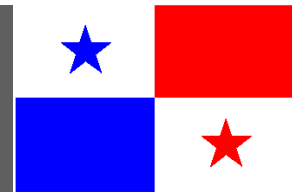


# UCLG COUNTRY PROFILES

## Republic of Panama

(República de Panamá)



**Capital:** Panama City

**Inhabitants:** 3.320.000 (2006)

**Area:** 75.517 km<sup>2</sup>



### 1. Introduction

Panama is a country in Central America bordered by the Caribbean Sea to the north, the Pacific Ocean to the south, the Republic of Colombia to the East and the Republic of Costa Rica to the west. It covers 75.517 km<sup>2</sup>, and has an additional 2.210 km surface area of water. Total: 78.200 km. The country's most important river, due to its huge influence on the economy, is the 125 km long Chagres River, which is vital to the working of the Panama Canal. The political constitution sets forth in article 3 that "the national territory may never be handed over, sold or transferred, either temporally or partially to other States."

The nation of Panama is organized into an independent and sovereign state, called the Republic of Panama. Its government is unitary, Republican, democratic and representative. The state exercises public power via the legislative, executive and judicial bodies, which, according to the

constitution, operate in a limited and separate way but in harmonious collaboration.

As far as local government is concerned, it was on Panama land that the Spanish founded the first city on firm ground, *Santa María la Antigua del Darién*. On the 25th of September Vasco Núñez de Balboa discovered the Southern Sea (the Pacific Ocean ) which he confused with the Caribbean Sea, traveled on land and revealed the strategic importance of the isthmus for the first time. With the discovery of the Southern Sea came the foundation of the first city in Panama, known today as Panama La Vieja. On the 15th of August, 1519 Pedrarias Dávila (Pedro Arias de Ávila) founded the city of Panama, which grew quickly due to its geographic position, which allows for the isthmus to be crossed easily.

In 1903 the Municipal Council of the City of Panama, assembled together in a Town Meeting, decided to declare the separation of Panama from Colombia in its own right and even though they were henceforth and in the first Constitution conceived of as fundamental pieces of the new State, political administrative centralism and the lack of resources undermined any possibilities of the municipalities' gaining further strength.



The National Constitution of 1946 outlines an autonomous municipal system equipped with resources as the fundamental pillar of the Panama state, but in practice no significant change in the condition of the councils has been apparent. In the Constitution of 1972, reformed in 1978 and in 1983, law 106 of 1973 and law 52 of the 12th of December 1984 concerning Municipal Rule, the concept of the council as a local unit of development is honored, but with responsibilities limited to areas such as maintenance (ornato), administration of cemeteries, slaughterhouses, markets, public and residential cleaning.

The nationalist revolution headed by General Omar Torrijos transformed economic and political structures during the course of a decade (1972-1982); subsequently a conservative authoritarianism was reinstated, but at the end of the nineties, democratic liberalization took place that was supported by the recuperation of the sovereignty of the Panama Canal on the 1st of January 2000. The Republic of Panama is currently passing through a process of significant political change, notably the constitutional reform in 2004 and the referendum about the extension of the Panama Canal, in October 2006, which was approved of by 80% of participants interviewed for the enquiry.

Until 2004 the Council was trapped between a centralist central government, an economy going through a transitional period of metropolization, a low impact provincial government controlled by the centralist system and poor representation on a local level, due to the Community Board's particular structure and the low impact the Local Board had on it. Most of the country's councils continue to be vulnerable. According to a typology of

municipal development<sup>1</sup>, four fifths of the country's municipalities have low to very low levels of development, which are the result of huge administrative, financial and developmental deficiencies. Only eight municipalities can boast a medium level and only four can be described as operating at a high level. (Colón, David, Panamá y San Miguelito). This correlates with the Relative Development Ratings in which 5.9% of the districts (the four mentioned) occupy the medium-high category, 23.5% the medium, 61.8% the low, and 8.8% the very low, which demonstrates a significant weakness in the majority of the country's councils. Constitutional reform and the current decentralization process should lead to a reversal of this trend.

Under the government of Martin Torrijos (2004-2009), the problems of local government in Panama's national history have taken on greater relevance, playing a part in constitutional reform, and being central to the debate on State democratization policies, as well as playing a role in the national debate and referendum on the Panama Canal extension. Nowadays the municipality and the problems of local development are relatively strong issues on the government agenda, whilst also gaining more political significance, after a decade of demands by the different parties to move ahead with the process of state decentralization.

## 2. Territorial Organization

Panama has an estimated population of 3.30 million inhabitants (2005). The majority of the population is of mixed origin (native and Spanish descendants)

<sup>1</sup> IPADEM: The Municipal Regime in Panama: IPADEM-1994.

<sup>2</sup> Herrera, Ligia. Regions of Socioeconomic Development in Panama 1980-1990  
Panama: CELA 1994  
Pages 16-18



representing 58%, but there is a diversity of other ethnic groups made up of black 14%, white 8.6%, indigenous 6.7%, Asian, 5.5% and other groups 7.1 %. The annual growth during the period 1995-2000 was 1.6%, one of the lowest in Central America. At this pace, it is estimated that the number of inhabitants will have doubled by the year 2045.

The population density is notably high in the coastal region of the Panama Gulf, in the peninsula of Azuero and above all, in the metropolitan areas of the of Panama City and Colón. The urban population represents 56% of the total number of inhabitants in the country.

The territory of Panama is divided politically into Provinces, these in turn into Districts and the Districts into "Corregimientos" or village areas. The law may create other political divisions whether to subject them to special regulations or for motives of administrative convenience or public service. The provinces will have the number of districts that the Law sets forth.

The political division of the Republic of Panama in 2007 included 9 provinces, 75 districts or councils, 5 indigenous regions and 620 *corregimientos*.

The province is a local entity, which acts as a mediator between the council and central government. It is under the charge of the Governor who is named or removed by the executive body and who presides over the Provisional Council which is made up of mayors, representatives, town councilors and provincial leaders of governmental agencies, who have limited functions, being more instruments of consultation, and responsible for coordinating government action in the province. There is no legislative body at this level, with the appointed Governor responsible for carrying out and coordinating functions and

policies. It does not rely on public assets or have any taxation powers and the Constitution does not set out any clear responsibilities for it.

In terms of the council, the notions historically used most in reference to local government in Panama, are those of municipal autonomy, mayoralty and municipality. The Council is the autonomous political organization of the community established in a District. The Municipal Organization is to be democratic, according to the constitution, but it adds, it is to respond to the essentially administrative character of the local government.

The municipal level of local government has a relative degree of autonomy, taxation powers and defined areas of responsibility. The Municipal Council is a decision-making body appointed by popular election, made up of at least five members, who may be Representatives of the *Corregimiento* or Town councilors in the case that the representatives do not reach the required minimum of five members. (National Constitution, article 234).

Local authorities are elected directly, by means of two ballot papers that the mayors and the representatives of the *corregimientos* respectively place. Ballots by application are via political parties and free application with a governing period of five years. The local electoral calendars coincide with the national ones (President and legislators). The type of representation in the Municipal Council is by Electoral District and the re-election of municipal posts is consecutive.

The *corregimiento* is the political base managed by the Community Board, made up of one representative of the *corregimiento* by direct popular vote who presides along with the head of the



*corregimiento* and five locals chosen and named by the representative, whose aims are to promote community development. The Community Board organizes Local Boards made up of members chosen by their communities or neighborhoods and encourages committees to resolve social and economic community problems but have no influence over the organization or working of the Community Board.

Recent changes in the organization of power and in citizen conduct in Panama indicate that the municipal organization is starting to take on an increasingly political role, more in line with local government models. A transition from the current model of local government appears to be taking place in one form or another.

Average municipal public expenditure per inhabitant is 10 dollars per year (2002). But Panama is the country with the highest public budget in the region (7 billion dollars in 2007), which, with a mere 3.2 million inhabitants, has the highest average public municipal expenditure at 1.875 dollars, even higher than Costa Rica.

Municipal public expenditure represents approximately 0.7 % of the GDP.

The proportion of local municipal public expenditure to total public expenditure is barely 4%, the lowest in the region, because there are no transfers established by law in Panama.

It is estimated that the proportion of local municipal public expenditure on investment to total State public expenditure on civil investment is the lowest in the region.

There is no administrative rule or government for the capital, separate from the rest of the country in Panama, though steps are being taken in this direction. It is nevertheless important to mention that there are two metropolitan areas, the city

of Panama in the south and the city of Colón in the Atlantic, even though there is no administrative rule or government in either of these metropolitan areas.

With regard to territorial reform, the approval of the referendum on the extension of the Panama Canal, obtained on the 22nd of October 2006 (78% approval), will certainly have an effect on territorial restructuring. Initiatives are in progress, that are linked to the new policy of decentralization, currently being fuelled by the government of president Martin Torrijos (2003-2009).

### 3. Local Democracy

#### 3.1 – The local political system

Panama's political parties exert a strong and direct influence on local elections due to the high degree of political ideological development and modernization that the political parties have had in the last few years. Political pluralism in local elections is limited by the predominance of the two-party system. Two important political powers participate in local elections: the traditional right with a neo-liberal approach and the social democratic left represented by the Revolutionary Democratic Party. Both parties have taken turns in the exercise of power since 1992.

The municipal governments of Panama are the only ones in this region, along with Costa Rica, that have weak executive powers. It needs to be kept in mind that it was only recently, in 2004, that constitutional reforms were made to municipal rule. The executive functions are better defined, but they need to be put into practice if they are to be consolidated and strengthened. The election of municipal authorities is also carried out by the system of proportional representation, thereby guaranteeing the representation of



minorities; this is how the electoral Law regulates it.

The change in the attitude of citizens with regard to municipal rule is very recent, after an interregnum of several years (1982-1996), since prior to that (1972-1982), Panama had a nationalist revolution in which municipal territories were given great importance under the system of *corregimientos*. The constitutional reforms made in 2004 have given rise to new processes of evaluating municipal rule to include the citizen, which is being further stimulated by the government's decentralization policies.

### 3.2 – Citizen Participation

Numbers of citizen participation in local elections have been high in the last 10 years in Panama (1996-2006), remaining on average above 50%. The municipal elections take place alongside the elections for deputies and for President and Vice-president of the Republic.

Because of the slight political and economic power that the councils exerted until two years ago, the procedures of direct democracy have hardly been applied. Nevertheless the legislation surrounding the establishment of these procedures is extensive.

**In Panama** the existence of democratic forms of representation and participation at a lower level than the council is a novelty. **In this country** it is not the exception but the rule, given that representation arises in constituencies smaller than the council, such as the *corregimientos*.

New practices or experiences that boost citizen participation, like communication and information networks and communication via the Internet, already seen in other Central American countries such as Guatemala and El Salvador, have

yet to be established in Panama. But the dynamic that local democratization is generating should see these being applied in the near future.

The existence of traditional institutions such as the indigenous regions is significant in Panama; they have their own system of representation and participation in place that is recognized in the political constitution and in municipal laws and enjoy a type of local-regional rule; they are even represented in the National Assembly.

## 4. Relations Between Central and Local Levels

### 4.1 – General Issues

In Panama's constitution local government concepts were strengthened by the reforms made in 2004, with more emphasis being placed on its meaning and importance within the State structure.

The Ministry of Government and Justice and the Ministry of the Presidency are the main players with regard to the relationship between central government structure and local government. The provincial governors, named by the President of the Republic, play the most important mediatory role between the *corregimientos* and the municipalities.

Just as in other Central American countries, the councils have legislative powers, which means they can have their own rules for matters within their jurisdiction. The National Assembly in turn is entitled to legislate over local government. This State institution has been very active and transcendent in the last two years (2004 to 2006) having elevated decentralization to the constitutional realm and introduced important reforms to municipal rule.



#### 4.2 – Supervision of Local Government

There is no defined administrative body that is responsible for supervising council development plans. The National Finance and Accounts Office now undertakes taxation tasks within a new judicial framework, as a result of the reforms made to the Constitution.

In matters concerning the conditions and practice of destitution, revocation and dissolution, the constitutional reforms reinforce the defense of municipal authority, giving mayors greater stability. Even before the reforms, municipal government in Panama had only marginal powers. The State model in this sense rested in institutions by sector, which were charged with responsibilities that were typically municipal. With the reforms put into action and the expression of political will translated into more tax resources for the councils, important changes are beginning to happen which should soon be grouped together under the umbrella of a new law on decentralization and see further reforms made to the municipal code.

#### 4.3 – Guarantee of local government autonomy; rights and interests

Local government in Panama now has explicit constitutional rules to defend its rights, but because they were only recently implemented, the political processes still require consolidation. Mayors now have more financial, administrative and political power. This constitutes a fundamental move forward after many years of stagnation.

As part of the democratization and modernization process, two societies: the Association of Panama Councils –AMUPA– and the national Association of Representatives of *Corregimientos* have been taking an increasingly important role

in strengthening local government and citizen participation.

The reforms that were implemented in 2004 have also led to a reduction in conflict, which usually occurred when the mayor's position as a local authority was destabilized.

### 5. Local Responsibilities (Areas of Responsibility)

Municipal responsibilities in Panama are mainly the following: to create and maintain the companies and services of public use, particularly water, electricity, telephones, gas, transport, sewage and drainage; to lend these services, whether directly or by concession and in the latter case, preferably via public bids or by means of agreements with other state entities. The local government may also municipalize public services to offer them directly; build slaughterhouses, markets, crematoriums, public cemeteries and regulate their services; build, upkeep and improve squares, parks, paths and municipal public roads; undertake the collection, destruction or exploitation of waste and refuse; regulate matter relating to municipal construction and public services taking into account general laws on health, urbanism and others.

The structural weakness, however, of local governments has been so pronounced that they have barely been able to exercise legal powers or any great autonomy in decision-making on fundamental issues of local development. A lack of municipal financing has also contributed to this weak structure. The distribution of responsibilities tends to be as follows:

*Planning.* The municipalities do not have any express mandate. According to legislation, this responsibility could



potentially fall more to the Provincial council.

*Education.* To spread culture and cooperate in the costs of administration of primary schools, industrial, vocational, fine arts and specialist schools, libraries, museums and specialist academies. This is a complementary area of responsibility along with the Ministry of Education.

*Health Services* The municipalities are generally responsible here and expected to cooperate in the maintenance of the health and public assistance services.

*Water Supply.* Municipal authority, in coordination with the sector's institution of the State.

*Energy Supply.* Public lighting is a municipal responsibility.

*Public Transport.* There is no express responsibility in this respect.

*Support to Business Development.* There is no express responsibility in this respect.

Three tasks of local government that are considered somewhat centralized: the provision of health services, education services and public transport.

As regards the central-local dimension and their relationship (including institutional aspects: agreements, contracts...) the fundamental services are highly centralized and there is a lack of institutional regulations in place to advance their decentralization.

## 6. Local Financing and Human Resources

### 6.1 –Local Government Income

Only the National Assembly can approve taxes in Panama. Local governments have

three areas of responsibility in this matter, which are the following: i) to formulate proposals for local taxes (such as municipal contributions) that have to be approved by National Congress; ii) to collect the local taxes that have been approved by National Congress, both as a result of municipal initiatives and on the initiative of legislators; iii) to set and approve taxes (or rates) for public services provided in the respective councils. Numbers ii) and iii) constitute the efforts of Panama's municipalities, which are paramount since there are no specific money transfers from the government to the municipalities. The making of a policy on transfers is currently in progress. For this reason, tax collection for Panama's municipalities represents 96 % of all their income and expenditure.

Until now, the lack of a defined framework of fiscal co-liability between central government and municipal governments has been much more evident, although the constitutional reforms are beginning to change this tendency.

Besides this, there has never been a tradition, as there has in the rest of the Central American countries, of external subsidies being made to the municipalities.

### 6.2 –Administration of Local Government Staff

Due to the marginal character that municipalities have, up until now, had in Panama, the number of employees and municipal civil servants is minimal and there is no information available in this respect. It is clear that the main cities have better professional and administrative capacities, and that in the small councils there is a large deficit in terms of human resources.

The integrity of the elected authorities and civil servants has always been in question by citizens due to the secular corruption of





municipal administration that begins at the level of the *corregimiento*, which relies on the complicity of authorities at a higher level, who should be guarding against corruption.

As for the Administration of human resources, it is really only in the big cities that the concept of improving the quantity and quality of the professional workforce is being applied.

## 7. Summary

The model of local autonomy in force three decades ago in Panama was aimed at recovering representative democracy, starting at a local level, and consolidating a democratic rule of political parties (in spite of the authoritarian interregnum that took place on the death of General Torrijos), but the latter model came to the end of its cycle. The recovery of Panaman sovereignty over the interoceanic canal, the increase of the social and economic demands of the population, especially to tackle poverty; the challenges of globalization and the expectations of greater democratization of politics, constitute decisive factors that represent an historic opportunity to push forward a public policy of total democratic decentralization, in the long term, with solid meaning and content for both State and Nation.

The constitutional reforms of 2004 have elevated the decentralization of the State to the constitutional realm and established important changes in local rule, with moves now being made towards its democratic restructuring. There is a framework of institutional reforms in progress that could end up thoroughly reforming the current local power structure.

The following issues stand out among the existing axes of debate: a) The intention to promote a process of decentralization, which should be accompanied by a clear profile on how to strengthen municipal autonomy and restructure the State to give greater power to the councils, to local development, and to citizen participation; b) The issue of defining alternative methods of financing local governments, including the possibility of adding a specific clause in a law of decentralization or forming a specific law of a financial nature; c) the consolidation of the indigenous regions' own political forms; e) the political strengthening of local governments in order to improve municipal cooperativism with a view to defending municipal autonomy, but also to being able to make an impact via a decentralizing policy that could transform the centralist structures of the State in favor of local governments' greater territorial, financial, jurisdictional and political autonomy.

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