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PANAMA

Energy Tariff Sparks Outcry and Investigations

In response to public discontent and protests that materialized throughout Jan, the Panamanian government suspended the imposition of an impending electricity rate increase for 90 days. Following the suspension, suspicions began to arise regarding the validity of the electric companies' financial records and motives for increasing prices.

The nation's two major distributors, Unión Fenosa and Elektra Noreste, have solicited the government to allow a 30-40% electricity tariff increase that teacher and labor unions along with various student organizations have said would put unreasonable economic demands on schools, businesses and private customers.

In Dec, the Public Service Regulatory Body (ERSP) announced that the tariff would be held at 15% during the first quarter of '06 while negotiations between the government and the private companies continue.

Over the past three years the government has absorbed the majority of cost increases that energy companies have imposed on their customers. The government allocated \$12 million in subsidies last year alone to fulfill the commitment. According to Jaime Lammie, director of sales and marketing at Elektra Noreste, if the government were to freeze prices again, it would be forced to shoulder an additional \$26 million.

On 20 Jan, as negotiations stalled, ERSP suspended the increase for 90 days to allow further discussion and analysis to take place. One week later, *El Siglo* granted anonymity to an "energy industry expert" who charged that the private energy companies were cooking the books to falsely demonstrate the necessity to increase tariffs.

According to law, the private energy providers can only show a net profit of 12% of available assets. The utility companies' earnings, therefore, should directly correlate to their assets. In '02, the last year without an energy tariff increase, energy distributors claimed \$40 million in earnings. In '04, however, earnings were reported at \$80 million. This 100% increase should indicate a doubling of assets as well,

but, according to the anonymous source, such an increase “is impossible to accomplish in such a short amount of time.”

Critics and union leaders have embraced the accusations and are now demanding that the government audit the electric companies’ financial records in greater detail. “It is the government’s obligation to clearly inform the people about these companies’ earnings,” said Genaro López, secretary general of the Construction Workers Union. In the meantime, the energy prices will remain frozen at least until Mar.

Prison Inmates Face Substandard Conditions and Excessive Force

After various human rights organizations publicly denounced La Joya Penitentiary officials on behalf of inmates claiming maltreatment, an official investigation on 13 Jan revealed excessively abusive disciplinary tactics and substandard living conditions.

Thirteen inmates at La Joya Penitentiary displayed heavy bruising on their faces and bodies as proof that prison guards routinely beat them with clubs and rifle butts.

Rigoberto González, general secretary for the Attorney General, visited the prison following the accusations and was left shaken by what he saw. “The conditions in these cells exceed the human imagination.”

According to González’ report, La Joya Penitentiary contains two punitive holding spaces that inmates have termed “the cage” and “the gas chamber.” The cage is a two by three meter space enclosed by barbed wire, where prisoners, one at a time, had once made telephone calls. Inspectors reported that it has since been converted into a holding pen, which, during their visit, contained six prisoners. The so-called gas chamber is located beneath a stairwell. No light enters the space and, while the floor dimensions are similar to those of the cage, it has a lower, slanted ceiling. According to González, this dark, cramped space contained five men.

Attorney General Matilde Gómez recommended to the Minister of Government and Justice, Héctor Alemán, that the penal system discontinue using disciplinary holding facilities within the nation’s prisons.

Days after González’ visit, Guillermo Ríos of the human rights organization Defense of the People visited La Joya Penitentiary and found more than just substandard conditions; he found seven more abused prisoners whom guards were attempting to hide. The newly discovered cases were added to the official denouncement, making a total of 20 official grievances against La Joya guards and administrators.

“Nothing justifies this kind of mistreatment,” said penal system director José Calderón. He and police director Roland Mirones have vowed to sanction those responsible for the abuses. Human rights leaders have said publicly that no evidence suggests that Calderón had previously knowledge of abusive practices in La Joya or of the attempted cover-up.

The Vice Minister of Government and Justice, Olga Golcher, and the President of the Human Rights Commission in the National Assembly, Rogelio Paredes, have called for Panamanian police officers to

be removed from guard duty and replaced by specially trained guards employed by the General Penal System. About 1,500 members of the police force serve guard duty during the year, while only 380 guards are civilians on General Penal System payroll.

Panama Registers Best Fiscal Year in Region

The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) has reported that Panama experienced more economic growth in '05 than any other country in the region, although one-third of its population remains in poverty.

According to the report the GDP rose 6.6% last year, while the unemployment rate fell to 9.6%, marking the first time in nearly 40 years that the nation's unemployment rate has fallen to single digits. ECLAC reported that economically active years in the Colón Free Trade Zone and the Panama Canal, along with large earnings in the banking industry and from various development projects that brought construction companies and thousands of foreign workers to Panama, were the most significant contributors to the nation's '05 economic success.

The report also predicted that a GDP increase of over 6.5% could be expected for the '06 fiscal year if the nation's various large-scale construction projects begin successfully (Vol. 25, No. 1). The expansion of the Panama Canal alone is a billion dollar project that could create hundreds of jobs and would attract even more foreign workers to the country.

While the report did give cause for optimism, it did not fail to mention that 30% of the population is living in poverty. In Panama City and Colón high unemployment rates have affected much of the population, while economic conditions are even worse in rural and indigenous communities where "60% of the population lives in extreme poverty."

Economist Rolando Salvador Guillén from the Center of Economic Studies (CEE) also warned that nothing is certain in a country facing heavy social opposition against two key economic issues: Social Security reform (Vol. 24, No. 6) and increases in electricity costs. "Both hurt income," said the economist. "Therefore, especially in the middle class, you will see reductions in monthly spending."

Some found it surprising that these economic issues did not affect the nation's fiscal success more dramatically. The social security reform, which among other things seeks to install a new, less burdensome pension system, provoked 40 days of strikes in May and June that paralyzed business across the nation, and most severely in the construction sector.

Also in '05, the nation registered a 3.9% inflation rate, the highest since '82. Guillén said that Panamanians should expect economic growth to create price increases.

—Rob Fischer