

Panama

Population ¹	4,176,873
Area (km ²) ¹	75,420
GDP per capita (USD) ¹	15,575.07
TPES (Mtoe) ²	4.64
Energy intensity (toe/10 ³ 2010 USD) ²	0.10
CO ₂ emissions - energy (MtCO ₂) ³	9.61

Data from Orbis Crossborder Investment on energy projects and deals completed between 2015-2020⁴

Target industry	Number of projects and deals	Project/deal type	Project CapEx and deal value (million EUR)
Electric power generation, transmission and distribution	2 deals	acquisition deals	532m EUR total value of deals

Sources:

1. The World Bank 2018
2. ©IEA, World energy balances, 2020, www.iea.org/data-and-statistics, webstore.iea.org/key-world-energy-statistics-2019
3. ©IEA 2020, CO₂ emissions from fuel combustion, www.iea.org/data-and-statistics, webstore.iea.org/key-world-energy-statistics-2019
4. Orbis Crossborder Investment (2020), Bureau Van Dijk. Panama is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2020. For more information see Annex II of this report.

Panama’s overall risk level against the assessed areas is **low**.

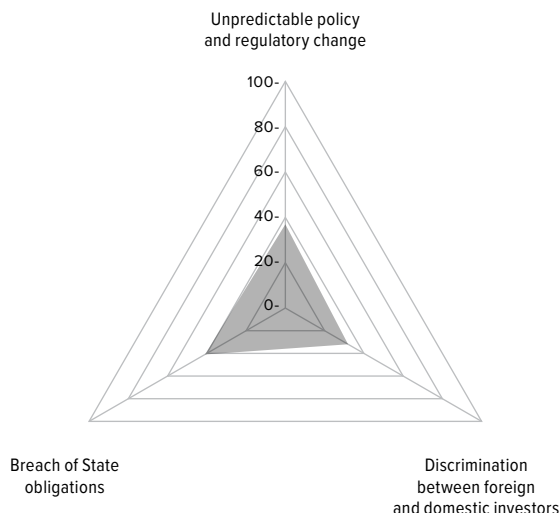
Among the three risks assessed in EIRA, *discrimination between foreign and domestic investors* and *unpredictable policy and regulatory change* are lower compared to *breach of State obligations*.

Panama’s performance is good on two of the EIRA indicators, and it is moderate on two indicators. It has a score of 77 on *management of decision-making processes*, and a score of 67 on *regulatory environment and investment conditions*. The indicators *rule of law* and *foresight of policy and regulatory change* are at 59 and 52, respectively.

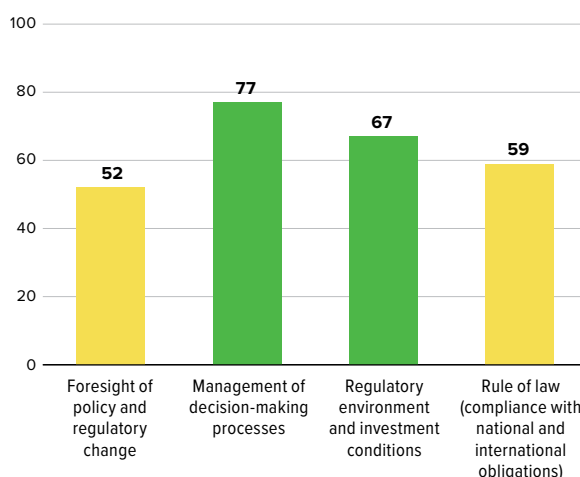
On a more detailed level, Panama’s sub-indicator performance continues to be good. The highest-scoring sub-indicator is *transparency* at 92, followed by *robustness of policy goals and commitments* at 75, and *restrictions on FDI* at 70. The sub-indicators *regulatory effectiveness* and *institutional governance* stand at 64 and 63, respectively. Its performance on the sub-indicators *management and settlement of investor-State disputes* (60) and *respect for property rights* (58) is moderate. On *communication of vision and policies*, it has a low score of 29.

While Panama has the relevant policies and measures in place, there is potential for improvement. Attention should be given to better communicating the existing policies and plans to investors.

RISK LEVEL



INDICATOR PERFORMANCE



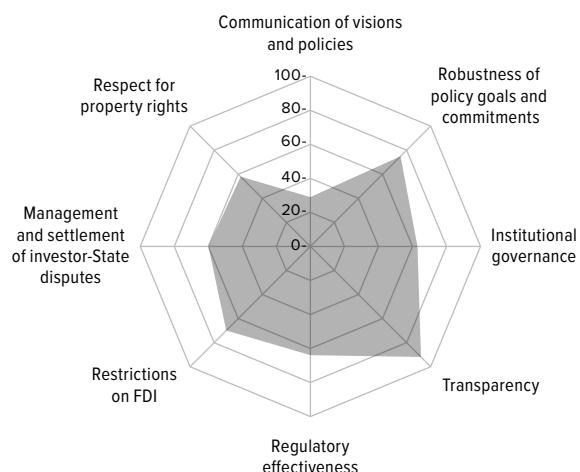
YEAR-ON-YEAR COMPARISON

RISK AREAS	2019	2020
Unpredictable policy and regulatory change	37	37
Discrimination between foreign and domestic investors	32*	32
Breach of State obligations	41	41

INDICATORS	2019	2020
Foresight of policy and regulatory change	52	52
Management of decision-making processes	77	77
Regulatory environment and investment conditions	67*	67
Rule of law	59	59

*These numbers have been adjusted due to identified errors in previous editions

SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The National Energy Plan 2015-2050 sets the priorities for the energy sector's development in Panama.

The recently updated Short-Term Operational Plan 2019-2024 lists actions the Government should take towards meeting the country's objectives.

Panama ratified the Paris Agreement in 2016 and submitted its first NDC.

STRENGTHS

The Government has intensified its efforts to meet the country's increasing energy demand. The current administration has prioritised the use of renewable energy sources. By the beginning of 2020, there were over 16 licenses granted for solar projects, and 14 projects received provisional approval. The largest one, a 120 MW solar farm, is expected to be commissioned in December 2020. The administration also seeks to reinforce the transmission system to transport electricity from natural gas projects between Colon and Panama City. Plans are underway to build a 500 km transmission line to connect Panama and Colombia. This line will have a capacity of 400 MW and will help the country control and stabilise electricity prices, particularly during drier periods. Moreover, the Government has made strides in improving household electrification rates in the past decades, reaching the country's goal of 95% by 2020.

The National Energy Secretariat (SNE) oversees the development and implementation of national energy policy to guarantee the security of energy supply, electricity access for the entire country, and efficient and rational energy use. The National Authority of Public Services (ASEP) also monitors the electricity sub-sector. The SNE and ASEP collect and publish online data on the energy market every month, as well as energy statistics. According to a report recently published by ASEP, the country's installed solar capacity will increase almost threefold by 2030 compared to the 2018 levels.

AREAS FOR IMPROVEMENT

Although the national energy policies and plans describe the sectoral objectives, the Government needs to set short-, medium- and long-term targets that are quantifiable and time-bound, particularly for renewables. Also, it is encouraged to develop a national strategy that will improve the power system planning and modelling, and determine a set of implementable solutions that will strengthen the investment environment.

Management of decision-making processes

QUICK FACTS

The SNE is responsible for framing the energy policy.

Panama enacted Law no. 6 on Transparency in Public Management and the Establishment of the Habeas Data Action (Law on Transparency) in 2002.

STRENGTHS

The Government is working on its institutional capacity reform agenda that is necessary to maintain the country's high potential growth. Panamanian authorities coordinate their decisions on the key challenges, such as improving the capacity of tax and customs administrations and rationalising the recording of fiscal accounts by limiting deferred payment contracts in public investment projects. Procedures on registering foreign and domestic businesses are available on the Ministry of Commerce and Industry's website. Foreign investors may register their company or create a branch of a registered business through the site. In some cases, other government offices may work with investors to ensure they comply with the regulations and requirements for land use, employment, special investment incentives, business licencing, and other conditions.

The new Tax Procedure Code and Law no. 129/2020 on Private Registry System of Final Beneficiaries of Legal Entities reflects the Government's commitment to improve transparency. The Tax Code introduces and defines the concepts of criminal tax fraud, administrative tax evasion, and tax avoidance. It establishes an independent entity, Defensoria del Contribuyente, to ensure tax authorities uphold taxpayers' rights. The Defensoria del Contribuyente establishes the regulatory framework for a registry system that will facilitate access to information on beneficial owners of legal entities, collected by attorneys who provide resident agent services. The Code also aims to assist with preventing money laundering. The National Authority of Transparency and Access to Information (ANTAI) has launched a public consultation on proposed amendments to the Law on Transparency. The amendments seek to strengthen ANTAI and its functions as the governing and supervisory body for issues concerning transparency, access to information, and open data.

AREAS FOR IMPROVEMENT

In line with last year's recommendation, there is a need for coordinated governance structures comprising representatives of all State authorities. Better coordination will improve cohesion between administrative processes and reduce the processing time for customer services. A single window may be created to address all the queries of foreign investors, and to guide them through a step-by-step procedure to successfully develop and implement their projects. The Government should also organise a one-stop shop that will facilitate and accelerate investments by reducing bureaucratic and administrative procedures. It will provide investors with a single point of contact for all dealings with the public authorities.

Regulatory environment and investment conditions

QUICK FACTS

ASEP is responsible for the control and supervision of public services, including the national electricity market.

The hydrocarbons sub-sector is regulated by the SNE, which is organised under the Ministry of the Presidency.

Law no. 54 on Investment Stability was enacted in 1998 to ensure equality of treatment between national and foreign investors.

STRENGTHS

ASEP issues regulations, and grants licences and concessions to new market entrants. Following public consultation with energy companies, ASEP approved the Expansion Plan of the National Interconnected System (Pecin) 2019-33 of the State-owned electricity transmission company, Empresa de Transmisión Eléctrica (ETESA) in 2020. DisCos prepare the tariff structure for every four years, which is approved by ASEP. The DisCos develop the structure based on, among other things, their anticipated investments on maintaining and expanding the grid, marketing activities, public lighting and unavoidable energy losses. In approving the end-user tariff rates submitted by DisCos, ASEP takes into account the real costs of services, the distribution area, and other factors it considers significant.

Panama continues to work towards making the investment environment attractive. Capacities and prices within the contract electricity market, including for renewable energy, are determined through auctions arranged by ETESA on behalf of Panama's distribution companies. Tendering of energy and power is conducted as per ASEP's guidelines. Companies that hold a license under the Special System of the Multinational Corporation Headquarters (MHQ) enjoy legal stability in their investment and a favourable tax regime. Incentives are available for renewable energy projects, including a tax exemption on imported equipment and an income tax credit of up to 25% of project investment, which companies can utilise up to 10 years from the date of commissioning. Wind- and solar-specific schemes provide for accelerated depreciation on relevant equipment, separate auctions, and exemption from transmission or distribution fees.

AREAS FOR IMPROVEMENT

Resolution no. 4480, effective from October 2019, facilitates the employment of foreign skilled and technical personnel in the energy sector, in a percentage higher than 15% of the total number of workers. This resolution is a positive development, and the Government should continue to work towards lowering barriers in hiring foreign personnel, and on promoting quality training programmes.

Rule of law

QUICK FACTS

Panama ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States in 1995.

Panama signed the Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1984.

Arbitration in Panama is governed by Law no. 131/2013 on Domestic and International Commercial Arbitration.

STRENGTHS

Commercial and investment disputes between private entities and the State can be resolved through international arbitration. Panama is a signatory to the Inter-American Convention on International Commercial Arbitration (Panama Convention). The Convention provides for the validity of an agreement to arbitrate either a present or a future dispute. Domestic courts may order the recognition and execution of an arbitral award in the same manner as judgements handed down by national or foreign courts.

Panama's national legislation, and the international treaties signed by it, offer coverage against expropriation of private property. There is a robust legal framework for protecting IP rights, including patents, trademarks and digital copyright products. The Committee for Intellectual Property, under the Ministry of Commerce and Industry, is responsible for developing the relevant policies. The Government has also introduced a prosecutor with country-wide competence to simplify the prosecution of certain types of cases. In general, there are no restrictions on the transfer of technology.

AREAS FOR IMPROVEMENT

As advised last year, an independent and impartial body, like an investment ombudsman, should be established to deal with grievances of foreign investors against the public authorities. Such a mechanism can reduce the risk of maladministration, promote the expeditious and effective resolution of disputes, and reinforce the confidence of investors.

The Government should enact a law to protect foreign investors against the expropriation of property, and to regulate the process of determining compensation and the timeframe for its payment. A definition of "public interest" and a list of activities which constitute public utility can also be included in this law to ensure the legitimacy of the decisions to expropriate.

IMPLEMENTATION STATUS



Panama

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2020
Indicator 1		
2019	Set short-, medium- and long-term energy sector targets that are measurable, time-bound and realistic.	Pending
Indicator 2		
	Set up a single window to give companies information on energy projects and investment facilitation.	Work ongoing. The office of Panama's Vice-Minister of International Trade, within the Ministry of Commerce and Industry, is the principal entity responsible for promoting and facilitating foreign investment and exports.
2019	Establish a one-stop shop for documenting and approving all licences, registrations, permits, and procedures related to energy projects.	Work ongoing. Information on the procedure for registering foreign and domestic businesses is available on the Ministry of Commerce and Industry's website. The online portal allows foreign investors to register their company, create a branch of a registered business, or register as an individual trader from any part of the world.
Indicator 3		
2019	Reduce restrictions on the employment of foreign skilled and technical personnel.	Work ongoing. The Government has made some progress by adopting Resolution no. 4480/2019 which facilitates the hiring of foreign personnel in the energy sector in a percentage higher than 15% of the total number of workers, as well as through the local content exemptions under the Special System of the Multinational Corporation Headquarters.
Indicator 4		
2019	Establish an investment ombudsman or similar institution to resolve conflicts between investors and State authorities.	Pending
2019	Enact a law that defines "public interest" in the context of expropriation, and address issues regarding the valuation of the compensation and the timeframe for its payment.	Pending