage Bank. In 1976, B/13.7 million was lent in this way. Control over the use of these funds is completely in the hands of the MIVI. These funds are used to finance construction and project development at 9% for 25 years.

The Bank also lends directly. The maximum allowable loan is B/.30,000 for 90% of the value of the project at 7% interest for 25 years. B/.5 was lent directly to borrowers in 1976. For the years 1974-1976, 113 of the 676 loans made were to families earning less than B/300 per month. Only 20 of the loans were for less than B/5,000. (See Annexes 21 and 22 for the number and size of mortgage loans.

The National Bank of Panama (BNP) is the fiscal agent of the government and the repository of government funds. As a commercial bank, it also contributes to the housing sector. It maintained 40 branch offices throughout the country and employs approximately 1,500 people. The Bank has initiated interim financing programs of construction and provides funds to promote and to facilitate the initial phases of housing projects allowing up to 70% of the total investment. Table 11 shows the number of loans and their value for the years 1970 to June 1977.

TABLE 11

BNP INVESTMENTS IN HOUSING & OTHER CONSTRUCTION
(Million of Balboas)

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
No. of loans	317	432	550	2140	1903	863	538	162
Value	3.7	6.4	11.9	16.7	27.1	46.5	44.2	29.3

The sharp decline in Bank investment in housing reflects the current depressed state of the private sector housing market.

Private Sector

Savings and Loan Associations

The Savings and Loan Associations exist as independent entities responsible to the National Mortgage Bank for its regulatory control. There are five savings and loan associations located in the metropolitan area and the interior of the country: Central de Ahorro, Inversionista, ANAP, Chiricana, and Interiorana. Offices are located in Panama City, Colon, David and Chitre.

The principal sources of funding are the savings generated in the different associations and from credit extended to the associations by the BHN. The credit is used to finance the associations' housing projects and the projects are inspected by the technical staff of the BHN. The number of new accounts increased by over a third in 1977, but total savings of the five associations increased by only 5% in nominal terms. (Annex 23 presents the savings record of the five savings and loan associations in the past five years.) In the year ending July 1977, a total of 351 credit applications were approved for a total of B/2.9 million for mortgage loans on units developed by the five associations. (See Annex 24 for the lending record of the savings and loan system in the preceding five years.) In the past three years, the entire system has been financing about 30 units per month. ^{1/} Since the Savings and Loan system began, the system has financed a total of 2,367 units, a negligible effort when compared with the magnitude of the housing problem. (MIVI, it will be recalled, built 5,332 units in 1977 alone.) The five savings and loan associations system which comprise the system in Costa Rica, in contrast, financed 2,781 housing units during the first ten months of 1977-- an indication of the relative underutilization of the system in Panama. ^{2/}

The housing projects developed by the principal savings and loan association, Central de Ahorros, are predominantly condominium apartments although single family dwellings are developed as well. The average unit prices of savings and loan units in 1976 ranged from B/.8-15,000. Savings and loan associations are limited by law to a maximum loan of B/16,000 for at most 90% of the total value of unit cost. Terms are set by law at 9% maximum. ^{3/} Twenty years is the usual repayment period. Projects financed by the BHN through the savings and loans charged 6 and 7% for their mortgage money as shown in Annex 25.

The savings and loan associations have misjudged the market and are now holding approximately B/.4 million in outstanding AID financed units. The Central de Ahorros, for example, is holding unsold all or parts of four projects: Villa Norma, two 40-unit condominium apartments selling for \$13,500;

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- ^{1/} As noted earlier, even this low level of financing has confronted the market with a temporary glut of unsold housing in the present economic depression. This must be a temporary condition and certainly is unrelated to the potential demand for S & L financing.
- ^{2/} Boletin Estadistico Mensual, Sistema Nacional de Ahorro y Prestamos, Costa Rica, October 1977.
- ^{3/} The BHN had to subsidize the use of AID funds by absorbing a 1/8 percentage point to remain within the 9% legal limitation.

Bello Amor, 90 single family units selling for B/10,000; Chapala, 40 units repossessed by the BHN when the developer went bankrupt; and San Isidro, 166 units whose construction has been stopped because of cost overruns.

It has been pointed out that private sector developers do not have the construction standards flexibility that allows MIVI to reduce its costs and therefore its unit prices, such as the use of asphalt versus concrete for streets, hierarchies of circulation, etc. The loan process and approvals required by the BHN in its regulatory role have delayed acquisition and contributed to further tying up the limited funds available to the savings and loans for project development.

Credit Unions

The Federation of Credit Unions was founded in 1967 and consists of 87 cooperatives located throughout the country and organized into three regions.

	<u>Number of cooperatives</u>	<u>Number of members</u>
Region I	52	9,989
Region II	21	6,371
Region III	14	6,936
	<hr/>	<hr/>
Totals	87	23,296

Of the 87 cooperatives, 47 are categorized as urban and 40 as rural.

The Federation leadership indicated that the demand for housing and housing-related loans is so great that it reluctantly makes "housing" loans but on consumer terms, that is for a maximum of three years. Four housing related loan categories have been established. The categories are: 1) rent, repairs, improvements and purchase, 2) furniture, 3) land, construction of units, 4) other.

Data from the Federation of Credit Unions of Panama show that most of the loans are in category 1.

	Region I	Region II	Region III
1.	1,202,795	500,416	283,620
2.	71,090	8,605	9,364
3.	86,058	40,618	26,170
4.	<u>36,415</u>	<u>774</u>	<u>0</u>
S. Total	1,396,385	550,413	319,154

Total - B/2,265,925

Funds are made available to the member cooperative from the Federation at 9% and passed on to the borrower at 12%.

The Federation has expressed interest in developing a housing program if it could get long-term funds. The Federation's reluctance to become involved in housing with its present resources might be overcome if a secondary mortgage system is established. Its 87 branches represent another potential through which housing finance funds could be channeled for both home improvements and new unit construction programs.

Cooperative Housing Organizations

Housing cooperatives organized outside of public sector sponsorship have had a difficult time in Panama in obtaining financing for their housing programs. The two principal organizations that are attempting to develop cooperative housing projects have had to rely on international development organizations for funds, especially AID. The two organizations are the Panamanian Foundation for Cooperative Housing (FUNDAVICO) and the Nuevo Chorrillo Housing Cooperative.

FUNDAVICO is a private, non-profit foundation established in 1967 with the help of IVU (predecessor of MIVI) and AID. With an AID loan of B/3.5 million, FUNDAVICO developed an urban and rural housing cooperative program. 375 units were built in various rural areas; 602 urban units were constructed of which 55 were single family dwellings, which today would cost B/10-11,000/unit. The urban program comprised four separate projects, two in Panama City, one in Colon and one in David. The first three noted are multifamily construction with the David project comprised of single family units. The rural program involved fourteen separate cooperatives in six provinces. The four urban cooperative projects sponsored by FUNDAVICO are still managed, quite successfully, by FUNDAVICO. Good property management has not only resulted in regular and effective maintenance, but in minimal delinquency collection rates as well. Through proper functioning of the cooperatives' reserve funds, the FUNDAVICO cooperatives have remained completely up to date in their own payments to MIVI.

While FUNDAVICO has not pursued an aggressive or effective investment policy to date regarding the reflows, proper collection procedures have produced the availability of capital for the financing of additional cooperative housing. Discussions with FUNDAVICO's new management indicate that programming for new projects is underway.

FUNDAVICO's principal activity now is administering the units it built with its AID loan. Currently the FUNDAVICO staff numbers fourteen, including its project managers, accountants, and secretarial staff. The director could double as the staff architect should the need arise. Plans and specifications for new programs are prepared and land is now owned on which to build them but financing is not available at the terms FUNDAVICO wants or thinks it needs. Commercial bank interest rates of 12% are considered to be too high. FUNDAVICO has B/750,000 of its own funds with

which to work; but this is deemed insufficient to build a 200 unit project, the minimum number established by FUNDAVICO as a project that will pay for itself and its administrative, accounting and maintenance costs.

FUNDAVICO hopes for support through lines of credit from MIVI, but MIVI views FUNDAVICO as a technical assistance organization rather than a housing developer.

The Nuevo Chorrillo Housing Cooperative was established in 1973 in an attempt to respond to the demand for new housing by families living in the center city tenement district, Chorrillo. The cooperative leadership, after four years of searching for financing, obtained a loan from international sources, principally AID and the Inter American Foundation. It has initiated various programs of housing construction, building materials production and a transportation cooperative for the families that are to live in the housing cooperative project.

The Cooperative plans to develop 2,100 units eventually. The initial project is 700 AID-financed units. The Cooperative's members may select from three different alternatives ranging in cost from approximately B/5,100 to B/9,350. The down payment per unit ranges from B/600 to B/1,404. Loan terms are 10% interest for 27 years. (The Cooperative's program is outlined in Annex 26.)

Financing exists for the first stage of 700 units now being built but, as with other private sector cooperative groups, it has proved very difficult to secure additional financing. The Cooperative's vision of its role as a low-income housing developer conflicts with MIVI's view of the organization. The MIVI view is that cooperatives form for the sole purpose of providing dwellings to its own members and not to become a cooperative housing promoter creating pressure groups on government agencies. A new cooperative housing promoter would also duplicate the role FUNDAVICO has set for itself, although with limited success, and further cloud the already complicated cooperative housing picture.

Private Voluntary Organizations

Private voluntary organizations such as CARE and CARITAS have played no direct role in the shelter activities of Panama. They expressed their interest in the subject, however, and stated that they may consider becoming involved in rural housing. Their principal programs are establishing lunchrooms and building rural schools. Perhaps there could be a role for these PVO's in the provision of community facilities necessary to any integrated rural or urban shelter-development program.

Role of Community Participation in Housing Activities

Community participation is underutilized in Panama's shelter delivery system. Mutual aid and self-help activities are most evident in the squatter

dwelling which low income families build for themselves, in the additions and extensions of core units developed by public and private organizations, and in rural areas where the responsibility for construction of a dwelling has traditionally been resolved by communal and/or individual efforts.

Community participation in the public sector shelter programs of MIVI and HLC and private sector efforts such as the Nuevo Chorrillo Housing Cooperative is limited to the initial unskilled activities of digging ditches and assembling construction materials such as sand and gravel. In some instances, families who are to be benefitted from sponsored programs are consulted as to their preferences regarding floor plans, lot size and the spatial relationship of functional activities carried out in a dwelling; but the principal value imputed to self-help is labor.

The possible roles assigned to self-help as a cost control factor, a social development device, and a training mechanism vary greatly according to a shelter program's sponsor. MIVI at most assigns a cost control factor to self-help. Nuevo Chorrillo, on the other hand, views community participation as an integrated cost control factor, social development tool and training mechanism. The efforts and administrative costs required to develop the community participation component are justified from the perspective of the cooperative.

The MIVI's stated difficulty in developing community participation efforts is the administrative costs incurred in organizing, training and supervising such activities. This image of inflated costs reflects an implicit GOP policy that emphasizes a quality control level out of proportion to the dwelling being assembled. For a one-story, single family dwelling, the gain from careful control of dimensional tolerances is not as important as the potential gain from group efforts and skills training. This quality control attitude is manifest in the Emergency Plan now in operation. The Plan not only provides free materials to the lucky families selected to receive them but also the skilled labor required for their "proper" installation. The potential long-term benefits to be derived from greater reliance on self-help in the public sector are sacrificed for the short-term gains that housing visibility can lend to the GOP's quest for popular support.

Community participation is only slightly better utilized by the private sector in groups such as the Nuevo Chorrillo Cooperativa. In this instance, mutual aid is responsible only for digging the foundation trenches, building the block wall foundation, and pouring the rough slab. The rest of the standard unit is completed by contract labor. The cooperative plans to expand community participation by reducing the size of the unit being built to a core unit, thereby lowering costs and reaching poorer families. Core unit expansion will be supported by building materials loans administered and monitored by the Cooperative's technical staff.

The informal sector will continue to rely on itself to plan and develop its squatter communities. These same energies could be channeled to more readily developable areas if a reception area program were established to accommodate the continuing influx of low income families. Such programs would reflect a public sector policy more of working with low income families than doing everything for them.

Construction

The construction component of the shelter sector includes the following elements--construction companies, labor, materials, and technology. Through an enlightened contracts policy being implemented by the MIVI, 27 construction companies were contracted to build no more than 100 units each in the projects developed by MIVI. CAPAC estimates that there are an estimated 70-80 qualified companies operating in the Panama metropolitan area and secondary cities that gained experience in the early 1970's construction boom and through the distribution of MIVI work. Several companies have merged as the construction industry declined since the boom.

Both professional and construction labor is abundant. Newspapers report that an estimated 70% of Panama's architects are now unemployed and are pressuring MIVI to use national talents before hiring foreigners. To avoid having to import workers to supply the labor demand generated in the '73 boom, the Instituto de Formacion y Adiestramiento de Recursos Humanos (IFARHU) carried out extensive programs to train skilled construction labor, much of which is now unemployed. To complicate matters, the Labor Code made seasonal occupations permanent ones. While intended to promote job security among the construction labor force, it had the effect of contributing to the financial instability of construction companies already caught by construction cost inflation. In Panama contract adjustments are not made for price increases; and when extraordinary increases occurred, as those caused by the rise in petroleum prices, many companies went bankrupt. (See Annex 15 for a list of the increase in basic material costs between 1973 and 1977.) An adjustment in the Labor Code has since been made specifically to accommodate the situation of construction laborers.

An additional discordant note is the conflict that arises between (a) self-help shelter programs and their related construction training programs and (b) the already glutted construction labor market. The conflict does not arise because self-help takes jobs from the construction laborers, for their projects are quite different, but because more people are trained for an already saturated labor market. Self-help programs limit the mutual-aid responsibilities to unskilled activities. At most they provide the floor slab and then contract the skilled labor elements. This approach is appropriate for lower middle income families but not for the lower strata of the urban poor.

Only if the construction activities reach 1973 levels would there be any scarcities in essential materials such as cement and steel as there were then. The capacity of the national cement industry will be approximately 50,000 bags per month or more when the state plant initiates its operations in the near future. While much of this supply will be destined for the dam construction project, it is felt that there would still be sufficient supply for a growing construction industry. This is also thought to be true for the supply of steel, PVC tubes, wood and concrete block. ^{1/}

^{1/} Efforts should be made to develop Panama's underutilized forest resources for housing nevertheless.

Labor-intensive construction practices are employed by the majority of the national construction companies. MIVI is experimenting with a prefabricated panel system imported from Venezuela to build its Los Libertadores project. The wisdom of such a practice has been questioned by CAPAC and other organizations involved with the construction industry. Critics felt that MIVI needs a more consistent policy towards employment of the large number of unemployed labor, a problem felt to be serious enough to warrant initiating the Emergency Plan, and its mandate to provide shelter for the lower income groups.

It can be concluded that no problems are foreseen in the construction sector regarding the supply of materials, skills or services for shelter programs to be developed in the near future.

It is suggested that if "Los Libertadores" represents the beginning of a policy of public sector support of prefabrication, that decision should be reviewed. If "Los Libertadores" only represents an experiment or an isolated event, then it is advisable that MIVI review its research and development effort and orient that effort toward the investigation of low income family shelter needs and solutions.

Land

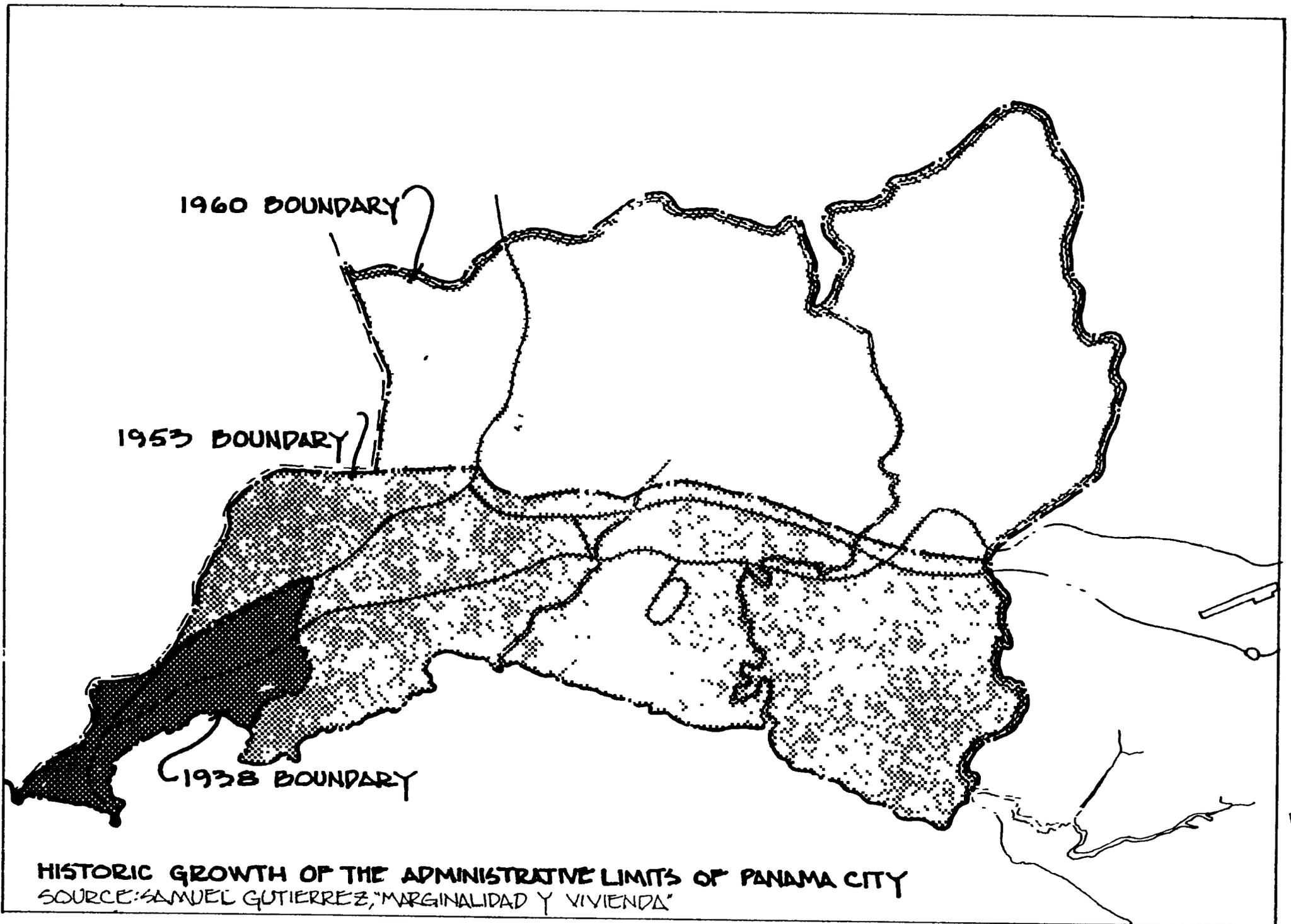
Land holdings in Panama in both urban and rural areas historically have been characterized by their relatively moderate size, although there are some recent indications of a tendency toward larger property concentrations that has been stimulated by and has contributed to the exodus of the rural population towards the cities.

Rural land for housing is allocated from the large areas that comprise the farm settlements (asentamientos campesinos). The large lots, ranging from 300-600 m², do not figure into the cost of the dwellings. With the exception of Colon, land availability for housing in secondary cities poses no problems. The land situation in Colon, however, is critical. Its amelioration depends on access to land now in the Canal Zone.

With the extension of the boundaries of Panama City, as shown in the following map, land on which to build public sector projects has been assembled through the acquisition of moderate sized parcels that were previously farmlands. In the central sectors, many owners are holding on to scattered vacant lots for speculation. There currently are no incentives or penalties on the books to encourage the sale or development of vacant property.

Public-sector land holdings scattered throughout the metropolitan area of Panama City constitute an informal land banking system from which MIVI can provide developable land as the needs arise. ^{1/} A breakdown of the list of 82 of the 84 properties indicating area is shown in the following chart.

^{1/} See Annex 10 for a list of land owned by MIVI.



MIVI Properties in Panama City

<u>Size (m²)</u>	<u>No. of Holdings</u>
0 - 1,000	30
1,001 - 10,000	26
10,001 - 50,000	12
50,001 - 100,000	8
Over 100,000	6

SOURCE: MIVI

Most of the lots less than 1,000 m² are located in Chorrillo. The other larger areas include Santa Ana, Calidonia, Curundu, Paitilla, Boca de Caja, La Loceria, Villa Caceres, Rio Abajo, San Miguelito, San Isidro, Las Cumbres, San Pedro and Juan Diaz (see map on next page). While this represents 470 ha, to which an additional 200 ha in Vacamonte can be added, the feeling in MIVI is that land banking is a risky business for them especially in and near current and former squatter communities and expansion areas in Panama City. Past experience indicates that the probability that state-owned lands would be invaded are very high. Since land banking is still an ad hoc activity, the acquisition of properties is passive. MIVI does not take the initiative in planning and locating specific properties for acquisition. Most acquisitions are made when a land owner brings his parcel to the attention of MIVI, a price is arranged and the deal closed. Such an acquisition policy creates problems in developing a specific parcel because it may not have or be near main infrastructure lines and the responsible agency may not be planning to install facilities in that area.

Expansion areas of Panama City lie in the northeast sector of the city and include San Miguelito, Juan Díaz, Pedregal, Samaria and Tocumen. The other principal area for expansion is Arraijan where Nuevo Chorrillo is developing its cooperative project and where MIVI has 200 ha in Vacamonte. The northeast sector and Arraijan are the scene of much of the construction activity going on in the city, including the San Miguelito Community Upgrading program being financed by a \$15,000,000 AID loan. ^{1/} The installation of infrastructure in this area will increase the utility of the large tracts of land still available in the area. ^{2/}

Undeveloped land costs of B/.75 - B/1.00 per m² in areas such as Juan Díaz, Pedregal, and other areas in the city's expansion zones have little effect on the cost of a dwelling. It is urbanized land that affects price, the cost per linear meter ranging between B/8-12. This cost includes infrastructure installation as well as site development and grading. Only in limited instances is grading a factor since land configurations are not topographically difficult, varying from flat to rolling low hills. A notable exception is the MIVI project in Santa Isabel being developed on a difficult site that required extensive cut and fill. Land costs in center city locations of B/50-60/m² in Marañon and Chorrillo dictate different land use for the area. Marañon is to be developed as a commercial district with a complement of high rise apartments. In Chorrillo, a different physical development form is required. The usual interpretation devised by MIVI (with very mixed results) is high rise apartments. While a high density is necessary to control costs per unit, medium rise solutions could prove to a more appropriate physical design in order to avoid the socio-cultural adaptation problem so evident in towers built for the urban poor.

The public authorities have seldom used their powers of eminent domain to assemble parcels for development. The only recent instance of land acquired through eminent domain mentioned in interviews was for the land on which the Los Andes Project is being built by the High Level Commission of San Miguelito.

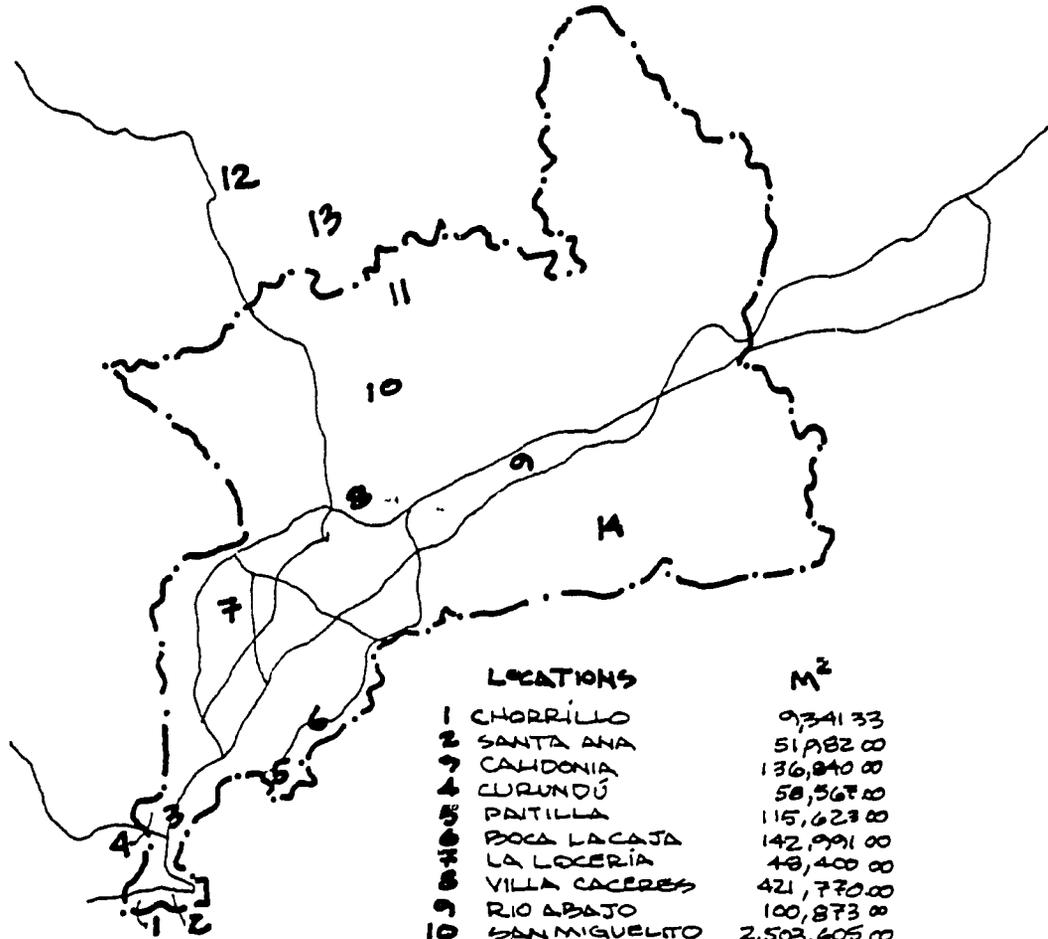
Another tool that has been developed to facilitate land acquisition and the resolution of land tenure problems in squatter areas is the Special Notary (Notaría Especial) as a section of the MIVI. The Special Notary was created by Decree #262 on July 30, 1970 to establish and register transactions involving the sale of land and dwellings. Before the Special Notary was established, keeping records of such transactions was difficult and delayed the acquisition process, causing loss and delay to those acquiring property. A micro film system for land registration is being planned for the near future.

It can be concluded that there is adequate land available in the current expansion areas in the northeast sector of Panama City and that the areas west of the canal represent an alternative expansion area in Chorera and Arraijan. A closer coordination between MIVI and organizations responsible for services and infrastructure will be necessary in order to make efficient use of the properties owned by MIVI. If this coordination is not achieved, MIVI will of necessity have to design, plan and contract project infrastructure--an expedient but redundant procedure.

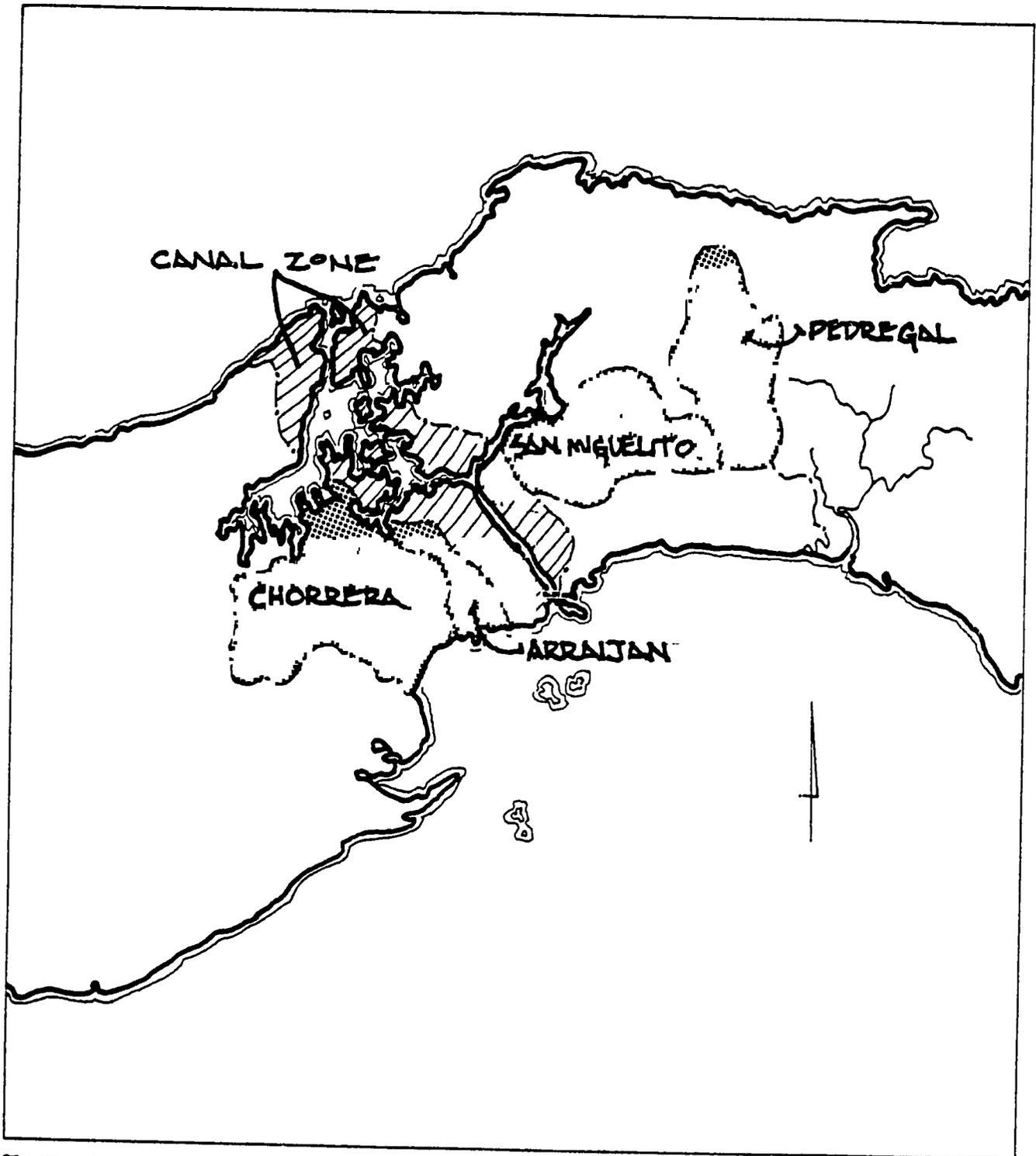
^{1/} See map on next page.

^{2/} See maps on pages 75 and 76.

MIVI PROPERTY LOCATIONS



	LOCATIONS	M ²
1	CHORRILLO	9,341.33
2	SANTA ANA	51,982.00
3	CAHDONIA	136,840.00
4	CURUNDÚ	58,567.00
5	PATILLA	115,623.00
6	BOCA LA CAJA	142,991.00
7	LA LOCERIA	48,400.00
8	VILLA CACERES	421,770.00
9	RIO ABAJO	100,873.00
10	SAN MIGUELITO	2,503,605.00
11	SAN ISIDRO	466,974.00
12	LAS CUMBRES	40,359.00
13	SAN PEDRO	283,990.00
14	JUAN DIAZ	266,581.00



EXPANSION AREAS OF PANAMA CITY... 

Infrastructure

The principal agencies responsible for the provision and maintenance of basic infrastructure servicing existing and new housing are the National Institute for Water and Sewage (IDAAN), the Institute for Hydraulic and Electric Resources (IRHE), and the Ministry of Public Works (MOP).

IDAAN: IDAAN is an autonomous entity of the state responsible for the installation and maintenance of water and sewage system throughout the country. To facilitate this broad coverage, branch offices are maintained to serve the metropolitan area of Panama City, the western section of the Province of Panama and each of the other provinces. A staff of approximately 1,600 people is employed. The technical staff is located in Panama City. (See Annex 11.)

IDAAN programs include urban and rural potable water and sewage systems. IDAAN operates and maintains 144 water systems through which 32,000 million gallons pass, benefitting 940,833 inhabitants throughout the country. In 1968, IDAAN operated and maintained 65 water systems, or less than half the number currently providing service. In 1977, 115,223 individual connections were operating.

IDAAN operated and maintained 16 sewage systems serving 634,567 persons. IDAAN has stated its desire to expand coverage but it is limited by the financial framework within which it has had to work. Plans for extending and enlarging present systems focus on urban projects in the Metropolitan Area (Panama-Colon): a water system for Colon, expansion of the system of Chorrera, the installation of main lines to the Arraijan-Vacamonte area, the rehabilitation of the water and sewage systems in the old center of town, the clean up of the Bay into which the city's sewage is dumped untreated, and the provision of water and sewage systems to the San Miguelito district. The provision of services to the San Miguelito area forms part of the upgrading efforts being carried out with the 15 million loan from AID. The following maps indicate the areas to be served now and those scheduled for service in the future.

The capacity of the water systems in the metropolitan area can absorb new developments and still maintain sufficient resources for emergency supply. The current emergency storage capacity is 14 million gallons, which is sufficient to supply Panama City for 14 hours. Including San Miguelito demands, the water reserves will last 10 hours which IDAAN feels is adequate.

Variable standards form no difficulty for IDAAN. Their programmed installation of communal water taps in San Miguelito represent the flexible IDAAN policy and its potential to provide incrementally developed services to low-income families. In this instance, a paid community resident would collect the B/2.00 per month fee consistent with IDAAN's policy of charging and collecting for the services it renders. IDAAN's use of PVC tubing facilitates future connections at a fifth of the cost of using metal tubing.

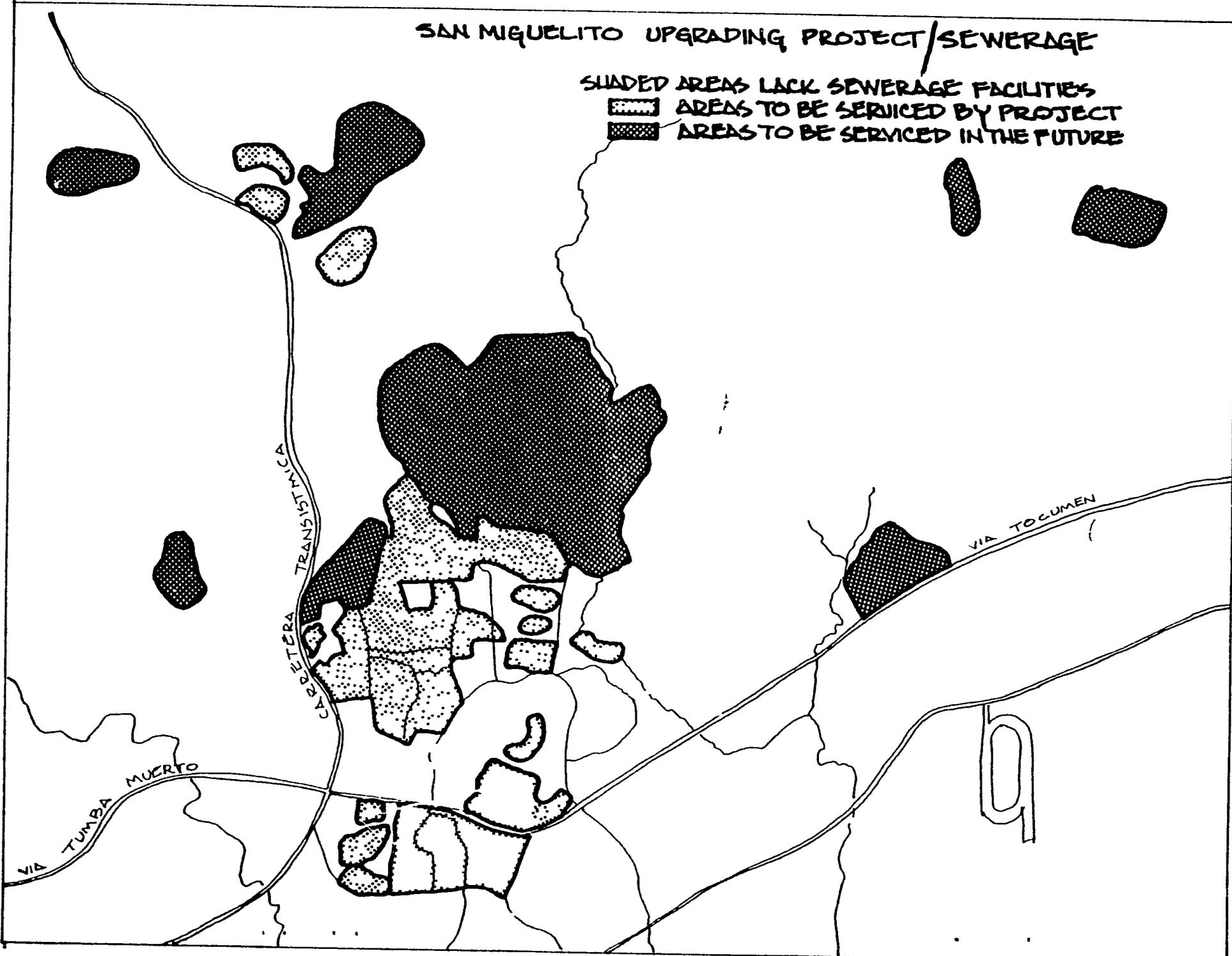
SAN MIGUELITO UPGRADING PROJECT/WATER

SHADED AREAS LACK WATER FACILITIES
[Solid black box] AREAS TO BE SERVICED BY PROJECT
[Dotted box] AREAS TO BE SERVICED IN THE FUTURE



SAN MIGUELITO UPGRADING PROJECT/SEWERAGE

SHADED AREAS LACK SEWERAGE FACILITIES
[Dotted pattern] AREAS TO BE SERVICED BY PROJECT
[Cross-hatched pattern] AREAS TO BE SERVICED IN THE FUTURE



In the interior, IDAAN plans to provide water purification plants in the cities of Chitre and Puerto Armuelles, and 7 systems to small towns. The IDB financed water project will build 30 new rural aqueducts and expand and improve 8 other water systems.

The relationship between IDAAN and the Ministry of Housing needs to be reviewed. Coordinated project programming requires at least one year's anticipation. MIVI's financing of on-site and off-site infrastructure installation highlights the coordination difficulties.

IRHE: IRHE is an autonomous agency of the state responsible for the installation, operation and maintenance of electrical systems to urban and rural areas. The first and second units of the new hydroelectric plants at Bayano have been placed into operation in spite of a drought that affected water levels. The generation of hydroelectric power has permitted substantial savings in the use of petroleum to run the power plants at Colon. The Bayano plant is but the first of three hydroelectric projects being carried out. In early 1979, the La Estrella y Los Valles Plants will begin to function in the Boquete region and the La Fortuna hydroelectric plant, which will provide 2.2 times the output of the Bayano plant, is to be initiated.

To channel the supply to users, IRHE maintains 34 branches employing 3,465 persons that run the 46 electric plants now in operation. (See Annex 12.) Installation charges are included in service charges and recovered through monthly tariffs. For rural electrification systems, community power plants are used only if their location is too far removed from the main power lines. There are 24 individual systems now in operation. Where applicable, self-help (digging holes for the posts, gathering construction materials) is used to keep costs down in rural areas. (Annex 13 presents IRHE cost figures.)

IRHE standards are used by MIVI in the development of electrical systems in MIVI projects. However, coordination between the two entities needs to be improved. IRHE scheduling problems has held up the adjudication of approximately 260 units which MIVI has completed because electrical connections are still lacking.

MOP: The Ministry of Public Works is a direct dependency of the central government responsible for the design, construction and maintenance of roads, paths, and sidewalks in urban and rural areas. The Ministry maintains 9 branch offices throughout the country, as well as the main office in Parama City, and employs approximately 3,000 staff. It is also responsible for public buildings in the Metropolitan Region. (See Annex 14 for the organizational chart of the MOP.)

The Ministry's programs currently focus on its rural feeder road program in which 350 kilometers of roads will be built, financed in part by a \$43 million loan from the IDB. The Ministry operates a decentralized planning program, each province being responsible for presenting its plan to the central office. The Provinces of Herrera, Los Santos and Chiriqui have their own equipment to facilitate project implementation and maintenance.

MIVI's relationship to the Ministry of Public Works as with the other state agencies responsible for essential infrastructure in housing programs, is to clear specifications and plans that MIVI is to design, finance and develop. With the prior inspection approval of the MOP, the roads, sidewalks and drainage systems pass over upon completion to the MOP for maintenance. This procedure is consistent with the MOP's policy of pursuing its own plans first and then supporting other agencies and their programs. The notable exception is the San Miguelito upgrading project in which the MOP will be responsible for about 40 kms. of streets and sidewalks to be paved and/or improved, benefitting approximately 4,000 families. Close coordination will be required especially with IDAAN's installation of the water and sewage systems for MOP's work to proceed. 1/

Self-help activities are incorporated into the MOP's rural road programs where the communities are responsible for paying the equipment operators and the MOP provides equipment on weekends to maintain roads.

Environmental Considerations

The physical and economic development of Panama's natural resources has occurred largely in a laissez-faire manner and on a relatively small scale until now. The deforestation and soil depletion resulting from agricultural use of the land have impacted the natural ecosystems in the Metropolitan region and the Central and Western Regions in the Pacific coastal area over the past fifty years or more. Utilization of Panama's natural resources other than land has been limited. Consequently, significant degradation and major imbalance to the country's natural ecological systems have not been experienced to date. The goals of environmental and developmental interests need not and should not conflict. They can be mutually reinforcing.

Concern for Panama's long-term economic development and environmental quality is raised for a number of reasons. First, past and present development actions have tended to be in response to immediate short-term needs without due consideration to the potential long-term costs and benefits they create. Second, few protective measures have been used to mitigate or monitor the possibly irreversible deterioration of resources being developed. Third, development programs are placing a strong emphasis on the quantitative dimensions of increased productivity to the detriment of qualitative concerns. The importance of integrating social aspects such as community participation, utilization of unemployed or underemployed labor, social values, attitudes and life styles of groups directly impacted should not be overlooked. Fourth, the overlapping of administrative responsibilities in the areas of resource planning and economic development, land use, infrastructure, public services, and environmental protection and conservation among ministries and

1/ MOP will coordinate with six other Panamanian agencies and two AID offices-- MIPPE, IDAAN, IRHE, MIVI, Municipality of San Miguelito, HLC, and USAID and RHUDO/PSA.

semi-autonomous agencies has resulted in conflicting use, mismanagement and destruction of the country's natural resources.

Metropolitan Region

The number of rural-to-urban migrants who have settled within the Metropolitan Region in the past ten to fifteen years has outstripped the capacity of GOP institutions to provide adequate basic infrastructure, community services, shelter solutions and employment opportunities. Addressing these emergency conditions has required the full commitment of the GOP's economic and human resources to avoid any serious risks to the public health and general well-being of the region's population. The commitment of time, personnel and money to resolve past and present urban growth problems has diminished the ability of GOP institutions to plan and prepare for the orderly growth and anticipated future expansion of the region's urban centers. Particular growth centers in need of critical planning and development controls include Panama City, Colon and the satellite communities of La Chorrera, Arraijan, San Miguelito and Tocumen.

Significant environmental concerns about the region's physical growth pattern and land uses are associated primarily with the following:

- 1) revitalization of the older sections of Panama City and Colon;
- 2) water supply and sewage treatment;
- 3) reforestation of the Panama Canal watershed; and
- 4) protection of environmentally sensitive areas.

Each of these concerns is briefly described and analyzed below. The concentration of rural migrants and urban poor into the older tenements of Panama City and Colon has accelerated the physical deterioration of existing residential buildings because of overcrowding and misuse. The magnitude of the physical and social problems in these areas has led the GOP to prepare preliminary plans for their revitalization through urban renewal. The probable demolition of this existing housing stock in favor of new housing solutions in the same general areas or in outlying areas of the urban centers poses potentially significant social, economic and cultural impacts. However, the serious physical deterioration of some tenement areas necessitates formulation of new housing solutions. In other areas the merits of neighborhood conservation need to be given special consideration. The establishment of urban settlements and farming operations within the Panama Canal watershed is beginning to cause a major sedimentation and contamination problem to the Metropolitan Region's water supply (Madden Lake/Lago Alajuela). None of the towns located between Panama City and Colon has a properly functioning individual or community sewage collection and treatment system. Since the discharges from these systems are only partially treated or not treated at all, sewage contaminants enter nearby natural water courses which drain into Madden Lake. In addition, these waters are being polluted by runoff

(non-point pollution) from surrounding agricultural lands. The extensive deforestation of vegetative cover within the watershed threatens to reduce the quantity of water available for the region's future urban needs as well as the operation of the Canal itself. Currently, an estimated 51,000 persons are residing in the Canal watershed, not including the urban centers of Panama City and Colon. As a result of the urban and agricultural uses of these lands, approximately forty-seven percent of the watershed's primary vegetation has been destroyed. Continued destruction and possible irretrievable loss of this critically important natural resource may be anticipated unless more effective controls are instituted.

A number of environmentally sensitive and ecologically unique areas which are important for their rich diversity of flora and fauna lie within and adjacent to lands controlled by the Panama Canal Company. These areas contain numerous rare and endangered species. (See Appendix A for listing of endangered species.) Critical areas identified by the Audubon Society, Gorgas Laboratory, RENARE and the Smithsonian Tropical Research Center which warrant protective conservation measures include:

- 1) the Pipeline Road Area;
- 2) Fort Sherman Forest-San Lorenzo Achiotte Road Area;
- 3) the peninsula between Barro Colorado and Trinidad Bay; and
- 4) the area south of Las Cruces and west of the road to Madden Lake.

Conservation of these areas in their natural state will provide not only the essential habitat for the preservation of rare and endangered wildlife species, but will also offer one of the few opportunities in the Americas to conduct biological research in a single location containing three distinct ecological communities between the Atlantic and Pacific Oceans. In addition, these areas represent potential resources which should be carefully managed and selectively developed.

Another important natural resource which has been drastically reduced by the process of urbanization is the mangrove marshes or wetlands along the Pacific coast. Immediately east of Panama City between the Juan Diaz watershed and the town of Chepo is the only significant mangrove area which remains in the province of Panama. Unfortunately, this area has been largely considered a wasteland. Because of the misconception that it has little or not value in its natural state, this area has been subject to landfill operations for development projects, cleared for agricultural uses and selected as a disposal site for Panama City's solid waste. The future preservation of this mangrove marsh and adjacent areas is critical to the maintenance of the coastal ecosystem. It is the principal source of nutrient material for the Bay of Panama's fisheries including shrimps, lobster, sardines, and various species of game fish. In addition to providing a source of food, it affords a protective breeding and nursery area in the critical life cycle of these marine resources. The continued destruction and eventual loss of this unique area could have significant financial effects on both local and national economies.

Central Region. Historically, this area has been continuously subject to both urbanization and agricultural development since the time of the Spanish empire. Because its soils have proven moderately to highly productive, the Central Region has been extensively settled. It contained approximately thirty percent (419,313) of the country's population in 1970. For a number of social and economic reasons the Central Region has been a principal staging area for rural migrants destined for the Metropolitan Region. This trend may be abated somewhat in the near future by anticipated growth of employment opportunities in agro-industries and related small businesses in the urban centers of this Region--Las Tablas, Penonome, Aguadulce, Chitre-Los Santos and Santiago.

A number of basic environmental problems confront the GOP in its efforts to promote the continued economic growth and physical development of this region. Water resources will play an important role in determining the Central Region's future growth potential. This is a critical factor and particular constraint for several reasons:

- 1) The amount of precipitation in the Azuero Peninsula, particularly in the coastal region between Pocri and Penonome, is limited to 1,000-1,500 millimeters per year.
- 2) The groundwater reserves are limited. In the dry season they drop significantly reducing the available quantity of water for agricultural irrigation, industry and domestic consumption.
- 3) Surface waters are similarly affected due in large part to the extent of deforestation which has reduced the capacity of the Central Region's watersheds to absorb rainfall in the wet season and to release it gradually in the dry season.
- 4) The future water requirements to support the growth and development of farm production, agro-industries and urban centers will be difficult to meet unless water resource planning and conservation measures are instituted.

Already the scale of industrial and urban development is beginning to create potential conflicts over the quantity and quality of water available for their respective uses. Depending on the point of water withdrawal, the quantity of water remaining in a stream and the subsequent water quality after these used waters are discharged back into a stream, utilization of the stream's waters may either be unfeasible or require costly treatment. Proper control over the use of the Region's waters is critical because of the increased dependency of the major urban centers on surface waters to supply their water needs. Currently the three principal sources of water pollution are believed to be raw and partially treated domestic sewage, agro-industrial discharges and agricultural runoff. The actual level of stream pollution and its potential significance is not known at this time because of the lack of data on stream flow, water quality and the quantity of point and non-point pollution. However, it should be noted that none of the community sewerage systems (septic tanks) serving the towns of Las Tablas, Penonome, Aguadulce, Santiago is operating satisfactorily.

The future level of water quality degradation may be expected to increase as the Region's economic development expands. Soil conditions are not generally suitable for use of individual or community septic tanks in any urban centers because of limited absorption capacity. Up to now, the prohibitive costs of constructing and operating sewage treatment facilities have encouraged the municipalities to use stream dilution as an interim solution.

Western Region. The most significant environmental concerns affecting the Western Region's present and future growth relate to its use of land and water resources. The types of soil and among the most productive found anywhere in Panama. Climate conditions are favorable; irrigation is not required to maintain crop production. To minimize the country's need for importation of basic food stuffs, it is important that the use of the Province's prime agricultural lands be fully developed and protected against conversion to less important land uses.

Deforestation of the watersheds in the upper reaches of Chiriqui has created serious problems of soil erosion and potential flooding. The reforestation and protection of these watersheds are vitally important to the development of Panama's hydroelectric capabilities as well as to the quality and quantity of water available for the Region's major urban centers of La Concepción and David. In addition, the marine fisheries in the Bahía de Charco Azul and Bahía de Muertos play an important role in the Region's economy. These areas are noted for their production of anchovies and shrimp. The long-term productivity of the Region will depend substantially on the availability and quality of its water resources. Thus, the level of water pollution must be more carefully controlled and monitored in the future to avoid possible health risks and to achieve the Region's economic growth potential.

Eastern Region. The extreme eastern and northwestern sections of Panama are somewhat identical in terms of their relatively undeveloped state, extensive forested areas, indigenous Indian population, and limited accessibility. Therefore, the following analysis, while written in the context of the Eastern Region, is applicable to the province of Bocas del Toro. The undisturbed or natural state of the Eastern Region and the potential manner in which this area is likely to be exploited in the context of Panama's present and future economic development program is of primary environmental concern. This area offers the country a reserve of resources of considerable magnitude which should be utilized and are capable of making a long-term contribution to the nation's economic stability and productivity. The degree to which this is accomplished is dependent on how the Region's resources are developed (degree of control) and when and how fast this development process takes place.

To optimize the economic potential of the Eastern Region, it is critical that appropriate studies be conducted to inventory natural resources and to study the ecological systems which are operating there and are vital to the maintenance of both human and wildlife communities. Based on data from such studies, it will be reasonably possible to assess the potential costs and benefits of alternative development strategies as well as the impacts of specific development proposals. This knowledge will enable decision-makers to make choices between sacrifices of resources and values and improvements in the standard of living and quality of life in Panama.

Environmental Standards, Controls, and Implementation

An examination of Panama's existing environmental legislation reveals a broad range of laws and regulations sufficient to address all of the critical areas of environmental concern facing Panama today. In addition, some implementing agencies have formulated and adopted specific environmental standards and control measures to provide a reasonable level of protection against health hazards and risks to the public's general well-being. However, the institutional capabilities of the primary agencies involved in the physical and economic development process--RENARE, MIVI, MOP, MPPE, MICI and MIDA--need to be strengthened in the area of environmental planning and protection. A significant gap between enabling legislation and the design, implementation and enforcement of practical environmental control measures needs to be bridged. With appropriate direction, planning, funding and coordination among the ministries at the national level, substantial improvement in environmental quality could be readily accomplished with Panama's existing technical capabilities.

In addition, the diffusion and overlapping of administrative responsibilities between different ministries and departments for the protection of environmental quality and the conservation of natural resources have hampered and frustrated public officials in carrying out effectively their legislative mandates. In practice, the lack of clearly defined roles and responsibilities has resulted in few ministries or governmental agencies adequately preventing the degradation of the environment. Improved coordination and cooperation between governmental bodies could substantially prevent or mitigate the significance of many adverse impacts from development programs and individual projects.

Several specific areas stand out where an improvement in existing design standards could eliminate or minimize the degree of environmental impacts during project construction or after construction is completed. The following guidelines suggest basic environmental areas for which improved standards and practices should be developed, or if existing standards are adequate, better enforcement is needed:

1. Conservation of Critical Areas

- a. Preliminary and final site development plans as well as construction plans should identify the location of environmentally sensitive areas. In addition, they should reflect appropriate protective measures for the conservation of these areas.
- b. Physical alterations to critical areas such as floodplains, wetlands, or marshes, tidal estuaries, and mangrove swamps should be minimized.
- c. Protective buffer zones should be planned and visually marked around critical and other areas designated for conservation (open space and recreation) prior to initiation of site clearing and grading.
- d. Intrusion into critical and other areas designated for conservation which would diminish their ecological or conservation value should be prohibited.

2. Erosion Control

- a. Conserve natural vegetative cover in areas of highly erodible soils such as steep slopes, drainage swales and along water courses.
- b. Minimize the extent of site grading and cut/fill operations. Site planning should attempt to reduce site preparation costs by honoring the natural topographic conditions to the maximum extent possible.
- c. Develop project sites in increments which can be completed in a single construction season.
- d. Reduce the amount of soil loss by constructing appropriate sedimentation control devices and re-establish vegetative cover on steep slopes and other erosion-prone areas.

3. Flood Prevention and Storm Water Control

- a. Retain steep slopes (20% or greater), stream valleys and drainage swales in their natural state to maximize on-site retention of storm and urban runoff.
- b. Reduce the amount of impervious surfaces (streets, paved ditches and parking areas) to minimize the amount of urban runoff.
- c. Design the storm drainage system to the extent possible to permit storage of storm waters and their gradual release.
- d. Prohibit the construction of residential structures within delineated flood plain zones.

4. Water Pollution Control - Sewage Treatment and Effluent Discharges

- a. Design of community septic tank and filtration fields should be based upon site-specific conditions of soil capability for absorption and percolation, drainage patterns, and location of project land uses.
- b. Quality of discharged sewerage effluent should be commensurate with environmentally sound standards to assure protection of both human and natural resources. Level of water quality degradation should be based upon the knowledge of stream flow conditions, fishery resources, and existing uses of the waters in receiving streams.
- c. Standards regulating the minimum distance between sewage treatment facilities (plants, filtration fields, and discharge points for effluent) and residential areas should be sufficiently strict to minimize potential health hazards to these populated areas.
- d. Operation and maintenance of sewage treatment systems should be periodically inspected on a regular basis to assess the operational efficiency and quality of treatment. Corrective actions should be taken promptly if malfunctions or other problems are observed.

Immediate Short-Term Actions to Improve Existing Environmental Problems

Before long-term strategies and implementing actions are recommended to protect and enhance Panama's future environmental quality, the first priority should be placed on correcting or controlling any existing significant environmental problems. At present the most serious threat to the quality of life for inhabitants of existing urban centers is water pollution. The primary cause of these contaminated waters is attributed to malfunctioning sewage treatment systems and to a lesser degree to other point-source discharges. To deal effectively with this problem, the location, inspection and evaluation of all point discharges into water courses and bodies of water located in inhabited areas should be examined. Alternative actions to correct these problems should be formulated and studied. These might include:

- 1) the repair and/or cleaning of existing sewage systems to improve the quality of discharge sewerage effluent;
- 2) discontinuance or phase-out of the use of facilities which are serious polluters and are not repairable;
- 3) the extension of existing sewage discharge lines to increase the distance between inhabited areas and the point of discharged raw or partially treated sewage to minimize the potential of human contamination and nuisances of insect breeding, odors, etc.; and
- 4) clearing the water courses into which sewage is discharged of debris and maintaining them to facilitate the runoff of these waters as quickly as possible.

In addition, the planning of new shelter projects which may be located within or adjacent to existing housing developments, should give special consideration to the design capacity and operational efficiency of existing treatment facilities if they are to be utilized. Revised sanitary standards/practices should be considered in the design of new sewerage systems. Similarly, the site selection and design process of future projects should incorporate environmental guidelines.

Long-Term Actions to Protect and Enhance Panama's Environmental Quality

The long-term economic growth and physical development of Panama should take into account an ecological appraisal of all facets of development planning. A broader perspective should be introduced into the planning for shelter, land use, infrastructure and public services. At present, development projects tend to be conceived, designed and executed on the basis of the particular interests of the implementing agency without a thorough analysis of its impact on other areas. The development of environmental sensitivity among the technical staffs of MIVI, MIPPE, MOP, IDAAN and possibly others could be accomplished in either of two ways:

- 1) a short training course for existing staff members; or

- 2) creation of a separate position for an environmental specialist with a technical background within each GOP agency. However, the development of this capability within each agency does not negate the critical need for improved coordination between agencies on development projects.

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THE NEW POLITICAL ORGANIZATION OF
THE REPUBLIC OF PANAMA

It would be incoherent to attempt an outline of the new political organization of the Republic of Panama without prefacing the outline with the reasons which motivated the change and the results sought to be drawn from such change.

Taking into consideration the ultimate goals which are the strengthening of the individual rights and the nation. In 1968, when the Government of Panama changed hands, the new government called itself a Revolutionary Government. Justification for this classification of the new government is found if we think of revolution as "The unleashing of fundamental social forces needed for the existence, preservation and the development of society".

In other words, the change of government was a needed social reaction and among the causes acting to bring forth the resulting change was the need for representation of the majority of the people of Panama and the need for reapportionment.

A vehicle was needed to make known to the decision making bodies of the new government the voices and needs of the small units which compose the Panamanian society, units usually dispersed demographically in the more than nine thousand seven hundred and twenty population centers of which the majority comprise from one hundred to three hundred inhabitants at the most.

Legislating by decree, an assembly of five hundred and five representatives was appointed after a freely held election in 1972. This assembly in turn approved, in the same year, the New Constitution of the Republic of Panama which provides the basis for the new political organization of the Republic.

To carry out the purpose of the new government; that is, "government truly by the people", an old democratic principle which seemed to have been applied for generations in the Republic but had only created pressure groups and uneven development throughout the nation, preserving in many cases only the status quo of those in power who used their elective offices to strengthen their position in the community, both socially and economically, the country was dissected into five levels in which the power structure would rest.

Thus we have The National Level, The Provincial Level, The Municipal Level, The Community Level and The Local Level.

The National Level refers to the entire country, the Municipal Level to a geographical district, the Local Level to an area or neighborhood, etcetera.

Special ruling bodies were then created or adopted to fit the new ideological purposes in each level.

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For The National Level we find the National Legislative Council and the National Assembly of Representatives as principal representatives of the popular will. As collateral representatives of the will of the people we find the President of the Republic, the Vice-President and the Head of State, together with all the Cabinet Ministers and the Directors of Autonomous and Semi-Autonomous Entities.

In The Provincial Level we find the Provincial Coordinating Council and the Governor of the Province.

In The Municipal Level there is the Municipal Council and The Mayor.

In The Community Level there is the Community Council and the "Corregidor".

In The Local Level we have the Local Council and the Regent.

An illustration of how these different levels of government are joined to comprise the Executive, Legislative and Judicial Branches of the Government can be seen in Annexes "A" and "B" attached hereto.

The different power structures from the local to the national level do not counteract each other but harmoniously carry out the purposes which originated them due to the fact that each has specific functions and faculties.

In The National Level, the National Assembly of Representatives, which is comprised by as many members as correspond to the number of "corregimientos" as there be in the geo-political subdivision of the country, has as primary functions those established by Article 143 of the Constitution of 1972.

Its most important functions are: "To elect the President and Vice-President of the Republic; to elect its own Directors; to select a Magistrate for the Electoral Tribunal; to grant leave of absence to the President of the Republic for periods of more than three months; to receive the annual reports from public officers regarding their activities and to supervise their functions".

By virtue of Article 277 of the new Constitution, the Assembly also conferred special powers to Brigadier General Omar Torrijos Herrera, recognizing him at the same time as Supreme Leader of the Revolutionary Government and Head of Government.

The legislative functions of the National Assembly are provided for in Article 141 of the Constitution and are the following:

1. To approve or reject public treaties signed by the Executive.
2. To declare war and authorize the Executive to negotiate peace.
3. To approve or disapprove changes in the political division of the national territory proposed by the National Legislative Commission.

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4. To grant amnesty for political offenses; and
5. To approve its internal rules and regulations.

The National Assembly of Representatives is also vested with judicial functions which are exercised through a committee formed by the Directors of the National Assembly of Representatives and three representatives from each of the nine provinces and one representative of the San Blas Political Reservation.

This committee is competent to judge accusations made against high government officials.

The National Legislative Council shall be composed of the President and Vice-President of the Republic, the President of the National Assembly, the Ministers of State and the members of the Legislative Commission.

The members of the Legislative Commission shall have the right to voice and vote in the National Legislative Council and may initiate legislation.

Their functions are those established in this Constitution and in the law.

With the exception of those falling within the competence of the National Assembly, the National Legislative Council shall enact the laws necessary for fulfillment of the purposes of the State and the performance of the functions of the Government set forth in this Constitution, and in particular for the following:

1. To enact, put into effect, amend or repeal the national codes;
2. To determine the number and titles of the Ministries of State and to assign their functions to them;
3. To limit and regulate the awarding of vacant lands;
4. To decide upon the use of national property for public purposes;
5. To decide upon the transfer of movable and immovable national property;
6. To approve the Budget of Revenues and Expenditures of the Republic and to decide upon supplementary or special appropriations in relation thereto;
7. To establish taxes, assessments, revenues and official monopolies;
8. To establish administrative departments with internal autonomy, interministerial agencies and technical councils;
9. To establish and organize public services;

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10. To determine the standard, weight, value, form, type and denomination of the national currency; and
11. To approve its internal regulations.

The National Legislative Council shall propose modifications of the political division of the national territory to the National Assembly, for its approval or rejection.

Laws may be proposed by the members of the National Legislative Council. The Provincial Coordinating Councils shall propose laws through the President of the National Assembly.

Proposed laws shall be approved in a single debate by an absolute majority of the members of the Legislative Council, which shall hold such consultations as may be necessary with the Provincial Coordinating Councils and the national groups which may be affected by the proposed legislation.

The National Legislative Council may request oral or written reports from public officials and may require their appearance at meetings, stating the purpose thereof, when it deems this necessary to elucidate the discussion.

The qualifications for members of the Legislative Commission are the same as those for Ministers of State. (Panamanians by birth of at least 25 years of age, not having been convicted of a crime against the public order).

The President of the National Assembly and the members of the Legislative Commission shall receive the remuneration determined by the Executive Organ.

The Provincial Coordinating Council has as a primary function to "promote, coordinate and conciliate official activities to avoid duplicity of functions, and attain a simetry in government policies and a better coordination in the work of governmental agencies".

This organism pretends to return hierarchy to the governor as political director and representative of the President in the provincial level.

It also serves as a consultation body for those projects of laws with direct impact in the provincial and lower levels.

The Provincial Coordinating Council has a Board of Directors composed of a President, a Vice-President (who must be one of the Representatives) and a Secretary. It also has a Technical Board which is made up by the Governor and all public officials in the Provincial Level and "Working Committees" formed by the Representatives of that respective province.

Another important function of the Provincial Coordinating Council is to prepare an annual program of development in the provincial level. This program is to be submitted to the Ministry of Planning and Economical Development for study, approval and inclusion in the recommendations for the National Budget of the year.

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Finally, this organism can submit projects of laws to the National Legislative Commission through the President of the National Assembly of Representatives.

Next in the structural level is the Municipal Council. This organism is regulated by Law 106 of October 8, 1973, and has among its most important functions the planning, in conjunction with the Ministry of Planning and Economical Development, the development policies for the District and the "corregimientos"; to carry out said development programs; to prepare and approve the program of public investments in the Municipal Level. The Municipal Budget and the Public Works plan for the respective district.

Among its political activities, the Municipal Council must select the Mayor of the District from a list of candidates submitted by the Governor of the Province.

The Community Council, the next link in the chain of power, is the expression of the popular will and is regulated by Law 105 of October 8, 1973. Its primary function is to motivate and channel the activities of the community in the direction most beneficial to the whole. It is an effort to develop the community spirit and convert it into community action in the cultural, political and economic aspects.

It is composed of the Representative for the respective "corregimiento", the "corregidor" and three residents. Its specific functions as provided for in Law 105 are:

- To determine the needs of the "corregimiento" and seek out the solutions therefor.
- To help and contribute to the enhancement of the capabilities of the residents.
- To develop activities which foment and stimulate education, culture, recreation and sports among the residents.
- To conciliate neighborhood problems.
- To help in the adjudication and/or award of scholarships.
- To adjudicate licenses for the sale and distribution of alcoholic beverages.
- To celebrate marriages in accordance with the provisions of the law.
- To participate in housing committees.
- To regulate the functioning of the local council, to appoint the agents and to present lists of candidates for regents to the Mayor.

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Finally, in the basic or grass roots level, we find the local council. Their main function is to help the Community Councils in the study and solution of the problems of neighborhoods, regencies or areas.

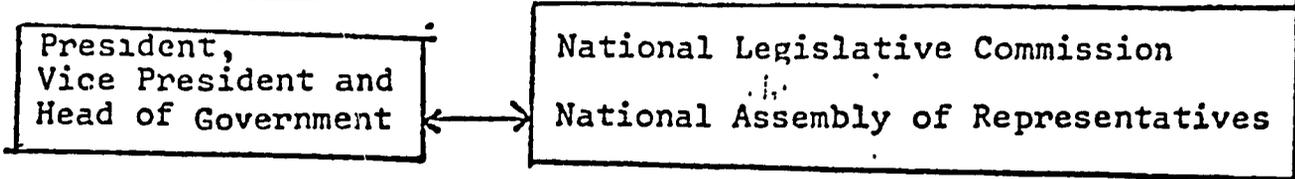
These bodies being composed of people in the basic social nucleus, constitute an instrument to detect the existing problems of the "people" and to transmit to the "people" the measures adopted at the higher levels.

As we started with a preface, it is in our view important to end this outline with an epilogue to merely state that this system, whether new or adapted, whether simple or complex, is working in the Republic of Panama. It has given its people the true feeling of representation and resulted in uniform growth and development of the country and its population in all its geopolitical levels.

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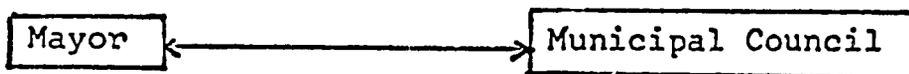
I. NATIONAL LEVEL



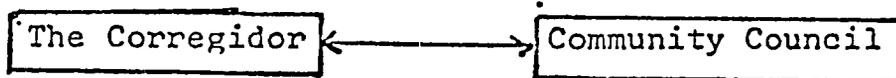
II. PROVINCIAL LEVEL



III. MUNICIPAL LEVEL



IV. COMMUNITY LEVEL



V. LOCAL LEVEL



D.

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EXECUTIVE POWER

President - Vice President - Head of Government and Cabinet Members - Governor - Mayor and other local officials.

LEGISLATIVE POWER

National Legislative Council	and	National Assembly of Representatives
<u>Note:</u> The functions of The National Legislative Commission and those of The National Assembly of Representatives are complementary and exclusive of each other's functions.		
		Provincial Coordination Council
		Municipal Council
		Community Council
		Local Council

JUDICIAL POWER

Civil and Criminal Courts and National Assembly Labour Courts.

ANNEX 2

Population Growth Rates of
Provinces and Urban Areas in Panama, 1930 to 2000

<u>Province and Urbanized Area</u>	<u>Average annual growth rate (%) based on enumerated population</u>				<u>Average annual growth rates (%) based on projected population</u>		
	<u>1930- 1940</u>	<u>1940- 1950</u>	<u>1950- 1960</u>	<u>1960- 1970</u>	<u>1970- 1980</u>	<u>1980- 1990</u>	<u>1990- 2000</u>
National Total	2.87	2.57	2.89	3.01	2.97	2.72	2.43
<u>Bocas del Toro</u>	0.42	3.04	3.76	3.07	3.26	2.66	2.73
<u>Choclé</u>	1.44	2.71	2.42	2.51	2.46	2.20	1.99
<u>Aguadulce</u>	1.32	3.53	2.84	3.19	3.00	2.63	2.48
<u>Penonome</u>	-2.82	3.74	1.94	1.83	1.85	1.40	1.60
Remainder	1.72	2.58	2.41	2.47	2.42	2.18	1.94
<u>Colón</u>	3.12	1.43	1.57	2.57	2.19	1.95	1.55
<u>Colón</u>	3.47	2.48	1.72	2.75	2.35	2.21	1.74
Remainder	2.46	-1.09	1.10	2.00	1.64	1.00	0.74
<u>Chiriquí</u>	3.69	2.17	3.10	2.40	2.61	2.53	2.09
<u>David</u>	6.04	4.76	4.34	6.13	4.04	3.64	3.11
<u>Puerto Armuelles</u>	15.23	5.44	6.25	1.22	2.84	3.72	2.66
<u>La Concepción</u>	1.95	3.48	7.57	3.69	4.31	3.56	3.32
Remainder	3.30	1.71	2.58	1.71	2.11	2.02	1.56
<u>Darién</u>	1.09	-0.18	2.95	1.49	1.95	1.32	1.24
<u>Herrera</u>	2.05	2.73	2.08	1.72	1.83	1.89	1.47
<u>Chitré</u>	1.48	4.61	2.27	4.64	2.60	2.50	2.13
Remainder	2.17	2.33	2.03	0.86	1.54	1.63	1.17
<u>Chitré-Los Santos (Urbanized Area)</u>	1.28	4.22	2.20	4.20	2.48	2.37	2.01
<u>Los Santos</u>	1.86	2.13	1.39	0.27	0.64	0.99	0.40
<u>Los Santos</u>	0.67	2.89	1.91	2.32	1.91	1.68	1.31
Remainder	1.91	2.10	1.36	0.16	0.56	0.95	0.33
<u>Panamá</u>	4.18	3.60	4.05	4.64	4.05	3.45	3.15
<u>Panamá City</u>	4.68	3.78	4.27	4.75	4.18	3.58	3.22
Remainder	1.62	2.41	2.45	3.61	2.82	2.01	1.87
<u>Veraguas</u>	2.01	2.30	2.08	1.51	1.69	1.71	1.30
<u>Santiago</u>	6.53	3.25	3.95	5.44	3.89	3.08	2.61
Remainder	1.82	2.25	1.95	1.17	1.42	1.51	1.07

Source: Inter-American Development Bank, "Demographic Trends and Urbanization in Panama." R.W. Fox and J.W. Huguer, Washington, D.C. 1977.

ANNEX 3

Enumerated and Projected Population of Provinces
and Urban Areas in Panama, 1950 to 2000

<u>Province and Urbanized Area</u>	<u>Enumerated Population in Thousands</u>					<u>Projected Population in Thousands (midyear)</u>		
	<u>1930</u>	<u>1940</u>	<u>Dec. 10 1950</u>	<u>Dec. 11 1960</u>	<u>May 10 1970</u>	<u>1930</u>	<u>1990</u>	<u>2000</u>
National Total	467.5	622.6	805.3	1,075.5	1,423.1	1,930.8	2,532.8	3,230.2
<u>Bocas del Toro</u>	15.9	16.5	22.4	32.6	43.5	60.6	79.1	103.9
<u>Chocó</u>	48.2	55.7	73.1	93.2	118.0	151.4	188.5	230.0
Aguadulce	3.7	4.4	6.3	8.4	11.4	15.4	20.0	25.7
Penonomé	3.2	2.4	3.5	4.3	5.1	6.1	7.0	8.7
Remainder	41.1	48.9	63.3	80.5	101.6	129.9	161.5	196.1
<u>Colón</u>	57.2	78.1	90.1	105.4	134.3	167.7	203.9	238.0
Colón	36.9	52.3	67.0	79.5	103.0	130.8	163.1	194.0
Remainder	20.2	25.9	23.2	25.9	31.3	36.9	40.8	44.0
<u>Chiriquí</u>	76.9	111.2	138.1	188.4	236.2	307.8	396.6	488.0
David	5.0	9.2	14.8	22.9	40.8	61.8	89.0	121.5
Puerto Arruelles	0.7	3.3	5.7	10.7	12.0	16.0	23.2	30.2
La Concepción	1.8	2.2	3.1	6.5	9.2	14.3	20.4	28.5
Remainder	69.4	96.5	114.5	148.2	174.1	215.7	236.9	308.6
<u>Darién</u>	13.4	14.9	14.7	19.7	22.7	27.7	31.6	35.7
<u>Herrera</u>	31.0	38.1	50.1	61.7	72.5	87.3	105.5	122.3
Chitré	5.3	6.2	9.8	12.3	19.0	24.7	31.7	39.7
Remainder	25.7	32.0	40.3	49.4	53.6	62.6	73.8	82.6
Chitré-Los Santos (Urbanized Area) a/	7.1	8.1	12.4	15.4	22.9	29.5	37.4	45.7
<u>Los Santos</u>	41.2	49.6	61.4	70.6	72.4	77.2	85.3	88.8
Los Santos	1.8	2.0	2.6	3.2	3.9	4.8	5.7	6.4
Remainder	39.4	47.7	58.8	67.4	68.4	72.5	79.7	82.4
<u>Panamá</u>	114.1	173.3	243.3	372.4	576.6	870.2	1,228.7	1,679.1
Panama City	92.9	148.4	216.6	331.8	519.6	794.3	1,135.9	1,567.6
Remainder	21.2	25.0	31.8	40.6	57.0	75.9	92.8	111.5
<u>Veraguas</u>	69.5	85.0	107.0	131.7	151.8	180.2	213.7	243.0
Santiago	2.2	4.3	5.9	8.7	14.6	21.7	29.5	38.0
Remainder	67.3	80.7	101.1	122.9	137.3	158.5	184.3	205.0

Source: InterAmerican Development Bank. "Demographic Trends and Urbanization in Panama." R.W. Fox and J.W. Huguer, Washington, D.C., 1977

ANNEX 4

International Transactions, 1972-76
(Millions of Balboas)

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Current Account Balance	<u>-97.0</u>	<u>-109.9</u>	<u>-223.3</u>	<u>-166.4</u>	<u>-194.7</u>
Goods and Services	-101.8	-105.6	-219.6	-161.4	-190.2
Canal Zone	(146.3)	(156.5)	(200.5)	(213.9)	(205.4)
Foreign	(-248.1)	(-262.1)	(-420.1)	(-375.3)	(-395.6)
Transfer Payments	4.8	-4.3	-3.7	-5.0	-4.5
Capital Account Balance	<u>155.4</u>	<u>216.1</u>	<u>338.9</u>	<u>264.3</u>	<u>307.9</u>
Private	57.0	15.2	29.5	69.7	195.2
Long term	(71.1)	(52.1)	(64.0)	(83.8)	(191.9)
Short term	(-14.1)	(-36.9)	(-34.5)	(-14.1)	(3.3)
Government	39.1	85.3	62.5	66.2	82.5
Other	59.3	115.6	246.9	128.4	30.2
Errors and Omissions	<u>-58.4</u>	<u>-106.2</u>	<u>-115.6</u>	<u>- 97.9</u>	<u>-113.2</u>

SOURCE: DEC

ANNEX 5

Federal Government Debt
December 31, 1972-76
(Millions of Balboas)

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Domestic Debt	190.4	180.0	231.4	294.6	345.0
Caja de Seguro Social	(85.5)	(82.9)	(109.1)	(122.5)	(144.9)
Official Banks	(0.9)	(0.8)	(0.7)	(0.6)	(0.2)
Private	(103.9)	(96.2)	(121.7)	(171.5)	(199.8)
Foreign Debt	214.9	296.9	358.9	427.4	510.2
Total	<u>405.2</u>	<u>476.9</u>	<u>590.4</u>	<u>722.0</u>	<u>855.2</u>
Interest Payments	22.3	27.1	43.0	41.6	54.4
Debt per capita (B/.)	262.0	299.1	359.4	426.4	490.1
Borrowing	119.0	165.2	210.0	171.1	192.4

SOURCE: Contraloria de la Republica

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ANNEX 6

COMMERCIAL BANKS: LOCAL DEPOSITS AND CREDIT, 1970-1977
(Year-end values in B/. millions)

Year	A Credit			B Deposits ^{1/}			Ratio
	Total	Private	Public	Total	Private	Pub'ic	Cred/Dep
1970	419.8	410.5	9.3	341.2	323.0	18.2	78.6
1971	562.9	525.2	37.7	426.9	398.3	28.6	136.0
1972	765.9	700.1	65.8	601.8	542.6	59.2	164.1
1973	1026.0	958.4	67.6	656.8	587.7	69.1	369.2
1974	1352.3	1231.6	120.7	795.9	727.5	68.4	556.4
1975	1525.3	1289.1	236.2	849.6	803.4	46.2	675.7
1976	1628.3	1288.0	340.3	994.8	952.6	42.2	633.5
1977 ^{2/}	1695.2	1291.7	403.5	1018.1	956.2	61.9	677.1

^{1/}Includes demand, time, and savings deposits, including interbank deposits.

^{2/}April, 1977

SOURCE: National Banking Commission

ANNEX 7

Commercial Bank Lending by Sector

1971-1977

(B. Millions of Balboas)

<u>December 31 Balances</u> <u>Sector</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977(1)</u>
Agriculture	37.2	49.3	81.5	92.1	111.9	112.9	108.4
Commerce	238.8	294.9	572.1	599.3	513.2	551.4	574.9
Industry	32.2	38.1	45.6	88.5	126.4	133.3	123.9
Housing	40.2	56.3	143.1	232.3	288.0	292.0	327.7
Other Construction	15.6	33.5	41.7	56.3	82.6	78.4	73.1
Consumption	43.6	60.0	83.5	139.2	114.0	78.2	74.7
Other (2)	12.2	30.8	58.5	144.6	289.2	381.8	448.2
Total Domestic	<u>419.8</u>	<u>562.9</u>	<u>1026.0</u>	<u>1352.3</u>	<u>1525.3</u>	<u>1628.3</u>	<u>1730.9</u>
Total Foreign	<u>245.5</u>	<u>375.4</u>	<u>1207.8</u>	<u>2980.9</u>	<u>4461.2</u>	<u>4742.6</u>	<u>n.a.</u>
TOTAL	<u>665.3</u>	<u>938.3</u>	<u>2233.8</u>	<u>4333.2</u>	<u>5986.5</u>	<u>6370.9</u>	<u>n.a.</u>

(1) September 30, 1977

(2) Includes Central Government and other Financial and Insurance Institutions

<u>New Loans During Year</u> <u>Sector</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Agriculture	58.4	76.3	102.7	127.0	150.5	132.4
Commerce	513.1	634.2	855.5	1089.3	818.0	897.4
Industry	88.1	86.7	66.1	166.0	205.0	204.9
Housing & Construction	71.9	89.3	149.1	267.4	331.0	245.4
Other Private Sector	141.1	117.8	261.5	452.2	178.9	156.4
Total Private Sector	<u>814.2</u>	<u>988.0</u>	<u>1332.2</u>	<u>1974.9</u>	<u>1683.4</u>	<u>1636.5</u>
Public Sector	<u>50.1</u>	<u>30.6</u>	<u>60.3</u>	<u>78.6</u>	<u>224.2</u>	<u>345.6</u>
TOTAL	<u>864.3</u>	<u>1018.6</u>	<u>1392.5</u>	<u>2053.5</u>	<u>1917.6</u>	<u>1982.1</u>

SOURCE: National Banking Commission and MIPPE

ANNEX 8

We were unable to find information with which to answer the eight questions asked in the "Human Rights Questionnaire." The data are not broken out for the target population. The partial indicators which are available are presented here.

1. The 1970 income distribution was estimated by the DEC in 1971 (attached). In 1970, over one-third of the families in Panama as a whole had an annual per capita income of less than B/200 per year - 58% of the median income.^{1/} This comports with Gini coefficients showing that Panama has a high inequality in the distribution of income compared to most other Latin American countries. The target population below the median income received 12.8% of the total national income in 1970.^{2/}
2. Daily caloric intake averaged 2,422 in 1973. It seems probable that the intake for the target population was substantially less than that and, in turn, less than 2160/2670. A study of nutritional deficiencies in Panama in 1967 concluded that 26% of urban families had an inadequate caloric consumption.^{3/} The lowest income families (undefined) averaged 88% of the daily required caloric intake.
3. The statistics for 1976 on birth rates and death rates show:

¹MIPPE, La Radiografia de la Pobreza, 1977, p. 4.

²MIPPE, National Development Plan, 1976-80.

³MIPPE, La Radiografia de la Pobreza, op. cit., p. 29, citing a study by the Instituto de Nutricion para Centro America.

Cuadro No. 1 ESTIMADO DE LA DISTRIBUCION DEL INGRESO EN PANAMA. POR AREA: AÑO 1970

Ingreso Familiar per cápita anual (en balboas)	Número de Familias (miles)	Número de Personas (miles)	Total de Ingreso (millones de B/.)	Ingreso por Familia porcentaje	Ingreso per capita (porcentaje)	Ingres (porcentaje)
Total	288.1	1,402.7	724.41	100.0	100.0	100.0
Hasta 20.....	9.0	46.3	0.28	3.1	3.3	- *
21 50.....	22.2	144.5	5.09	7.7	10.3	0.7
51 100.....	31.2	174.8	12.79	10.8	12.4	1.8
101 150.....	23.9	132.1	16.48	8.3	9.4	2.3
151 200.....	20.6	116.0	20.77	7.1	8.3	2.9
201 250.....	15.8	86.6	19.51	5.5	6.2	2.7
251 500.....	58.6	295.1	105.91	20.4	21.0	14.6
501 1000.....	53.8	229.6	164.42	18.7	16.4	22.7
1001 2500.....	40.4	139.6	212.97	14.0	10.0	29.4
2501 5000.....	10.5	32.7	110.14	3.7	2.3	15.2
5001 y más.....	2.1	5.4	56.05	0.7	0.4	7.7
Área Metropolitana	147.4	679.8	533.69	100.0	100.0	100.0
Hasta 20.....	2.7	8.3	0.06	1.8	1.2	- *
21 50.....	3.6	23.6	0.83	2.4	3.5	0.2
51 100.....	5.5	32.1	2.33	3.7	4.7	0.4
101 150.....	6.6	39.5	5.06	4.5	5.8	1.0
151 200.....	7.6	44.4	8.10	5.1	6.5	1.5
201 250.....	7.1	41.6	9.39	4.8	6.1	1.8
251 500.....	33.2	174.8	63.58	22.6	25.7	11.9
501 1000.....	38.2	167.3	121.34	26.0	24.6	22.7
1001 2500.....	31.9	114.2	172.80	21.6	16.8	32.4
2501 5000.....	9.1	28.9	97.19	6.2	4.3	18.2
5001 y más.....	1.9	5.1	53.01	1.3	0.8	9.9
Resto del País	140.7	722.9	190.72	100.0	100.0	100.0
Hasta 20.....	6.3	28.0	0.22	4.5	5.3	0.1
21 50.....	19.6	120.9	4.27	13.2	16.7	2.2
51 100.....	25.7	142.7	10.46	18.3	19.8	5.5
101 150.....	17.3	92.6	11.42	12.3	12.8	6.0
151 200.....	13.0	71.6	12.67	9.2	9.9	6.6
201 250.....	8.7	45.0	10.12	6.2	6.2	5.3
251 500.....	25.4	120.3	42.33	18.1	16.7	22.2
501 1000.....	15.6	62.3	43.08	11.1	8.6	22.6
1001 2500.....	8.5	25.4	40.16	6.0	3.5	21.1
2501 5000.....	1.4	3.8	12.95	1.0	0.5	6.8
5001 y más.....	0.2	0.3	3.04	0.1	- *	1.6

* Menos de .05%

FUENTE: Encuestas de Ingreso de 1971

- Dirección de Estadística y Censo.

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ANNEX 9

Median Income Calculations

The household survey for the month of July 1975 conducted by the Direccion de Estadística y Censo, was at the province level. The sample embraced a total of 308,108 families. The tally separates the families into urban (166,040) and rural (142,068). Each family's reported income for the month was tallied in one of 9 income cells:

Less than B/.75.00

75.00 - 99.9	250.00 - 499.99
100.00 - 124.99	500.00 - 749.99
125.00 - 174.99	750.00 - 999.99
175.00 - 249.99	1000.00 or above

The median was calculated by simple linear interpolation.

The median urban incomes listed in Table 5 of the text have not been adjusted for inflation or changes in real income since the time of the survey. In our judgement, that degree of refinement is not merited by the data base. Since July 1975, the consumer price index has risen by about 11% (to July 1977). Real per capita income, however, has declined and unemployment has increased. To what degree the probable decline in real per capita income is reflected in nominal income changes is not known. The net result probably has been a slight increase in nominal urban incomes.

If the calculated median incomes were adjusted upwards by, say, 6%, however - and this is the point - it would not significantly affect the implications for housing programs. Aside from the fact that housing costs probably have risen faster than the general level of prices, the presumption would remain the same: there is a large enough potential client groups in Panama City, Colon and the URBE urban cities

to absorb any magnitude of housing which MIVI will be able to undertake for some time. The effective constraint on the size of MIVI programs involving existing types of solutions is not demand.

It is expected that a 6% adjustment of the 1975 median based in an uncertain data base is not crucial to decision making between now and the time when the results of the proposed August 1978 household survey becomes available.

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ANNEX 10

TERRENOS PESO DEL MINISTERIO DE VIVIENDA
CIUDAD DE PANAMA

	FINCA	TOMO	FOLIO	M2
	916	715	140	300.00
	797	17	160	300.00
	1166	22	116	300.00
	4214	92	164	258.00
	1029	454	17	600.00
	4245	93	248	300.00
	1179	22	140	300.00
	2063	563	534	300.00
	25920	630	262	334.83
	402	10	466	600.00
	971	17	396	300.00
	4227	93	196	300.00
1	4216	92	172	300.00
	1041	14	474	453.50
	1196	22	166	300.00
	1578	31	184	600.00
	1195	22	156	300.00
	4244	92	248	300.00
	1131	22	72	300.00
	4238	92	234	300.00
	3657	21	10	300.00
	4246	92	254	300.00
	4244	1253	560	200.00
	25908	630	244	937.00
	25924	630	268	558.00
2	2523	414	51	51,982.00
	31084	8	766	57,349.00
3	2342	358	41	27,309.00
	2682	410	51	51,982.00

10/1

	11044	220	336	45,456.00
4 Curundu	16614	384	418	4,470.00
	21101	156	507	8,641.00
5 Paatilla	8976	310	282	115,423.00
	12481	410	353	200.00
	28761	310	695	9,573.00
	9892	434	310	27,890.00
	11225	362	335	27.00
	16294	398	414	3,392.00
6 Boca la Caja	16296	118	416	63,575.00
	16297	110	415	21,812.00
	16318	436	414	1,538.00
	16324	164	416	806.00
	2684	422	51	14,378.00
	30992	176	764	2,159.00
7 La Locería	15486	214	400	3,890.00
	1013	452	15	42,351.00
	32182	96	790	4,280.00
	32188	102	790	5,663.00
8 Villa Cáceres	38122	426	926	448.00
	30938	116	764	388,021.00
	31858	268	774	13,755.00
	8840	410	274	9,603.00
9 Rio Abajo	44408	486	1048	100,873.00
	31615	198	777	2,484,942.00
10 San Miguelito	36813	44	907	8,057.00
	57402	498	916	10,606.00
11 San Isidro	31524	402	768	466,974.00
	183	29	86	
12 Las Cumbres	57101	1281	160	
	32893	805	452	
	56361	1263	436	40,359.00
	43228	278	1026	9,716.00
	438	152	6	61,436.00
13 San Pedro	7555	190	247	75,701.00
	438	152	6	61,436.00
	7555	190	247	75,701.00
	44418	198	103	13,570.00

ANNEX 10

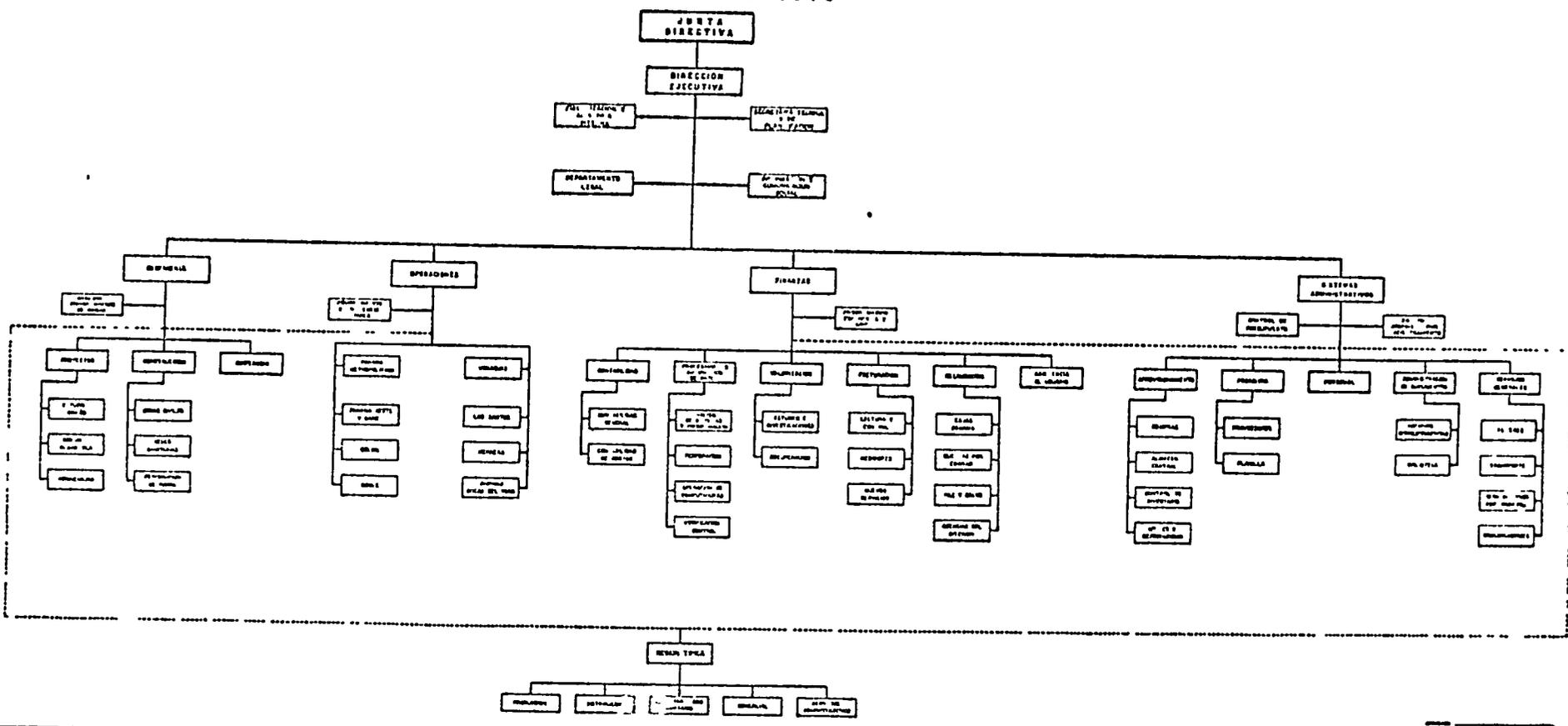
p. 3

44418	498	1048	48,550.00
32046	452	776	4,421.00
32047	128	801	3,282.00
32048	236	786	5,492.00
32049	44	787	3,853.00
32050	466	774	320.00
33957	380	827	8,809.00
33963	386	827	7,580.00
38030	166	940	13,549.00
32030	218	786	3,811.00
32031	26	787	4,895.00
32032	448	774	5,388.00
32033	446	775	5,813.00
32037	32	787	4,658.00
32038	454	774	4,829.00
32039	452	775	2,817.00
23250	178	588	138,514.00

14 Juan Díaz

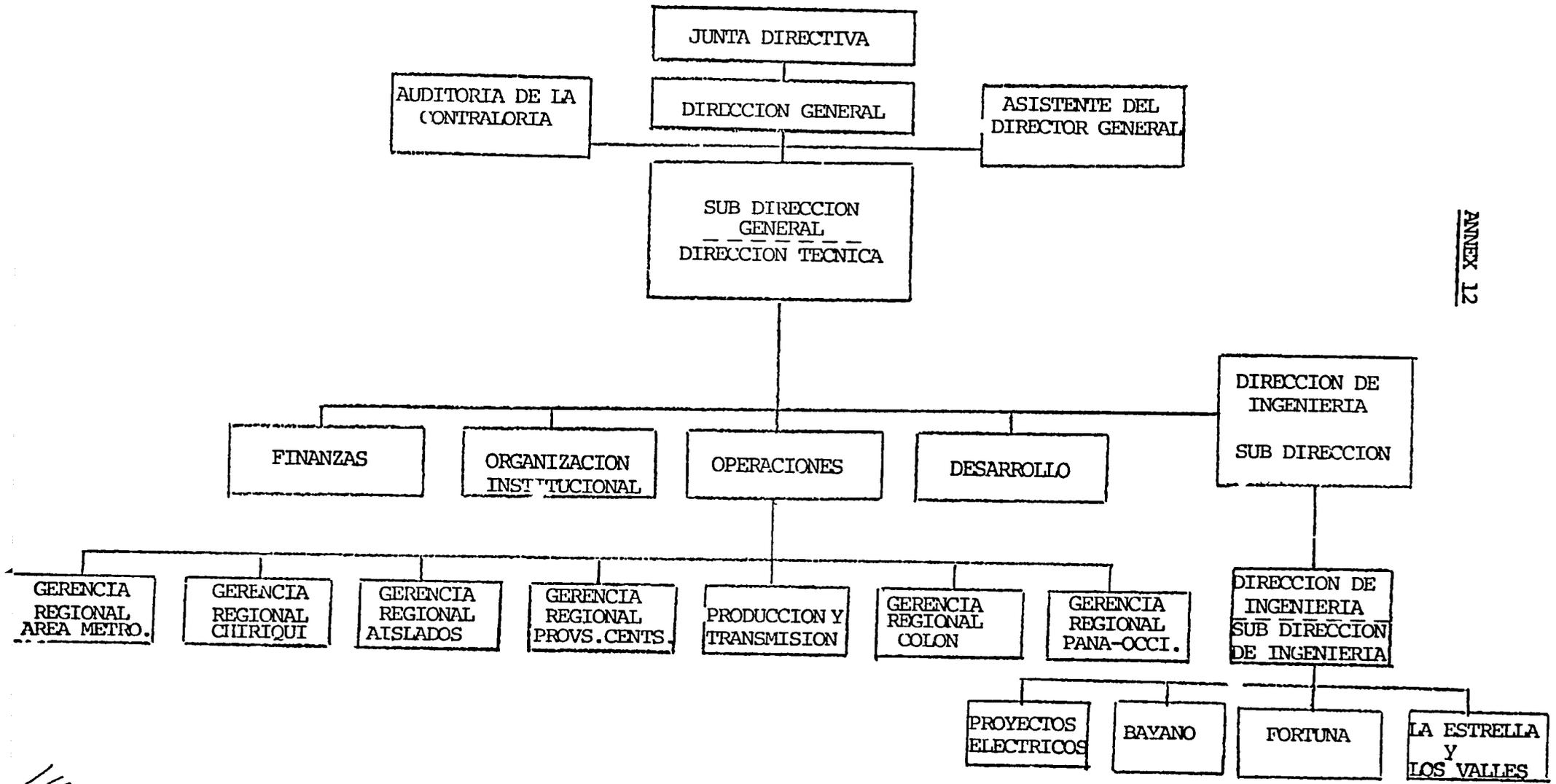
	44418	498	1048	48,550.00
	32046	452	776	4,421.00
	32047	128	801	3,282.00
	32048	236	786	5,492.00
	32049	44	787	3,853.00
	32050	466	774	320.00
	33957	380	827	8,809.00
	33963	386	827	7,580.00
	38030	166	940	13,549.00
14 Juan Díaz	32030	218	786	3,811.00
	32031	26	787	4,895.00
	32032	448	774	5,388.00
	32033	446	775	5,813.00
	32037	32	787	4,658.00
	32038	454	774	4,829.00
	32039	452	775	2,817.00
	23250	178	588	138,514.00

INSTITUTO DE ACUEDUCTOS Y ALCANTARILLADOS NACIONALES
ESTRUCTURA ORGANICA
 SEPTIEMBRE DE 1976



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INSTITUTO DE RECURSOS HIDRAULICOS Y ELECTRIFICACION
 ESQUEMA DE ORGANIZACION



ANEX 12

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ANNEX 13
IRHE Cost Figures

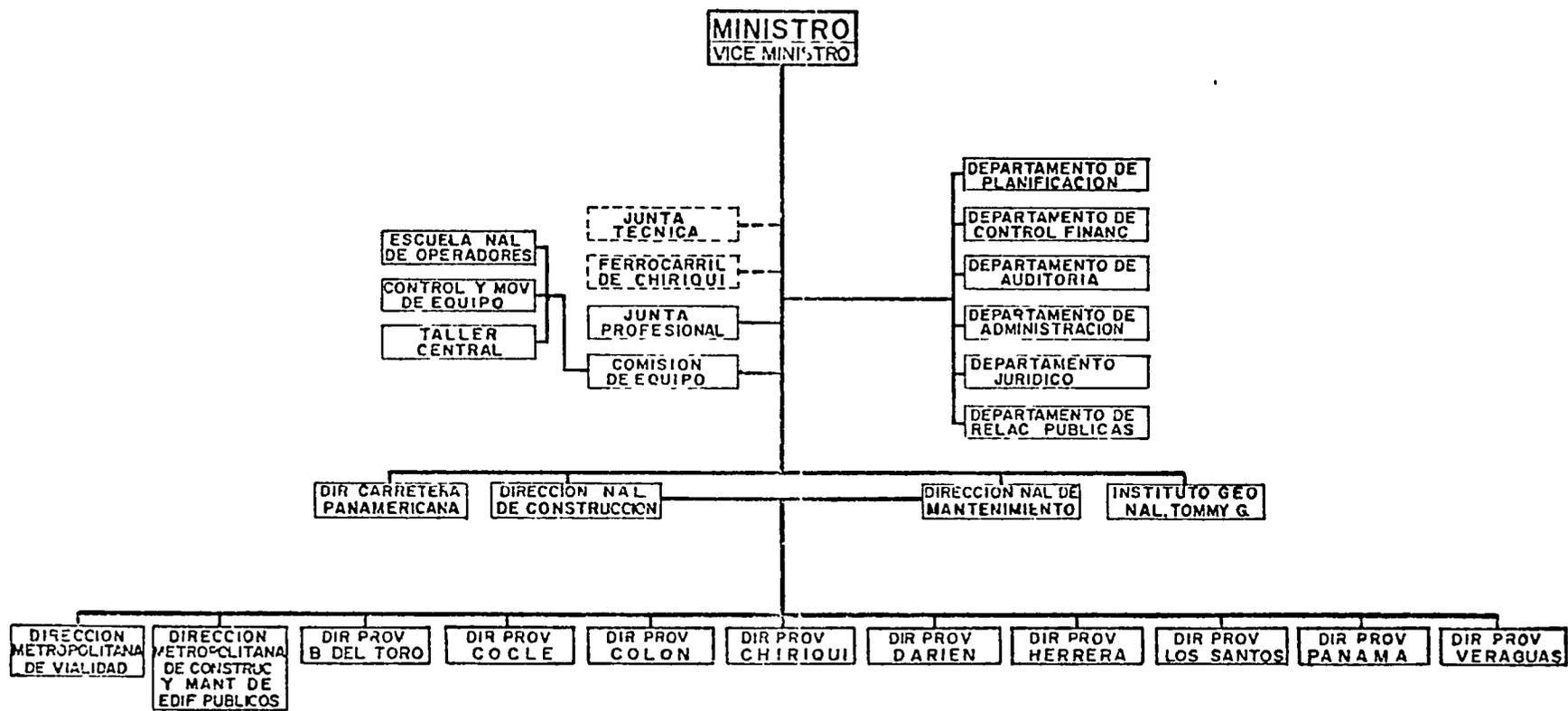
1. One kilometer single phase line, 1/0 conductor, 1/0 bare aluminum
8,562.00

2. One kilometer 1/0 aluminum line (three phased)
11,628.00

3. One kilometer 477 M.C.M. line (three phased)
3-1/C 477 M.C.M. G 1-1/C 3/0 bare copper
19,139.00

4. Plus \$500 for each 50 KV transformer.

ORGANIGRAMA GENERAL DEL MINISTERIO DE OBRAS PUBLICAS



ANNEX 14

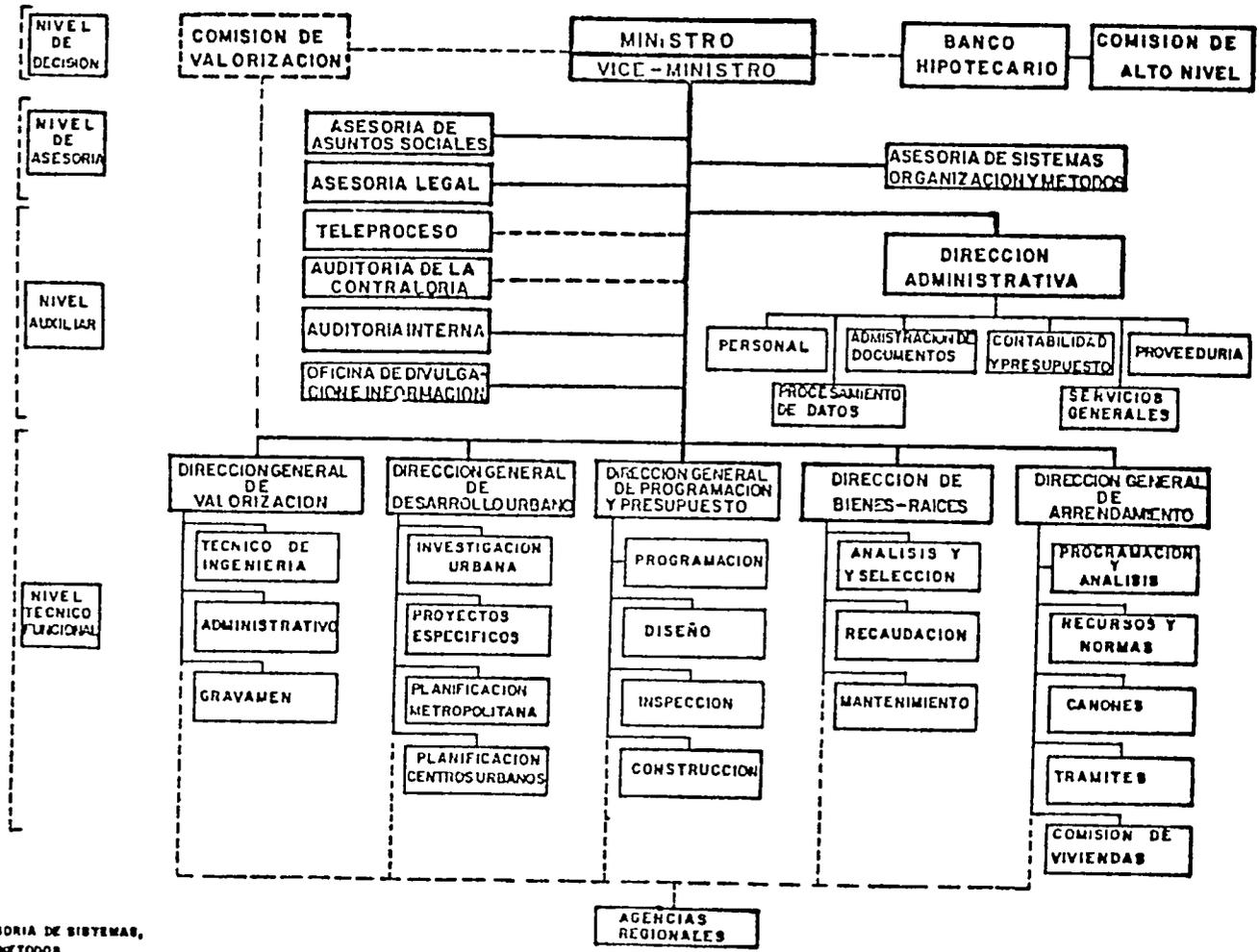
114

ANNEX 15

BASIC MATERIALS COSTS
FOR 1973 AND 1977

<u>Materials</u>	<u>Source</u>	<u>Unit</u>	<u>1973</u> <u>Cost</u>	<u>1977</u> <u>Cost</u>
1. PVC	National	3/4" \emptyset x 20' L	1.80	2.32
	"	4" \emptyset x 20' L	20.00	25.16
2. Galvanized Pipe	National	3/4" \emptyset x Lineal Foot		.54 or 10.80
3. Cement	National	94 lb. bag	1.60	2.71
4. Grout	Imported	94 lb. bag	3.86	8.58
5. Steel Bars	National	3/8" \emptyset x 30' L	1.30	2.72
		1/2" \emptyset x 30' L	2.22	4.58
		5/8" \emptyset x 30' L	3.43	7.07
6. Wood	National	2" x 4" x 14' Sq. Ft. Cost	.24	.45
7. Concrete Block	National	4" x 8" x 18"	.18	.27
8. Clay Block	National	9.5 cm x 29.2 cm x 29.2 cm	.15	.215
9. Sanitary Fixtures	National	Small sink	15.00	19.43
	"	WC	22.00	29.00
10. Zinc	National	Linear Ft x 40" Wide - Caliber #20	.45	.99

MINISTERIO DE VIVIENDA



PREPARADO POR LA ASESORIA DE SISTEMAS,
ORGANIZACION Y METODOS

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ANNEX 17

MIVI Programs

The program totals represent the following types of projects:

- (1) serviced lots and core units to be expanded
- (2) single family completed dwellings
- (3) multi-family dwellings
- (4) community upgrading

The program typology developed by the MIVI includes 10 solutions offered to a range of beneficiaries that include:

- (1) Site and Services that offers a lot of 160 m² whose front is 7.5 m serviced by water, sewage, electricity, unpaved roads, and open storm drainage canals.
- (2) Serviced site and core unit that offers a serviced site and a 25 m² core unit including a sanitary unit. (See typology)
- (3) Serviced site and core unit that offers a serviced site and a core unit of 36 m². Streets are asphalted with concrete surface drainage and paved side walks basic services of water, sewage and electricity. The Basic unit consists of 2 bedrooms, living/dining room, kitchen, and sanitary unit. (See typology).

- (4) Multi-family units that offer 45 m² apartments in 5 story buildings, 8 apartment per floor, and 36 m² in apartments in 12 story buildings. (See typology)
- (5) Rural Housing - solutions located on low serviced lots that belong to the beneficiaries, (See typology).
- (6) Upgrading existing lots - the provision of water, sewage and electricity to existing lots.
- (7) Sites and communal services provides a lot of 160 m² whose front is 7.5 m, unpaved roads and surface drainage in open channels, paved sidewalks. Water provided from communal taps and electricity.
- (8) Sites, communal services, and core units - similar to (7) with the addition of an 18 m² unit.
- (9) Lot upgrading program - provides the subdivisions of and demarcation of existing lots and the legalization of tenure.
- (10) Large lots subdivision - minimum area lot 351 m² to maximum of 700 m².

Of these programs the following projects chart in which AID has actively participated illustrates the program areas of principal interest to MIVI. They are program 3 or serviced sites and core unit, multi-family units and the recent interest in community upgrading that the San Miguelito Loan of

\$15,000,000 represents. The AID presence in Panama's Housing Sector is a highly visible one and demonstrates Panama's dependence on external financing for its housing activities.

The following chart represents the total units produced for each program type, the year, the total cost, and the unit cost.

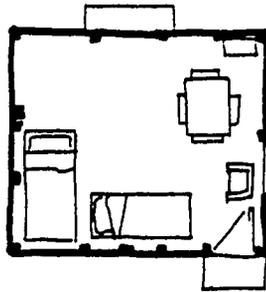
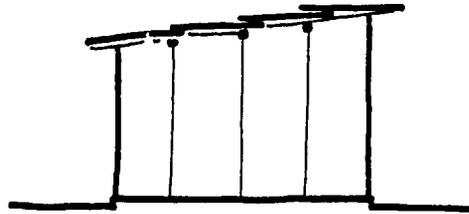
(See following page.)

Program	Project	Year	Number of Units	Costs			Total	Unit Price
				Const.	Land	Admin.		
1	Cerro Batea	1977	1,185	1,366,310	230,000	131,077	1,727,387	4,000
	El Retorno	1977	322	227,701	56,524	28,524	312,466	
	Paraiso	1977	488	455,207	225,718	54,625	735,550	
2	San Pedro	1976	34	109,950	51,000	7,696	168,646	3,500
	San Joaquin		214	832,258	98,393	73,800	1,004,451	4,600
	San Martin	1977	57	216,739	27,873	21,904	266,516	
	Nuevo Colon	1977	426	1,688,780	148,394	165,026	2,002,200	
3	San Joaquin		460	1,913,236	548,560	189,724	2,651,520	6,500
	Aguadulce	1977	34	149,035	11,576	17,873	178,484	5,166
	Penonome'	1977	49	238,500	50,000	30,000	318,500	
	Pueblo Nuevo	1977	50	263,175	30,245	31,580	325,000	6,000
	Nuevo Colon	1977	209	857,950	376,200	68,636	1,302,786	
	Santa Librada	1977	2,331	10,238,083	3,962,700	950,717	15,151,500	7,200
4	San Joaquin	1975-76	676	6,189,291	382,087	659,778	7,231,156	7,740
	San Joaquin	1975-76	420	3,466,877	544,719	367,908	4,127,235	9,976
	San Pedro	1976	132	1,167,791	132,466	91,243	1,391,500	8,646
	Barraza	1974	952	4,139,847	315,167	496,782	4,951,796	
	Chorrillo	1976	450	3,760,796	176,821	402,474	4,340,091	8,241
	Lote L'331	1975	504	3,991,666	544,719	329,093	4,951,796	
	Villa Lorena	1976	780	5,104,968	900,000	408,397	6,413,365	9,460
	Patio Pinel	1976	496	5,348,906	222,264	601,021	6,172,191	10,431
	Los Libertadores		240	1,669,093	368,094	154,528	2,191,715	8,787
6	Monte Oscuro	1977	742	616,319	-----	73,960	690,279	
	Las 500 y Mateo Iturralde	1977	741	553,740	-----	66,450	620,190	

Housing Typology

Representative examples of new construction solutions produced by the public, private and informal sectors in urban and rural areas will include:

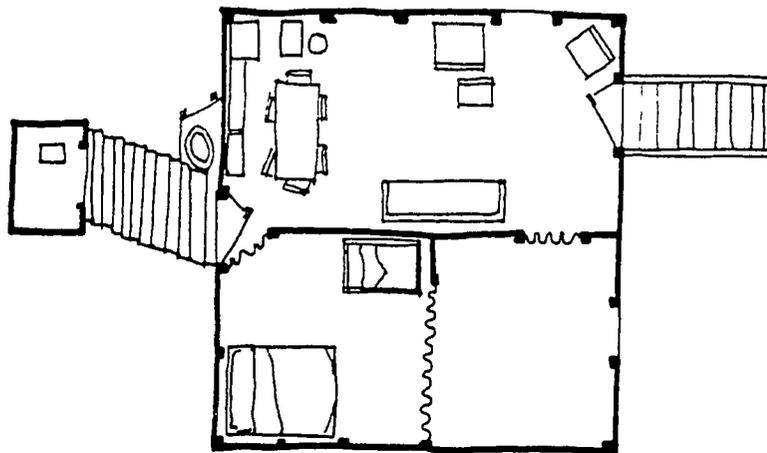
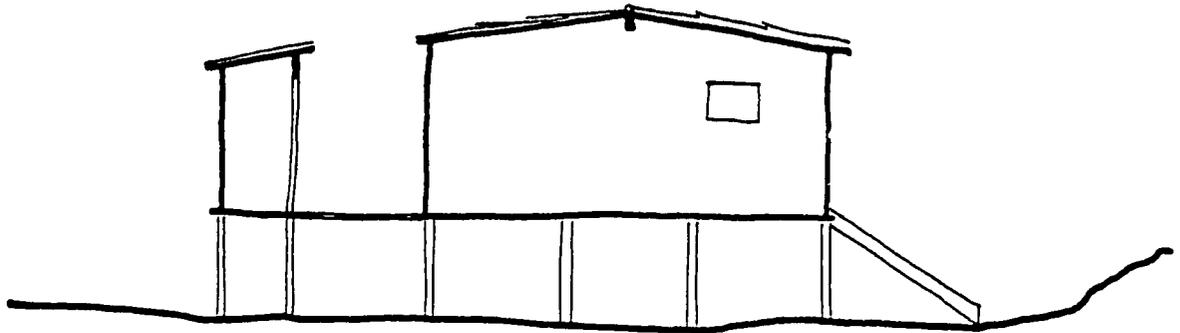
1. Squatter unit, Panama City
2. Squatter unit, Curundu
3. Prefabricated unit, Panama City
4. Condominium, San Joaquín, Panama City
5. Duplex unit, Ciudad Radial, Panama
6. Core unit, Cerro Batea, Panama City
7. Standard unit, Agua Dulce
8. Rural unit, Superación Campesina
9. Standard unit, Los Andes, Panama City
10. Core unit, San Miguelito, Panama City
11. Standard unit, Nuevo Chorrillo, Arraiján
12. Condominium, Villa Norma, Panama City
13. Condominium, Victoriano Lorenzo, Panama City
14. Condominium, Terrazas II, Panama City
15. Standard unit, Altos de Cerro Viento, Panama City



UNIT AREA	10.5 m ²
LOT AREA	-
PRICE	-
MONTHLY PAYMENTS	-

SQUATTER UNIT
PANAMA CITY
SOURCE: M.VI

122



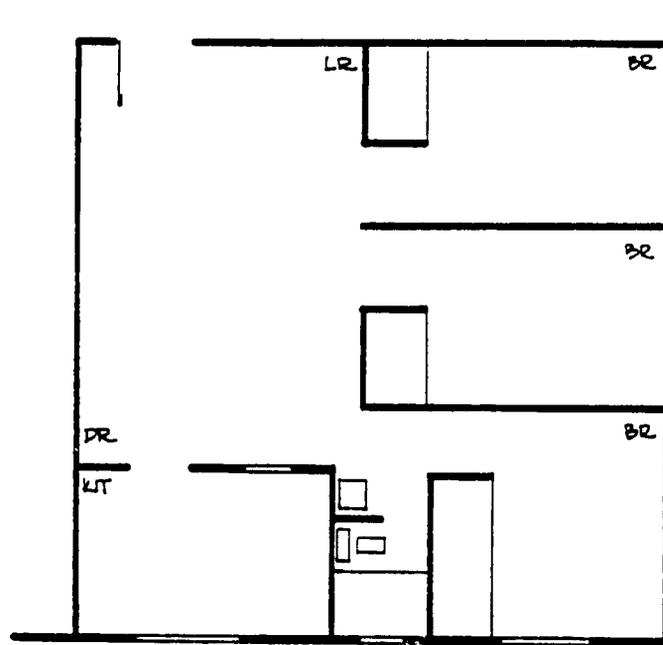
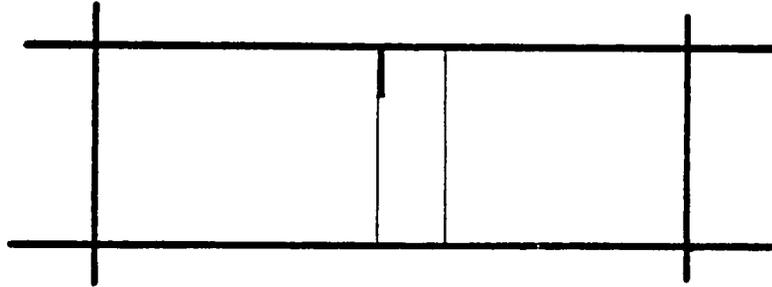
UNIT AREA
LOT AREA
PRICE
MONTHLY PAYMENTS

30 m²
-

SQUATTER UNIT
CURUNDÚ, PANAMA CITY

0 5
SOURCE: FCH

123



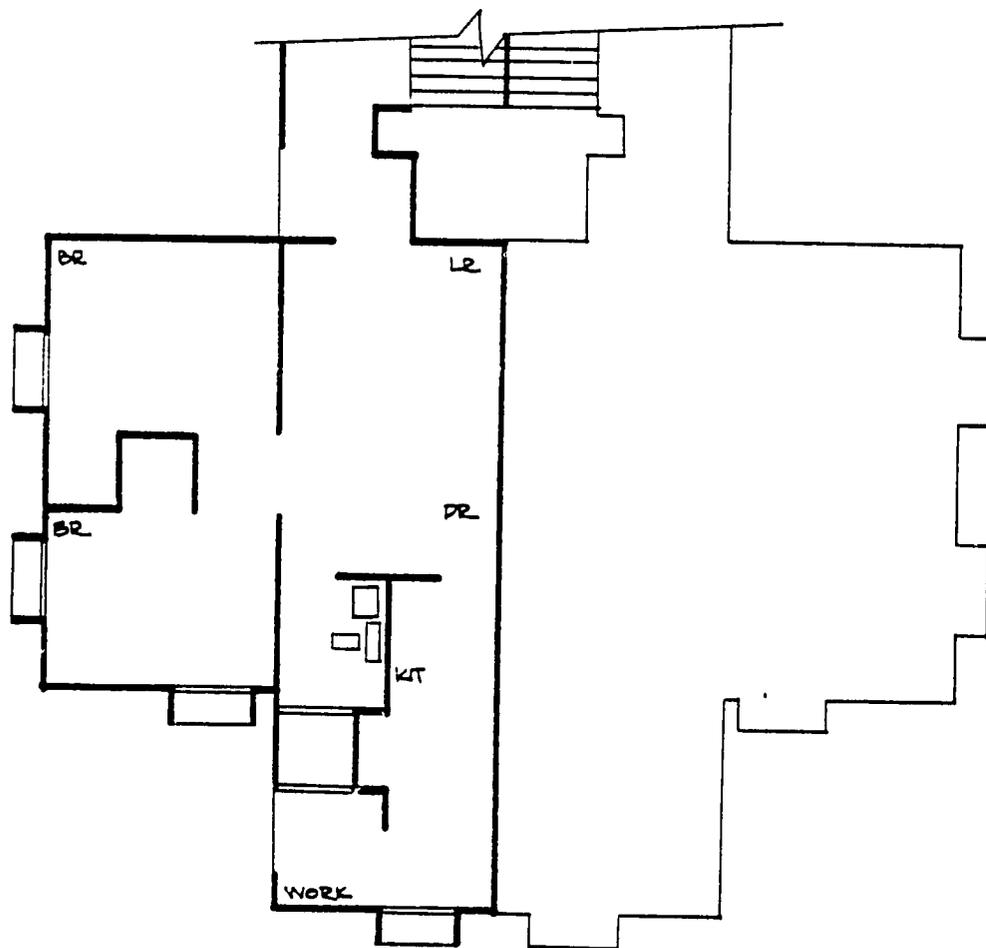
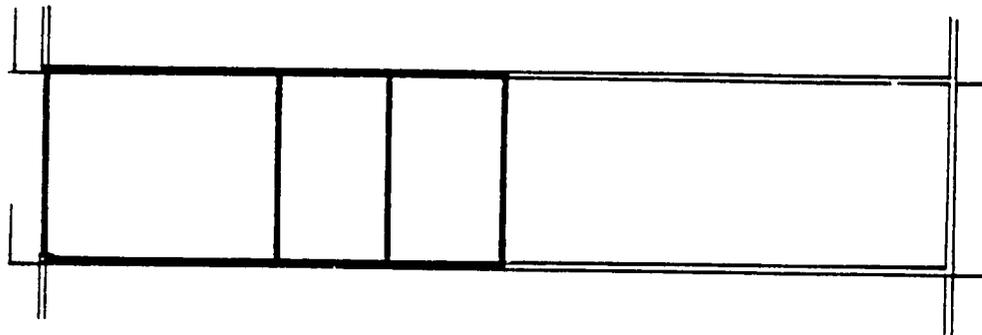
UNIT AREA
LOT AREA
PRICE
MONTHLY PAYMENTS

65m²
-
B/11,500-
B/ 90-

PREFABRICATED UNIT
PANAMA CITY

0  5
SOURCE: MIVI

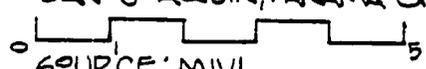
124



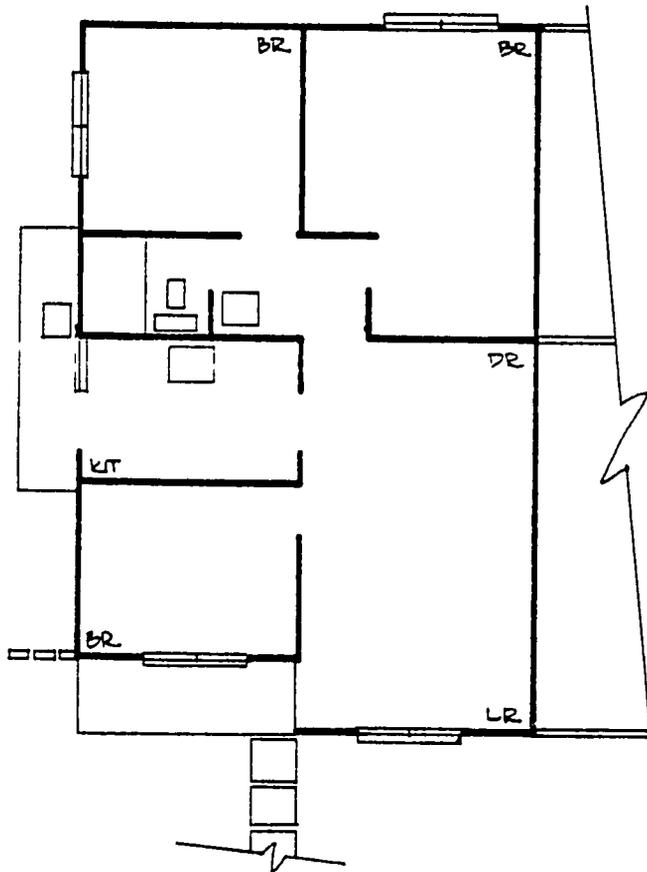
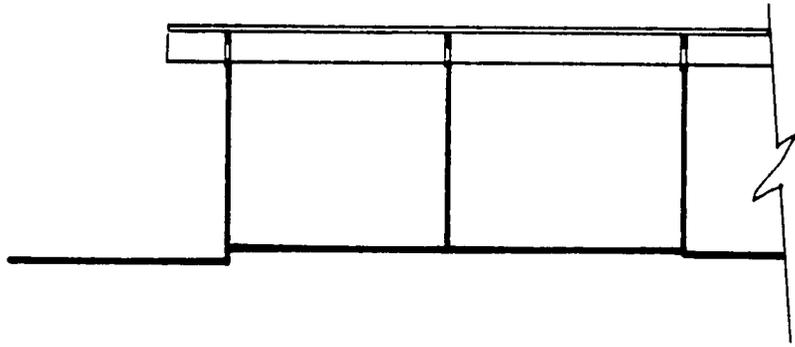
UNIT AREA
LOT AREA
PRICE
MONTHLY PAYMENTS

50 m²
-
B/ 7,800 -
B/ 45 -

CONDOMINIUM
SAN JOAQUIN, PANAMA CITY
SOURCE: MIVI



122

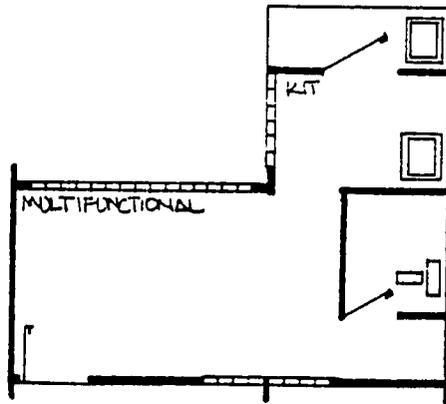
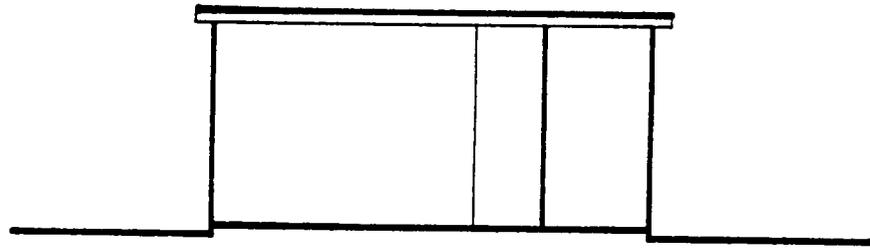


UNIT AREA
LOT AREA
PRICE
MONTHLY PAYMENTS

62m²
-
B/10,000-
B/68-

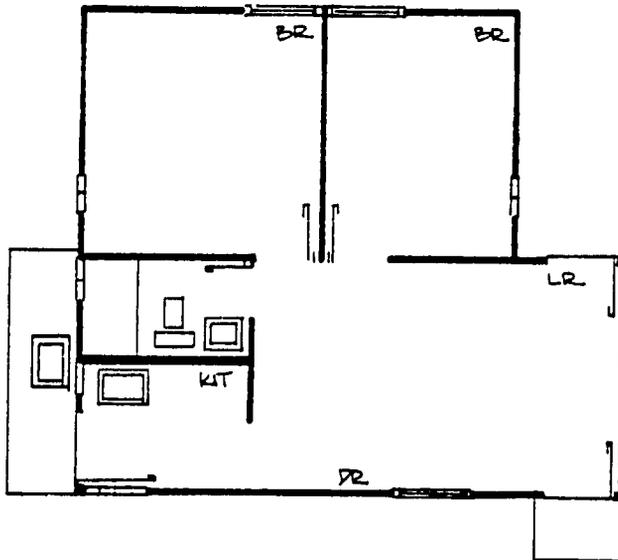
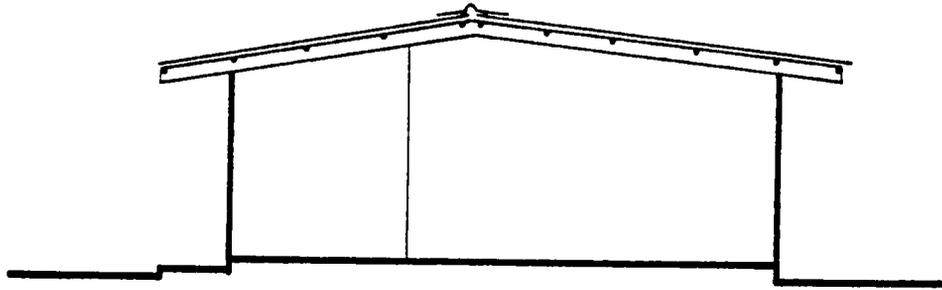
DUPLEX UNIT
CIUDAD RADIAL, PANAMA

0 SOURCE: MIVI 5



UNIT AREA 21m²
LOT AREA 180m²
PRICE B/ 4,000 -
MONTHLY PAYMENTS B/ 35 -

CORE UNIT
CERRO BATEA
SOURCE: MIVI

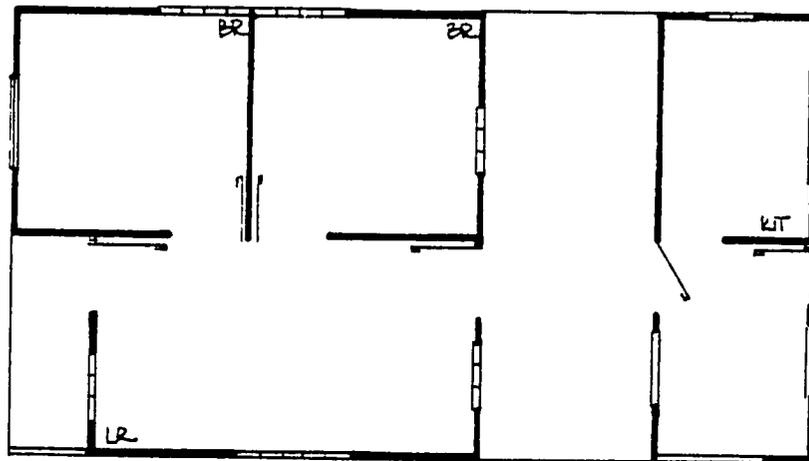
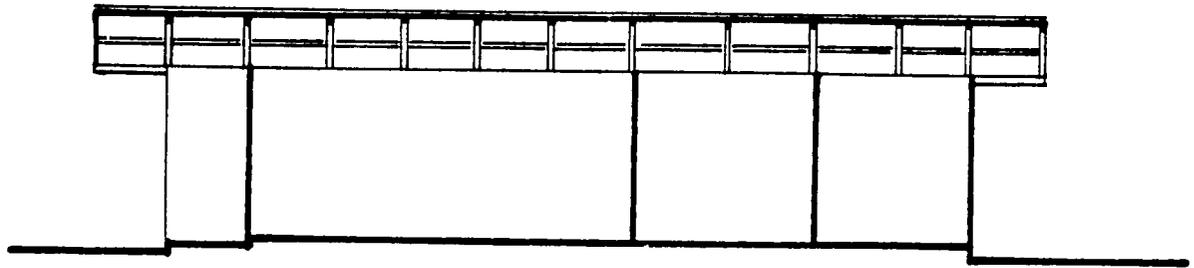


UNIT AREA
LOT AREA
PRICE
MONTHLY PAYMENTS

45 m²
300 m²
B/5,300-
B/ 40-

STANDARD UNIT
AGUADULCE (SECONDARY CITY)

0 SOURCE: MIVI 5

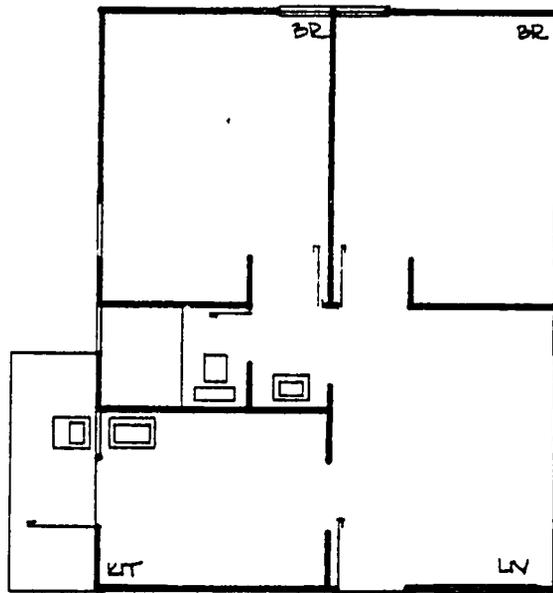
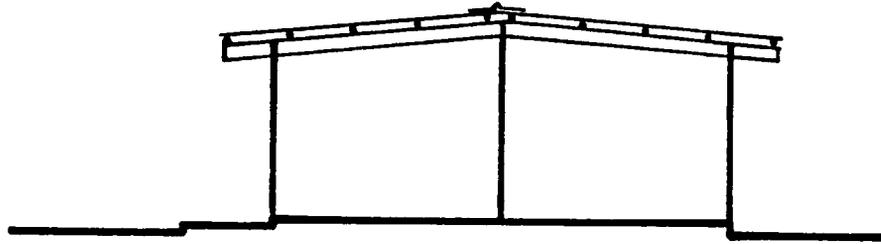


UNIT AREA
LOT AREA
PRICE
MONTHLY PAYMENTS

654 m²
600 m²
B/1700
B/1985

RURAL UNIT
SUPERACION CAMPESINO

° SOURCE: MIVI 5

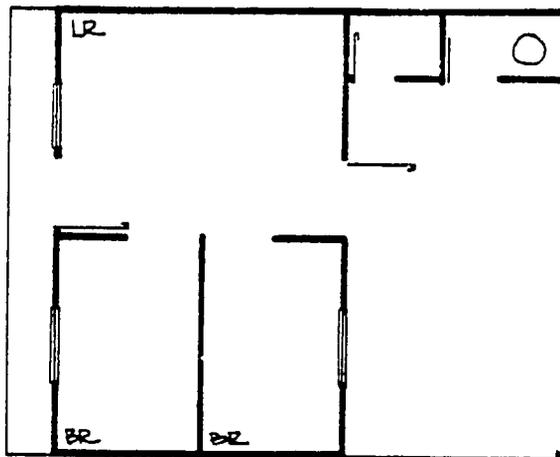
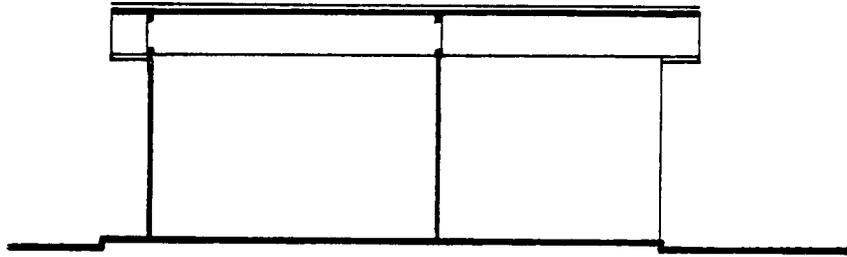


UNIT AREA
LOT AREA
PRICE
MONTHLY PAYMENTS

49 m²
200 m²
2/8-10,000-
3/67-84-

STANDARD UNIT
LOS ANDES, PANAMA CITY

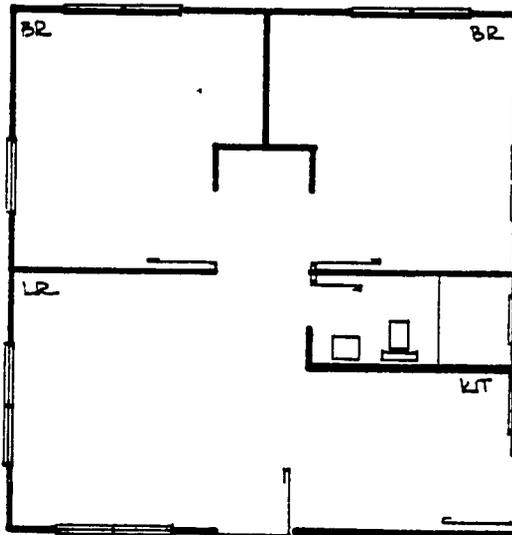
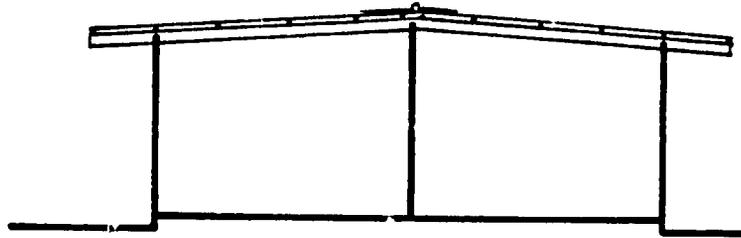
0 5
SOURCE: HLC



UNIT AREA
LOT AREA
PRICE
MONTHLY PAYMENTS

24 m²
180 m²
\$ 2700
\$ 20

CORE UNIT
SAN MIGUELITO, PANAMA CITY
SOURCE: HLC



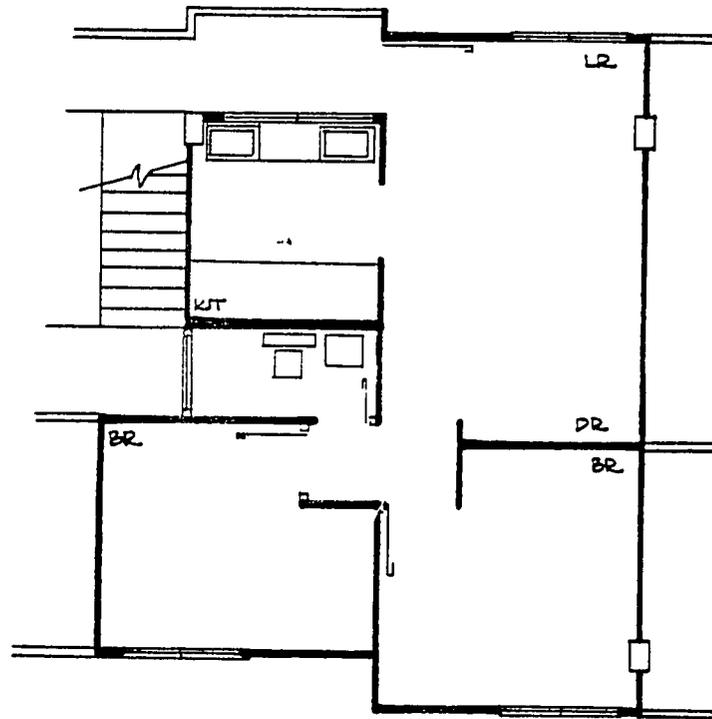
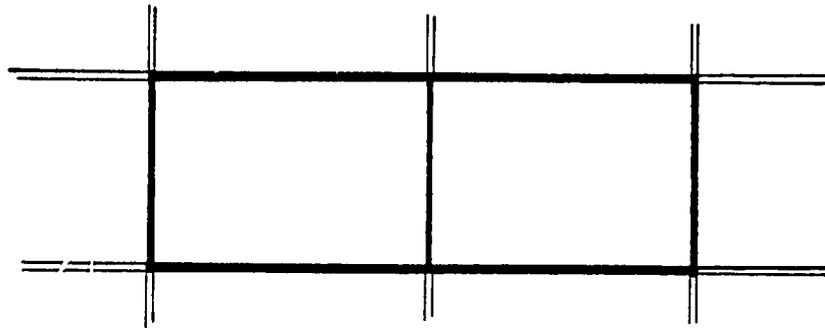
UNIT AREA
LOT AREA
PRICE
MONTHLY PAYMENTS

49 m²
300 m²
B/ 5,578 -
B/ 50 -

STANDARD UNIT
NUEVO CHORRILLO, ARAUJAN

° SOURCE: NUEVO CHORRILLO⁵ COP

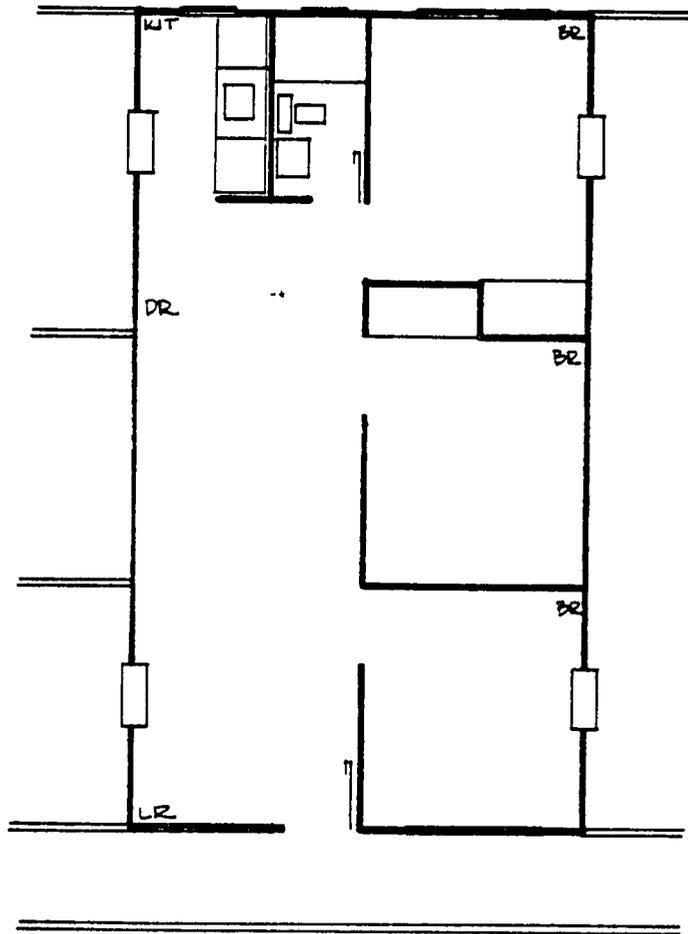
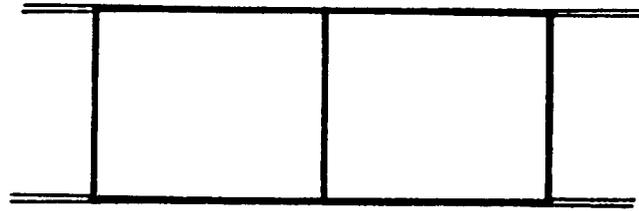
132



UNIT AREA
LOT AREA
PRICE
MONTHLY PAYMENTS

52 m²
-
\$10,000 -
\$184 -

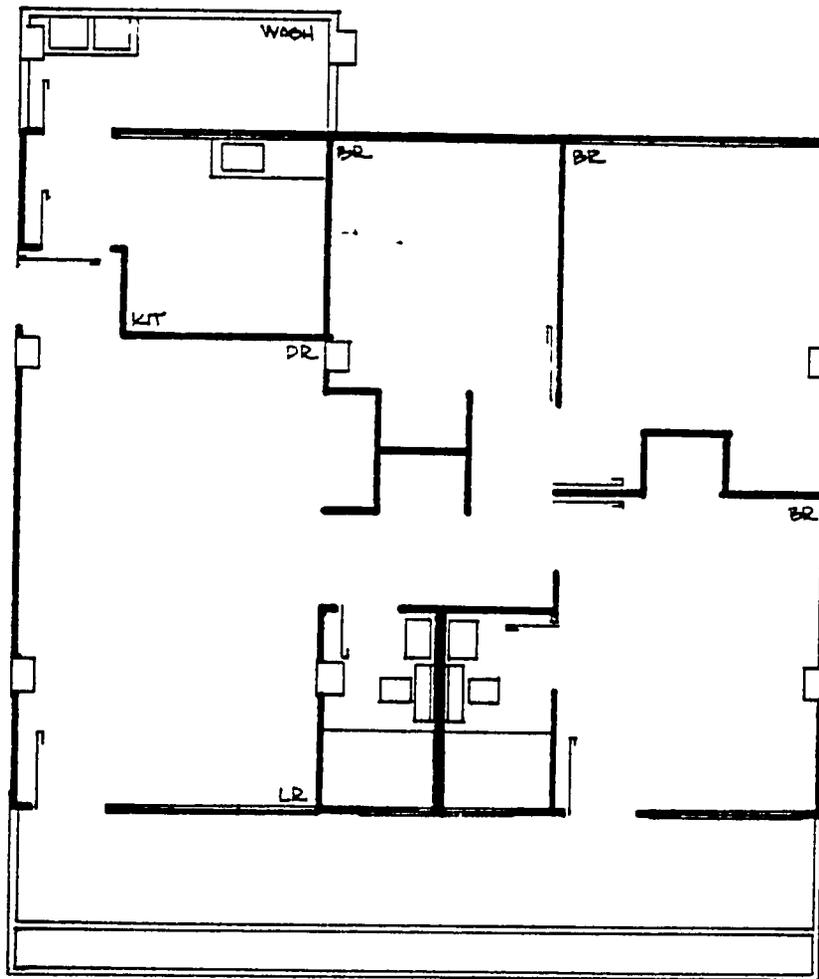
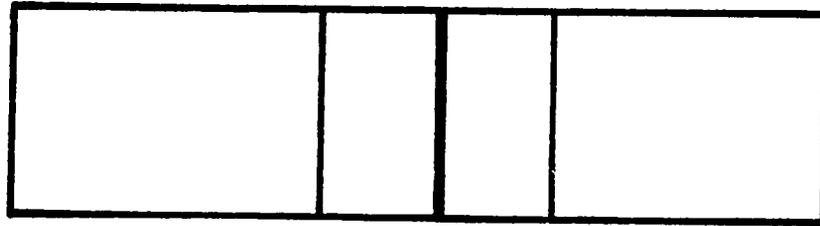
CONDOMINIUM
VILLA NORMA, PANAMA CITY
SOURCE: SAVINGS & LOAN ASS'N



UNIT AREA
 LOT AREA
 PRICE
 MONTHLY PAYMENTS

66 m²
 -
 0/13,000 -
 0/109 -

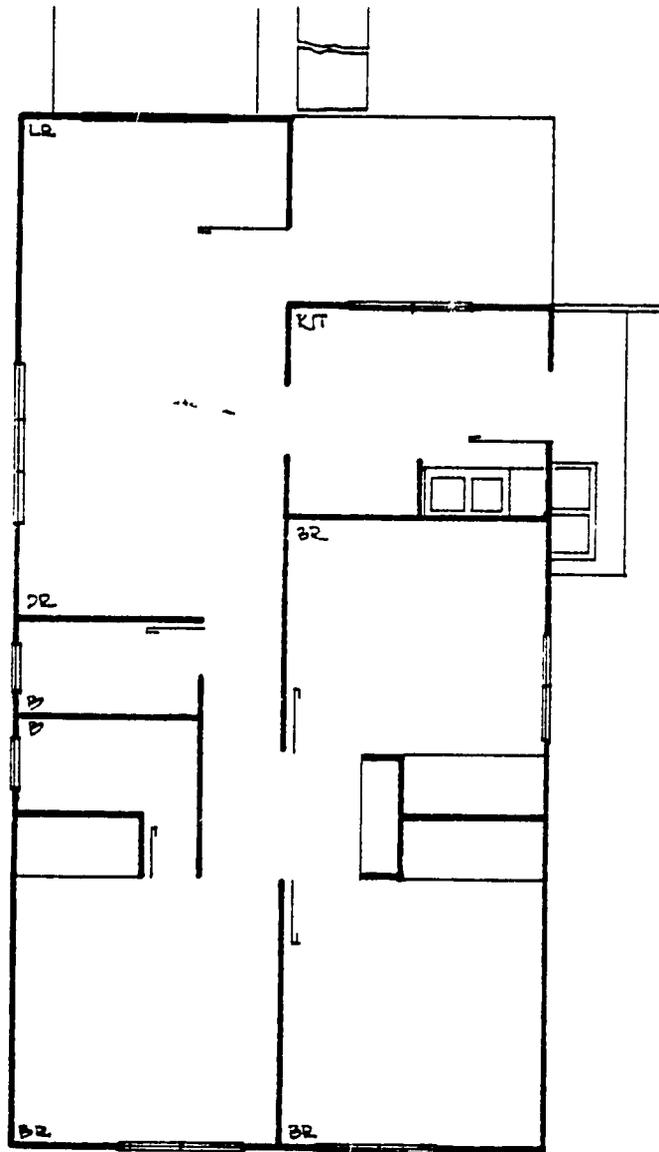
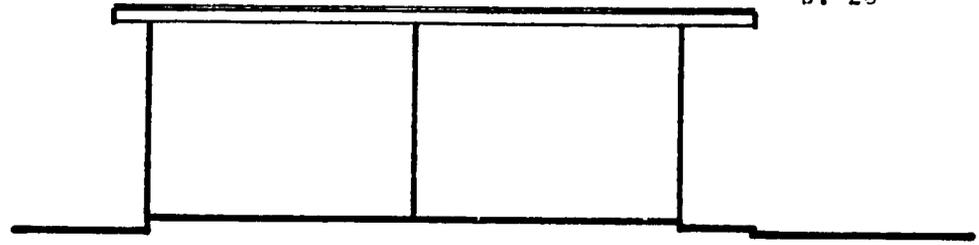
CONDOMINIUM
 VICTORIANO LORENZO, PANAMA CITY
 SOURCE: NEWS CLIPPING, LA ESTRELLA



UNIT AREA	1057m ²
LOT AREA	-
PRICE	\$16,190
MONTHLY PAYMENTS	\$136

CONDOMINIUM
TERRAZAS II, PANAMA CITY
SOURCE: NEWS CLIPPING, LA ESTRELLA

135

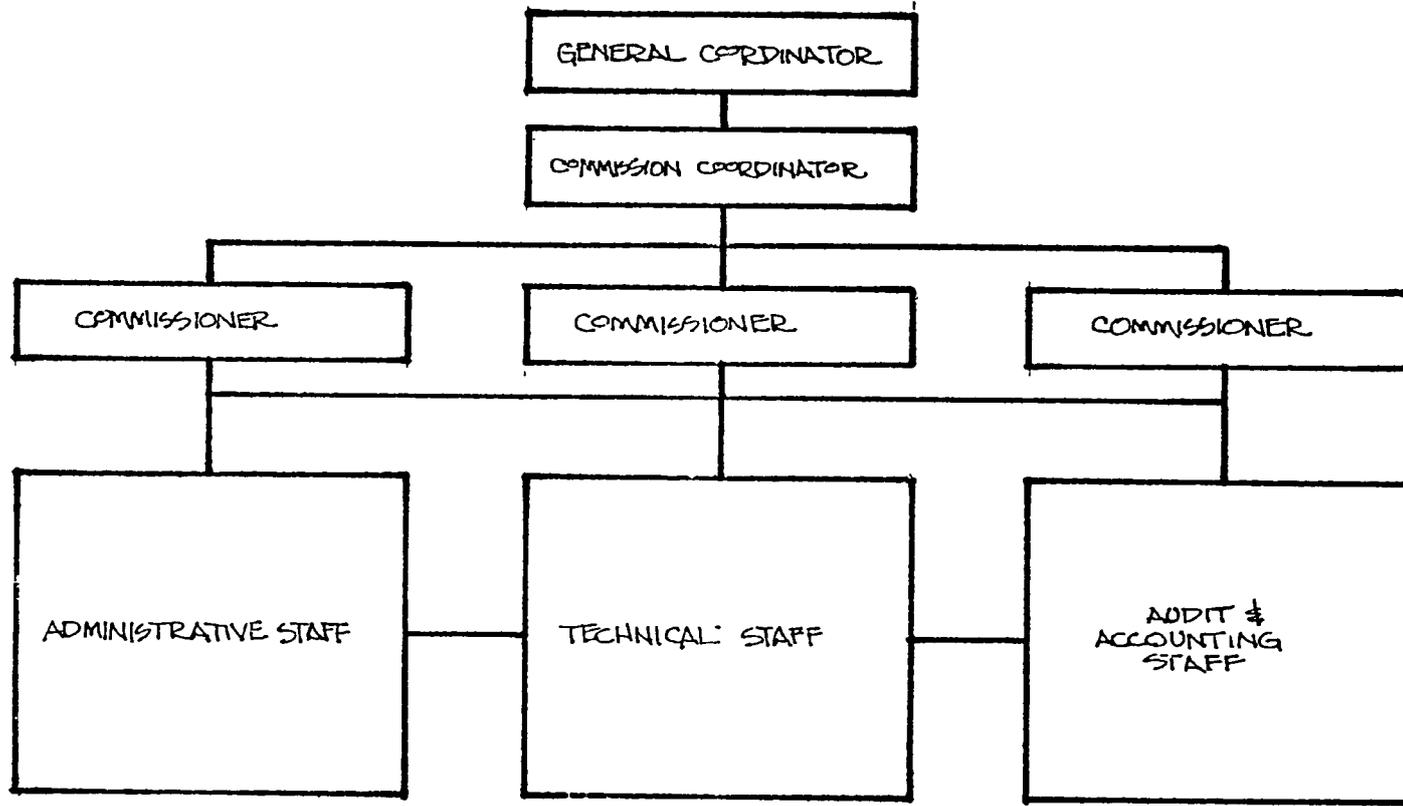


UNIT AREA	89 m ²
LOT AREA	200 m ²
PRICE	B/ 21,300-
MONTHLY PAYMENTS	B/ 178-

STANDARD UNIT
 ALTO DE CERRO VIENTO PANAMACITY
 SOURCE: NEWSCLIPPING, LA ESTRELLA

12/6

ORGANIZATION CHART FOR HIGH LEVEL COMMISSION FOR SAN MIGUELITO



ANNEX 19.

SAN MIGUELITO UPGRADING PROGRAM

Upgrading of existing community

Water and Sewer Services B/9,305,000 to be carried out by IDAAN.

Electric Distribution and Services B/1,300,000 to be carried out by IRHE.

Streets, sidewalks and Storm Drainage B/2,457,000 to be carried out by MOP.

Sites and Services, Definition of Properties, and Relocation of Excess Families B/3,951,000 to be carried out by MIVI and HLC to benefit 2,500 families. Reception areas located next to existing occupied areas are established and serviced by a full range of service levels and dwelling types that correspond to the capacity to pay of the selected families. Home improvement loans are available up to 2,500.

Future HLC plans include the development of a basic core unit that would sell for \$2,700 - \$2,800 and require B/20.00 per month. One hundred and twenty units of this type have been programmed for construction in the coming year. This would effectively reach families earning B/100/month.

The units would consist of a basic shell of 24 m² enclosed and 42 m² roofed on a lot of 160-180 m² and serviced with water and electricity. A pit latrine would be the initial sewage solution to be eventually replaced by a water borne waste system.

ANNEX 19A

SQUATTER COMMUNITIES IN PANAMA CITY

The following chart shows the name, number of units and population of squatter areas in 1960, showing 3,677 units lodging 18,366 people. In 1968, 17%, or 63,000 people lived in squatter communities and in 1974, 100,000 people.

Curundú	615 viviendas		2472 habitantes	
Fruta de la Pava	415	"	2324	"
Paitilla	31	"	150	"
Boca de la Caja	190	"	1289	"
Panamá La Vieja	682	"	3790	"
Puente del Rey	74	"	437	"
San Miguelito	1132	"	5320	"
El Porvenir (Pedregalito)	204	"	1075	"
Monte Oscuro (frente a los silos)	33	"	156	"
Pan de Azúcar	186	"	835	"
San Isidro	86	"	393	"
Sonsonate	<u>29</u>	"	<u>127</u>	"
Totales	<u>3677</u>	"	<u>18366</u>	"

*Gutierrez, Samuel, Marginalidad y Vivienda, 1974

The following lists the 35 communities identified in 1974.

Curundú	San José
Curundú Anexo	Llano Largo o Nueve de Enero
Curundú Avante	Samaria
Llano Bonito	Tinajita
Cabo Verde	San Isidro
Veranillo	El Valle de San Isidro
El Rincón	Ojo de Agua
Loma Fruta de la Pava	La Pulida
Paitilla	Cerro Viento (San Cristóbal)
Boca de la Caja	La Concepción
Morelos	El Porvenir (Pedregal)
Vista Alegre	Las Mañanitas
Villa del Rey	Tocumen No. 1
Puente del Rey	Tocumen No. 2
El Porvenir (Río Abajo)	San Cristóbal
Monte Oscuro	El Sitio
San Antonio (San Miguelito)	
Tierra Negra (San Miguelito)	
Pan de Azúcar	

Informal sector communities are characterized as follows:*

- a) There are 5 people/unit of which 49% were only one room structures.
- b) 49% of the units had 5 inhabitants or more and only 18% of the units had more than 3 rooms.
- c) Infrastructure
 - 1) 67% of the units had a latrine; the other had no sanitary service.
 - 2) 2/3 of the families lacked electricity.
 - 3) In some squatter areas communal water taps have been installed.
- d) 88% of the squatter units are owned by the occupant.
- e) One in every four units, costs less than B/100.00.
- f) The economically active population is from 10 years old and older of which more than 50% is under or un-employed, and 22% is unemployed.
- g) The median income of these groups is between B/50 and B/99.00.
- h) 59% of the families migrated in from other provinces of the country.
- i) The predominate materials are wood walls and floors, scrap metal, card board, and other scrap and used materials.

*Gutierrez, Samuel, Marginalidad y Vivienda, 1974

The Informal Sector:

Some Descriptions and Comparisons

Since the spontaneous settlements vary greatly in size, location and length of time they have been in existence, some comparisons are in order.

A. Curundu

Curundu is now a corregimiento with 14 local sectors. It is located in Central Panama City and has 17,000 homes according to the president of the Corregimiento's junta. Not all of the housing has been constructed by spontaneous settlers. The lands on which these settlements are located were once farmlands owned by 13 private owners. The municipal government has acquired these lands but legalization of tenancy and basic infrastructure is not being undertaken at the present time.

1. Aguila Sector

The President of the community junta lives in the Aguila Sector. She is 45 years old but looks younger. She has 14 children and has lived in Aguila for 28 years. In the 1950s the area was farmland and some vegetables were grown in the area nearby. The Matanillo river runs around the area and people settled there because they had a place to bathe and wash clothes. The people who originally settled in the area were either displaced by the expansion of the Canal Zone or victims of fires in downtown Panama buildings.

The original homes were built of second hand wood and cartons, mostly from a nearby garbage dump. A large number of people migrated to the area from Darien. These people had been carpenters in Darien and were able to provide construction assistance to their neighbors.

There are three large (15 stories) apartment buildings in the Aguila area which were built by the Ministry of Housing's predecessor agency in the 1960s. (Note: these units are not included in the estimated 17,000 homes in the area.) These structures are shabby and overcrowded. They are not attractive to Aguila residents.

There is a continuous influx of people to Aguila but very little new home construction has taken place. Existing units become even more overcrowded by the arrival of friends and relatives of existing occupants who are in need of shelter.

The settlers of the 1950s were attacked by the landowners. Their rudimentary structures were levelled by tractors and people lost all their possessions. When political candidates came through the area to campaign, the settlers convinced them to bring in tractors to clear out the high grasses and vegetation so that homes could be built. A veritable "tractor war" ensued with the landowners trying to level the houses and the settlers trying to clear the vegetation so that more homes could be built. One candidate for office built wooden foot bridges in the area so that people could walk from place to place. The houses in the area are built on stilts and the Matanillo river floods, particularly in the rainy season (October/November). The area is left with stagnant pools of water in which the children play. The waters breed disease and their stench is unbearable. There are homes close to the river which are constantly being flooded and there are some temporary shelters set up in Aguila to accommodate the families that have to evacuate.

The home of one family visited is on a very large lot. Their home has a cement floor and cement block foundation. The interior partitions are of very old, warped wood. The roof is of corrugated zinc. The rooms--four in all--are dark and poorly ventilated despite the fact that the house does have electricity.

Behind the house is a pigpen with a huge pig. This is unusual since most of the residents in spontaneous settlements have few animals other than dogs.

There is a water tap on the premises but it is not connected to the sink or toilet. Garbage is burned behind the house but the volume of garbage is small since things are used and reused until they disintegrate.

The road into Aguila ends in front of this house. The husband has his own taxi and supports his family from his earnings. The houses in this sector are not close together. To reach the rest of them it is necessary to climb on rotting wooden boards or take plunges into the mud. During the rainy season people have been known to drown in the floods.

Aguila has some 400 houses. Most are two room rotting wooden structures on stilts. Approximately 15 people (3 families) live in each home. Bathing is done out of doors at communal water taps or large buckets of water are hauled to more private areas. Laundry and dishwashing are done in the same manner. Children urinate and defecate in the streets.

The woman is a very shrewd, well-informed individual. She needed no explanation as to what USAID is. She said that the major problems faced by Curundu families is unemployment and female headed households. The area has little industry and the populated areas are scattered. In late 1977, General

Torrijos announced his intention to take measures to increase employment in the public sector (in fact, people have been signed up to work in the various government ministries as cleaners, porters, messengers and other unskilled laborers). A survey was initiated by the Curundu community junta to determine family income and the degree of unemployment, under-employment and sporadic employment. The results of this survey are being tabulated and will be presented to the government.

As it stands now, those who work have to leave the area. Public transportation exists and fares range from 10 to 15 cents per ride. Bus stops are frequently far from the homes.

2. Transporte Metropolitano Sector

This cluster of homes is set back about 100 feet off a main thoroughfare. Before reaching the houses there are a series of improvised stalls where people sell fruits, vegetables and meals.

Here the homes are closer to the river and are built on higher wooden stilts than those in Aguila. The wooden foot bridges are in a worse state of disrepair. There are communal water taps shared by several houses alongside of the bridges.

The homes in this area are approximately 20 years old. Many are made of paper with holes cut out for ventilation. This is a more transient area and homes have changed hands several times since they were built.

One two room house was occupied by a 50 year old woman who suffers from leprosy. She has been living in her home for 18 years but she did not construct it herself. Her husband was in jail, having been denounced by another woman for failure to support their children. Other family members (children) were playing in the mud. One eleven year old son was at the hospital undergoing observation for a severe heart murmur.

3. Cabo Verde

This area is privately owned. It used to be a public clothes washing facility but when that closed in the 1950s a spontaneous settlement grew up. The area has 180 houses very very close together. In some instances the spaces for walking between houses are 3 to 4 inches wide. People have to walk sideways on rotting wooden boards to get from house to house. The settlement is right at the edge of the main road so transportation is not a problem.

In one home a family with 12 children lives in two dark rooms, each room measuring about 10 feet by 10 feet. The head of the household earns \$35/week as a night porter at the Water and Sewer Institute. The family's oldest daughter, a teenager with six children of her own, has moved into the house because during the rainy season her own home floods and is uninhabitable. The family has been living in the home for 3 years. They acquired it from the previous owner through the intervention of the community junta's president. A "small fee" was paid to the owner.

There are a few people who have carpentry and repair businesses in Cabo Verde. All work is done outside since the homes are dark and crowded. In this area some homes do not have electricity.

4. Llano Bonito

This spontaneous settlement has 200 homes. It is built on privately owned property. It is set back from the main road and is not accessible by nearly transportation.

This community is approximately 20 years old and exhibits a higher degree of organization. It is populated by people who migrated to the area from Darien.

The local junta has managed to fill in some of the areas where stagnant waters would collect. There is more space (several feet) between the homes. There is a wall-less community hall and several of the homes have in-door carpentry shops and dry goods stores. One of the junta members has a three room wooden house in excellent repair. There is a stereo, a television and small kitchen electrical appliances. Water is communal but the junta has succeeded in getting the Water and Sewer Institute to install more taps. Houses in this community have changed hands but within families. As people arrive in Panama City from Darien, their first stop is generally Llano Bonito.

5. Viejo Veranillo

In this area half of the land is privately owned and the other half belongs to the government. It is inaccessible by automobile and slopes downward off the main highway to a small river. Technically it is not part of Curundu.

Viejo Veranillo has 596 homes. It has been an extremely stable community exhibiting a high degree of integration and cohesion. The secretary of the local junta has been living in the community for 13 years. She built her first home from cartons and bamboo poles but now has a four room cement block house with a cement floor, electricity and a water tap on the property. She has purchased

plastic furniture and beds. The homes in the other communities had one or two second hand chairs and crates for furniture. There were no beds, shelves or cabinets and very few tables.

The junta secretary works intermitently, cleaning the local school. She is the head of ther household but her older sons are working and they support her. Her parents live in a nearby home in which they run a dry goods store. The local junta has managed to get cement walkways for the community. The municipal government furnished the cement and the community provided the labor. Prior to this the area was mud slopés which were impossible to use during the rainy season.

The homes in Viejo Veranillo have been improved. Those closest to the river are still made of wood and are on very high (12 foot) stilts. The other homes are made of concrete block with cement floors and corrugated zinc roofs. There are gardens and flower pots in many homes as well as chickens which are housed in chicken coops. Many structures are painted, at least on the outside.

Close to the river there are some communal gardens where vegetables and plantain are grown. This particular section is populated by Colombians, most of whom are illegal aliens.

Viejo Veranillo was once larger but a number of houses were moved out and families relocated. The parcel of land involved belonged to the University of Panama which built a gymnasium where the houses once stood.

6. Loma de la Pava

This is an enormous square block covered with high grasses and vegetation alongside of a main road. Up to a year ago there were 1100 homes on the property. The church foundation is still visible and it is the only sign that the area was once inhabited.

The land was owned by the Social Security Bank and was destined for a maternal and child hospital. The settlers were

given advance warning that they were to be relocated but many refused to move. Some families even continued to improve their homes after they were notified that they would have to relocate. Some homes were transported to other sites free of charge by the Ministry of Housing. Other people were relocated to the Cerro Batea community in San Miguelito built by the Ministry of Housing. Of the 1100 families, 160 were too poor to take advantage of any of the government's housing programs.

The people living in Loma de la Pava were not paid for their homes when the government evicted them. Some of the homeowners had made substantial investments in their houses and lost everything. There was a great deal of resistance to the relocation and houses were burned down. A government decree carrying stiff penalties forbids the resettlement of Loma de la Pava. The government began to level the land so that hospital construction could take place but the project was halted because of insufficient funds. So far there have been no new attempts to resettle Loma de la Pava.

7. Brooklyncito

Directly opposite Loma de la Pava, alongside the main road, sits a community of 171 houses called Brooklyncito. (Note, this community had only 129 houses two years ago.) The area abuts a factory which is currently not in operation. It may become a fish-packing plant.

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Houses here are built in two rows with a wide unpaved area between them. At the entrance to the area there is an improvised basketball court.

The homes are made of second hand wood. Some are on stilts but others are close to the ground. There are communal water taps and electricity reaches every house.

Here again, many of the settlers have come from Darien. One man lives in a two room structure with his wife and seven children. He earns \$35/week as a cleaner in the Panamanian Aluminum Company. He often has friends staying with him who are in need of temporary shelter. He has occasionally been able to borrow money from his employers (discounted from his salary) to make improvements in his home. When he asks for a loan he usually cites family illness as the reason for needing the money.

Brooklyncito has grown in the past decade and new families arriving from Darien often stay in the community and build their own houses.

B. San Miguelito

If other areas of Panama have experienced rapid growth, San Miguelito's experience has perhaps been the most dramatic and problematic. The pressure of numbers became so great that the government had to intervene on a massive scale to bring order and basic services to the area.

In 1974 the High Level Commission was established in San Miguelito. It is composed of military and civilian authorities and has a great deal of flexibility in responding to problems. The development project underway in San Miguelito will bring order to the physical space by subdividing lots and legalizing landholdings. Water, drainage, sewage, electricity, access roads and housing construction will be undertaken over the course of the next

several years. The financing for the project to date has been from the National Mortgage Bank (Banco Hipotecario, the financial arm of the Ministry of Housing) and, in the future a \$15,000,000 AID loan will be available.

1. Samaria Project

Samaria is the largest area within San Miguelito and has half of the San Miguelito population. Technically Samaria is the Belisario Porras corregimiento. It is large and has many sub-sectors, each with its own local junta.

In the 1950s most of San Miguelito was privately owned. Much of the land was owned by the Arias family but it was not under cultivation and settlers began to construct homes. The High Level Commission has entered into an agreement with Arias to clear settlers off 80% of his land in return for title to the remaining 20%. This represents no loss to Arias who is in arrears for taxes owed on the land. A formal agreement between Arias and the Commission exists and the families living on Arias' parcel have been relocated. Arias has yet to produce the deed, turning the 20% parcel over to the Commission. A nephew of his, an architect, has developed plans for housing that Arias would like to sell to the settlers but it is indeed doubtful that he will actually follow through. Arias tried to get USAID financing for his housing project but was turned down. In all probability the lands will be transferred as planned and the Commission's housing plan for the area will proceed. Some of Samaria's original settlers were victims of charlatans who offered to sell them lands which were actually owned by the government. The settlers ended up in jail and found their homes levelled when they were released.

In the 1960s, the government began to construct housing in San Miguelito. The first projects were self-help efforts with the government providing loans so that families could purchase cement blocks, sand, corrugated zinc, etc. The actual construction was done by the new homeowners.

The total geographic area of Samaria is 600 hectares, most of which are owned by the municipality. The National Mortgage Bank loaned the municipality \$2,250,000 at 4-1/2% interest for nine years (with a 2-year grace period) to develop 118 hectares. The project has changed since its inception and 318 hectares will be developed. There will be approximately 1,100 lots of 200 square meters each. Lots are being sold by the municipality which grants an 8-year mortgage at 5% interest per year, requiring a payment of \$5 per month. The total cost of the unimproved lot is \$496 but water, drainage, sewage, lightposts, streets and sidewalks are contemplated. The municipal government is loaning between \$300 and \$500 to homeowners so that they can purchase building materials. A 6% interest charge is attached to these loans.

The president of the community junta states that the major problems in Samaria are unemployment, under-employment, sporadic employment and homes abandoned by the male breadwinner. There are small stores, schools, day care centers and health clinics in Samaria. There is also a cement block factory and a community farm. A neighborhood dining room has just been started through a loan from the municipal government. It has been in existence for 3 months and serves 80 customers per day, most of whom eat on credit. Most people have to leave the area to go to work. There are a number of paved streets and the bus transportation is adequate. Panama City is about 30 minutes away.

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The majority of the people living in Samaria have income of \$130/month and below. The Ministry of Housing homes are generally not within the reach of the majority of the Samaria settlers. There is a constant influx of people to Samaria but people leave too. As lots are subdivided and improved the poorest people will be forced to leave since the improved lots will not be affordable.

The present leadership of Samaria is comprised of people who came to the area as spontaneous settlers. They arrived in the area and constructed their homes of wood, cartons and other second-hand materials. Today they are living with the consequences of unplanned development and they are wholly opposed to new migrations of people to Samaria who are prepared to construct spontaneous settlements.

The current development within the San Miguelito area will require the relocation or demolition of approximately 2,500 houses. Some of these will be moved to nearby lots but others will not withstand relocation because they are in extreme disrepair.

There appears to be some lack of clarity between the role of the High Level Commission and that of the Ministry of Housing in the San Miguelito area. Some land parcels are under the jurisdiction of the Commission whereas others have been turned over to the Ministry of Housing. Both entities have constructed housing units in the area and there seems to be some competition between them in terms of cost of units, rapidity of response to people's requests, etc. The Ministry has constructed new housing in the Cerro Batea and Santa Librada areas of Samaria. Priority in purchase of the Cerro Batea homes was given to those forced to leave Loma La Pava, not Samaria residents.

On the other hand, the Commission has built new housing in the Los Andes area of Samaria. A private contractor did the work and the cost of construction per unit was \$6,000. The Ministry builds essentially the same housing at a unit cost of \$4,000.

There is a tremendous amount of community activity in Samaria. There are 115 organized work groups that spend their Sundays measuring lots and building streets and sidewalks. There are three elementary schools in Samaria, two of which are brand new and were constructed with USAID funds. The third school is also quite large and was built with community participation and funding. There are no government funded kindergardens in Samaria but the local juntas have built and funded four kindergardens in the area.

There are two clinics in Samaria--a complete service clinic in the Don Bosco area in operation for 5 years and a small, new, well baby clinic in a neighboring area. The clinics are open from 7:30 AM to 3 PM, Mondays through Fridays. They are clean, well lit and well organized. They are funded by the Ministry of Health.

There is substantial local initiative in San Miguelito as a whole. There are over 260 clubs, committees and organizations. The development project, in its effort to solve pressing problems is providing a publicly subsidized system of housing, sewage, drainage, pavement, land subdivision and legalization. To some extent the local juntas have come to rely upon the High Level Commission to solve their problems. The Commission intervenes rapidly and fairly and has been able to accomplish a great deal in a short period of time.

Prior to the existence of the High Level Commission the residents of San Miguelito had to rely upon themselves, their local leadership and organizations to solve their problems. Ad hoc groups were organized to accomplish specific tasks like building community centers or putting in paved walkways. The trend now seems to be to form pressure groups to request services and infrastructure from the government officials.

Logically, where projects such as drainage and sewage are concerned, the government must be looked to to provide such services. However, there are some efforts which residents once undertook for themselves that are now being absorbed to some extent by the High Level Commission. The public services that the Commission was set up to provide in terms of physical development can only be undertaken by a governmental body with the Commission's flexibility. But the tendency to look to the Commission as the solver of all social problems (sickness, unemployment, disputes between neighbors, school administration, etc.) may result in the stifling of local initiative and problem solving capabilities.

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ANNEX 21

REPUBLICA DE PANAMA
CAJA DE SEGURO SOCIAL
DIRECCION EJECUTIVA TECNICA Y DE PLANIFICACION
Departamento Actuarial y Estadística

PRESTAMOS HIPOTECARIOS CONCEDIDOS POR LA INSTITUCION EN LA REPUBLICA, PARA
VIVIENDA PROPIA DEL ASEGURADO, SEGUN GRUPOS DE INGRESO
MENSUAL DE LA FAMILIA: AÑOS 1974-76*

Grupos de ingreso mensual de la familia (en Balboas)	Préstamos hipotecarios concedidos para vivienda propia					
	1974		1975 (R)		1976 (P)	
	Número	Monto (en Balboas)	Número	Monto (en Balboas)	Número	Monto (en Balboas)
TOTAL.....	119	2,048,245.49	271	5,582,272.11	286	6,057,325.88
Menos de 200.00.....	27	222,395.94	18	146,808.50	4	31,167.66
De 200.00 a 299.99.....	12	148,864.91	21	335,595.30	31	466,346.91
De 300.00 a 399.99.....	14	245,739.62	33	610,977.28	27	422,674.61
De 400.00 a 499.99.....	5	63,662.60	28	602,861.03	30	556,834.46
De 500.00 a 599.99.....	11	207,105.00	27	527,843.00	23	484,725.68
De 600.00 a 699.99.....	7	149,006.34	26	574,751.34	29	650,923.00
De 700.00 a 799.99.....	7	156,051.33	17	313,533.72	26	573,086.74
De 800.00 a 899.99.....	11	247,353.29	20	471,157.00	17	406,979.00
De 900.00 a 999.99.....	3	75,000.00	18	432,024.51	16	419,209.57
1,000.00 y más.....	22	533,066.46	63	1,566,719.43	81	2,045,378.25

* Se refiere a préstamos para construcción, adquisición y otros (adición, mejoras, etc.).

(R) Cifras revisadas.

(P) Cifras preliminares.

Panamá, 7 de diciembre de 1977
LEMY/tjdef

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ANNEX 22

REPUBLICA DE PANAMA
CAJA DE SEGURO SOCIAL
DIRECCION EJECUTIVA TECNICA Y DE PLANIFICACION
Departamento Actuarial y Estadística

PRESTAMOS HIPOTECARIOS CONCEDIDOS POR LA INSTITUCION EN LA REPUBLICA, PARA
VIVIENDA PROPIA DEL ASEGURADO, SEGUN GRUPOS DE MONTO DEL
PRESTAMO CONCEDIDO: AÑOS 1974 - 76*

Grupos de monto de préstamo (en Balboas)	Préstamos hipotecarios concedidos para vivienda propia					
	1974		1975 (R)		1976 (P)	
	Número	Monto (en Balboas)	Número	Monto (en Balboas)	Número	Monto (en Balboas)
TOTAL.....	<u>119</u>	<u>2,048,245.49</u>	<u>271</u>	<u>5,582,272.11</u>	<u>286</u>	<u>6,057,325.88</u>
De 1,000.00 a 4,999.99.....	5	22,936.21	9	35,612.16	6	25,377.23
De 5,000.00 a 9,999.99.....	30	170,802.50	31	217,622.07	21	169,664.01
De 10,000.00 a 14,999.99.....	20	252,572.10	30	373,613.44	37	454,439.08
De 15,000.00 a 19,999.99.....	12	204,138.19	59	1,013,146.76	62	1,076,389.91
De 20,000.00 a 24,999.99.....	19	429,045.10	27	605,417.24	40	876,714.00
De 25,000.00 a 29,999.99.....	10	278,751.39	43	1,176,850.44	58	1,594,741.65
De 30,000.00 y más.....	23	690,000.00	72	2,160,000.00	62	1,860,000.00

* Se refiere a préstamos para construcción, adquisición y otros (adición, mejoras etc.).

(R) Cifras revisadas.

(P) Cifras preliminares.

Panamá, 7 de diciembre de 1977

LENY/tjdef

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ANNEX 23

Savings and Loan Associations
Number of Accounts and Savings
1973 -1977
(Balboas)

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Central de Ahorro					
Accounts	8,008	13,563	19,180	25,618	36,720
Savings	3,517,539	4,282,507	6,399,795	7,704,772	8,103,740
Inversionista					
Accounts	3,895	4,528	5,027	5,386	6,274
Savings	2,100,268	2,501,924	2,954,084	4,023,214	4,135,098
ANAP					
Accounts	2,042	2,294	2,828	3,366	3,834
Savings	2,635,584	1,671,903	2,111,727	2,067,197	2,296,436
Chiricana					
Accounts	569	848	1,142	1,207	1,370
Savings	427,029	244,533	259,797	338,279	325,635
Interiorana					
Accounts	405	606	694	759	959
Savings	346,705	145,033	189,314	190,405	216,907
TOTAL ACCOUNTS	14,919	21,839	28,871	36,376	49,157
TOTAL SAVINGS	9,027,125	8,847,900	11,919,717	14,323,817	15,077,816

SOURCE: National Mortgage Bank

ANNEX 24

Savings and Loan Associations
Lending, 1972-76
(Millions of Balboas)

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Central de Ahorro	0.6	0.9	1.1	2.4	2.3
Inversionista	0.3	0.6	0.1	0.2	0.2
ANAP	0.7	0.3	0.2	0.6	0.9
Chiricana	0.2	0.3	-	0.3	0.3
Interiorana	-	0.3	0.1	0.1	0.3
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TOTAL	<u>1.9</u>	<u>2.4</u>	<u>1.5</u>	<u>3.6</u>	<u>4.0</u>

SOURCE: National Mortgage Bank

PROYECTOS FINANCIADOS POR EL BHN A LAS ASOCIACIONES
DE AHORROS Y PRESTAMOS PARA LA VIVIENDA

ASOCIACION	Monto Aprobado	No de Viviendas	Interés %
<u>PRIMERA ASOCIACION</u>			
San Isidro IIIa. Etapa	337,500.00	25	6
San Isidro IIIa. Etapa — Adición	62,500.00	—	7
San Isidro IVa. Etapa	250,000.00	25	6
San Isidro IVa. Etapa — Adición	50,000 00	—	7
San Isidro Va. Etapa	351,000 00	25	6
San Isidro Va. Etapa — Adición	49,000.00	—	7
San Isidro VIa Etapa	351,000.00	25	6
San Isidro VIa. Etapa — Adición	49,000 00	—	7
	<u>B/.1,500,000 00</u>		
<u>ASOCIACION NACIONAL DE AHORROS</u>			
San Lorenzo — Areas Comunales	51,524 00	—	6
San Lorenzo — Mejoras Condominio	50,000.00	—	5
San Lorenzo — Areas Comunales	21,000.00	—	5
Carrasquilla	326,010.00	35	7
Las Terrazas I y II	419,400.00	30	7
	<u>B/. 867,934 00</u>		
<u>ASOCIACION CHIRICANA</u>			
La Candelaria	162,000.00	60	7
La Alameda II y IIIa. Etapas	268,568 54	18	7
La Alameda IVa. Etapa	192,000 00	12	7
	<u>B/. 622,568 54</u>		
<u>ASOCIACION INTERIORANA</u>			
Rufina Alfaro — Ia Etapa	100,010 00	9	7
Rufina Alfaro — IIa. Etapa	99,990 00	9	7
El Vigía	78,898 05	9	7
San Miguel	103,068.00	14	7
San Juan de Dios	107,236 35	13	7
	<u>B/. 489,202 40</u>		

The Cooperative plans to build the following number of units per building type.

Type A - 590

Type B - 100

Type C - 10

The Cooperative develops its program in the following manner:

After an initial orientation session in which interested families are presented with what the coop is doing at a site visit, with talks about the production of building materials, self-help activities and responsibilities, and with the other services offered* by the cooperative to its members.

Those families interested in joining the cooperative are organized into groups of 25 families that would work together to build specific elements of their units. The mutual-aid work includes opening the foundation ditches, setting the block, and pouring the floor slab. This work is managed by a construction foreman provided by the coop. The units are then completed by contract work to build the walls and roof and install the electrical and plumbing connections. Self-help is then used to complete the structure and build any addition that might be desired.

Future programs being organized by the cooperative will expand the self-help and mutual-aid components to lower costs. The size of the unit will be reduced to a basic core with materials credits to be available from and supervised by the cooperative.