



# Responsible Business Conduct Country Fact Sheet

## PANAMA



This document was prepared within the framework of the Project on Responsible Business Conduct in Latin America and the Caribbean. Launched in 2019, this project promotes smart, sustainable and inclusive growth in the EU and Latin America and Caribbean by supporting responsible business conduct practices in line with the UN, ILO and OECD instruments. It is jointly implemented by the OECD, ILO, UN Office of the High Commissioner for Human Rights and the European Union.



**Please cite this document as:**

OECD (2021), Responsible Business Conduct Country Fact Sheet - Ecuador, OECD Paris.

Funded by the European Union



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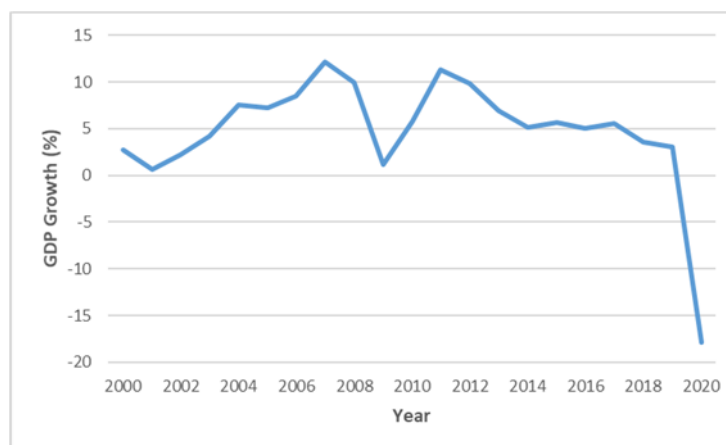
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# 1 Country Overview

The OECD, the International Labour Organisation (ILO), the Office of the United Nations High Commissioner for Human Rights (OHCHR) and the European Union (EU) are implementing a four-year project (2019-2022) to promote and enable Responsible Business Conduct in Latin America and the Caribbean (RBCLAC) in nine partner countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama and Peru. Under this project, the OECD contributes its expertise on Responsible Business Conduct to strengthen government policies for RBC, help business to conduct due diligence in priority sectors and strengthen access to remedy by reinforcing National Contact Points for RBC (NCPs). This note provides background information and data on Panama's trade and investment situation, with a focus on the extractive and financial sectors.

Panama's economy has grown fast during the past decades. Between 2000 and 2007, GDP expanded at an annual average rate of 5.6% (IMF, 2021<sup>[1]</sup>). The expansion slowed down during the global financial and economic crisis, with GDP growth falling to 1.2% in 2009. Then the economy registered a recovery between 2010 and 2019, growing on average 6.2% (IMF, 2021<sup>[1]</sup>). The COVID-19 pandemic has had a significant impact on economic growth, leading to a GDP contraction of 17.9% in 2020 (See Figure 1 and Figure 2) (IMF, 2021<sup>[1]</sup>). For 2021, it is projected that the Panamanian economy will grow around 12% (IMF, 2021<sup>[1]</sup>).

**Figure 1. Panama's GDP growth (annual % change)**



Source: (IMF, 2021<sup>[1]</sup>)

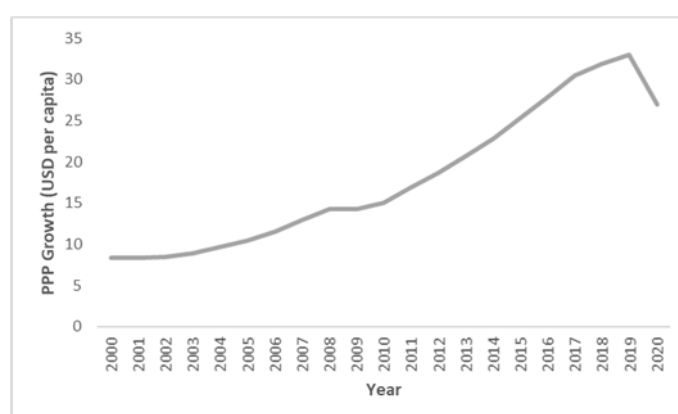
In a similar vein, GDP per capita (in terms of purchasing power parity, PPP) increased from US\$ 8 300 in 2000 to US\$ 15 000 in 2010 (IMF, 2021<sup>[1]</sup>). By 2020, GDP per capita stood at US\$ 27 000 (See Figure 2), outpacing the average of the Latin American region, which reached US\$ 15 000 (IMF, 2021<sup>[1]</sup>). Together with Argentina, the country is the most recent (2018) Latin American addition to the high-income country group (World Bank, 2021<sup>[2]</sup>).



**Table 1. GDP trends (2000-2020)**

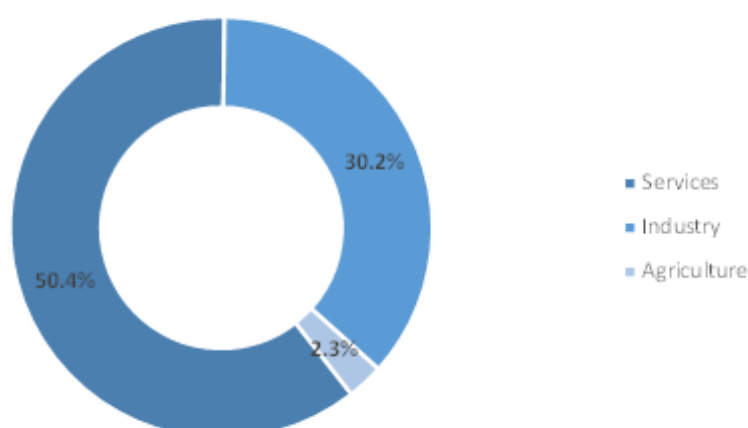
	2000	2005	2010	2015	2020
<b>GDP (current bn USD)</b>	12.5	16.6	29.4	54.1	52.9
<b>GDP (PPP) (current bn USD)</b>	25.4	35.1	55.2	100.5	115.5
<b>GDP Growth (%)</b>	2.7	7.2	5.8	5.7	-17.9
<b>GDP per capita (current USD)</b>	4,111.71	4,965.21	8,039.76	13,606.6	12,373

Source: (IMF, 2021<sup>[1]</sup>)

**Figure 2. Panama's GDP per capita, purchasing power parity**

Source: (IMF, 2021<sup>[1]</sup>)

In terms of economic structure, in 2020 services made up more than 50.4% of the economy, in particular trade, financial intermediation and transport, followed by industry, including construction, at 30.2% and a small share for agriculture at 2.3% (See Figure 3) (UNSD, 2020<sup>[3]</sup>).

**Figure 3. Value added by activity (2020)**

Source: (UNSD, 2020<sup>[3]</sup>)

The COVID-19 pandemic had a significant impact on Panama's economy in 2020, given its reliance on sectors severely affected by the emergency, such as transportation (-6.2%), tourism (-55.8%) and construction (-51.9%) (IMF, 2021<sup>[4]</sup>). By contrast, other key sectors of the economy remained resilient during the crisis, namely the financial and mining sector, the latter expanding at 34.1% (IMF, 2021<sup>[4]</sup>). In 2020 GDP contracted by 17.9% and public debt as a share of GDP increased by almost 20 percentage points. Panama is projected to have a strong rebound, with an expansion rate of 12% in 2021, as economic activities recover due to the increase in vaccination rollout. As for October 2021, 59.1 doses were administered per 100 people, placing Panama among the countries in the region with the highest vaccination rates (World Bank, 2021<sup>[5]</sup>; PAHO, 2021<sup>[6]</sup>).

Trade, enabled by entry into the WTO in 1997 and the transfer of the Canal to Panama in 2000, and investment (both public and private, particularly in infrastructure) have been key growth drivers in recent decades. The strategic geographic location of Panama supported the growth and development of the country into a global logistics and financial services hub.

The role of the Canal in Panama's economic development cannot be overstated. With a value estimated at around 40% of total activity, the Canal renders Panama highly connected to world trade and more precisely maritime transportation (OECD, 2017<sup>[7]</sup>). The Colon province, which includes the Colon free trade zone and Panama City, are the areas which exhibit the highest labour productivity and levels of development in the country (OECD, 2017<sup>[7]</sup>).

The country's economic growth over the last decade has helped to reduce the poverty rate at a pace faster than the average in the LAC region, decreasing from 21.8% in 2010 to 12.1% in 2019, although increasing again to 14.9% in 2020 due to the COVID-19 pandemic (World Bank, 2021<sup>[8]</sup>; World Bank, 2021<sup>[5]</sup>). However, economic growth has not benefited equally all groups of society or regions in the country. Poverty remains higher in rural areas, affecting 42.7% of the rural population compared to 12% of people living in urban areas. Extreme poverty concentrates in regions that are inhabited by indigenous people (*comarcas indígenas*) (OECD, 2017<sup>[7]</sup>; Government of Panama, 2020<sup>[9]</sup>). In addition, the Gini (inequality in income distribution) coefficient was 49.8 in 2019, above the index of other LAC countries and significantly above the OECD average (World Bank, 2021<sup>[2]</sup>). Access to basic services is not universal and varies according to geographic location, education levels, ethnicity and income levels of households (World Bank, 2020<sup>[10]</sup>).

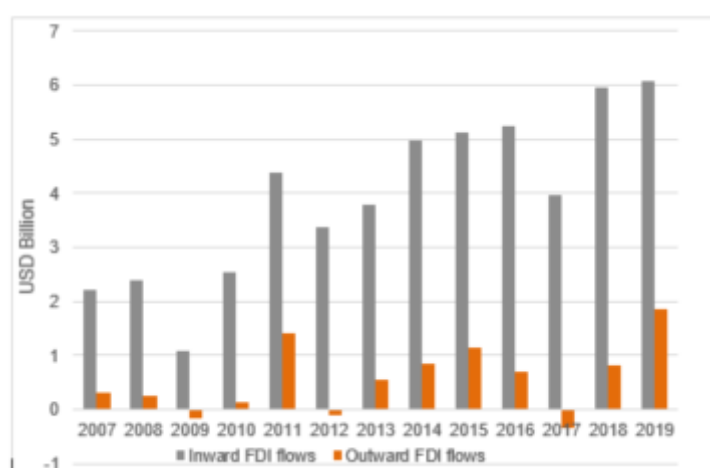
COVID-19 has also affected jobs, increasing unemployment from 7.1% in 2019 to 18.5% in 2020 (IMF, 2021<sup>[4]</sup>). Overall, the informal sector in Panama (which employs 44.9 % of the total active workforce) is smaller than in most Latin America countries (around 50% of the workforce), but large compared to OECD averages (INEC, 2019<sup>[11]</sup>; ILO, n.d.<sup>[12]</sup>). Despite recent progress, labour informality remains higher than in other countries with similar levels of development such as Argentina or Uruguay (OECD, 2018<sup>[13]</sup>).

## 2 Investment

Panama actively encourages foreign direct investment (FDI) and to date, few restrictions (namely in media and retail) remain in place (US Department of Commerce, 2016<sup>[14]</sup>). Legal and regulatory provisions have been implemented including a framework law (No. 54 of July 1998) for equal treatment and various bilateral investment promotion and protection agreements (WTO, 2014<sup>[15]</sup>).

Panama has been the main recipient of FDI in the Central America region, receiving more than US\$ 6 billion inflows in 2019 (ECLAC, 2019<sup>[16]</sup>). Inflows accounted for 9.3% of GDP in 2019, whilst outflows for 2.8% (See Figure 4).

**Figure 4. FDI flows, 2007-2019**



Source: World Bank (2021<sup>[2]</sup>)

**Table 2. Major foreign direct investors (2019)**

	PAB thousands	As a share of total inward stock %
<b>Total inward FDI stock</b>	58,023,273	100
Colombia	9,609,408	16.6%
United States	9,131,604	15.7%
Canada	8,680,501	15%
Switzerland	3,695,297	6.4%
United Kingdom	3,007,139	5.2%
Spain	2,357,872	4.1%
Chinese Taipei	1,751,562	3%
Netherlands	1,632,118	2.8%
Mexico	1,629,759	2.8%
South Korea	1,481,945	2.6%

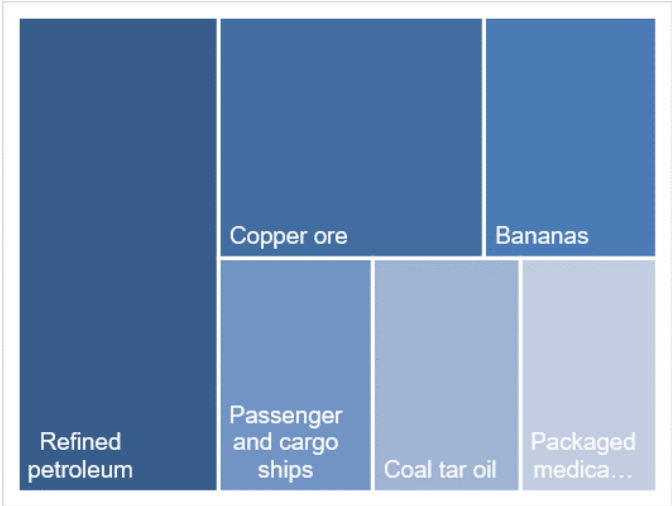
Source: INEC (2019<sup>[17]</sup>)

### 3 Trade

Panama is among the most open countries to trade in the Latin American region. Trade, measured as exports plus imports, accounted for 84% of GDP in 2019, down from a peak of 166% in 2011 (World Bank, 2021<sup>[2]</sup>). The ratio remains high compared to other LAC countries, although it is below that of other port economies and financial hubs such as Singapore (325.5%), Belgium (163%), and the Netherlands (156%) for the same year (World Bank, 2021<sup>[2]</sup>; OECD, 2017<sup>[7]</sup>).

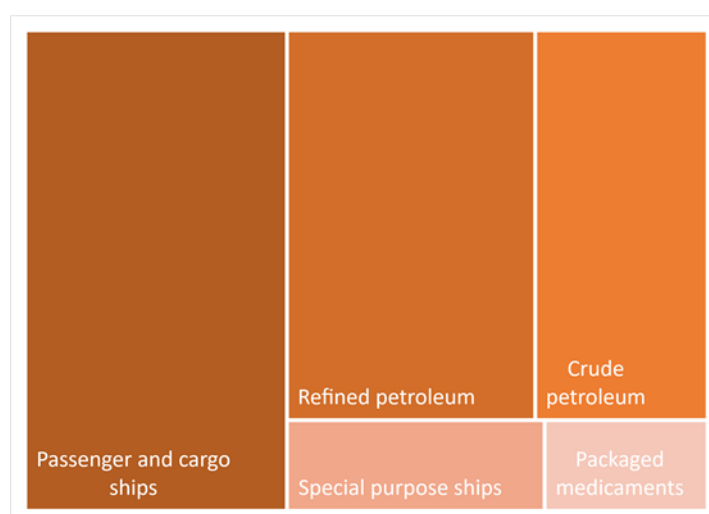
Panama’s export mix in gross terms is mainly represented by mineral products (34%), which include mostly refined petroleum, copper ore and coal tar oil. Vegetable products such as bananas represented overall 7.8% and transport vehicles such as passenger and cargo ships accounted for more than 8% (See Figure 5). Imports reflect a very similar pattern to exports with minerals (including raw petroleum) overall accounting for 27.7% and with ships, boats and other floating structures taking up another important share (25%) (Observatory of Economic Complexity, 2019<sup>[18]</sup>) (See Figure 6). However, Panama is mostly a service exporter. In 2019, the country exported USD 13.9 billion worth of services, including transportation (USD 7.06B), personal travel (USD 4.34B) and financial services (USD 1.08B) (Observatory of Economic Complexity, 2019<sup>[18]</sup>). Transport services alone account for 75% of the exports showing a high relative comparative advantage given the importance of the Canal. The transport sector directly exports most of its value-added, mainly through the Canal, while other sectors have more value added that ‘sticks’ in the economy, such as distribution and trade (both retail and wholesale) (OECD, 2017<sup>[7]</sup>).

Figure 5. Composition of exports (2019)



Source: Observatory of Economic Complexity (2019<sup>[18]</sup>)



**Figure 6. Composition of imports (2019)**

Source: Observatory of Economic Complexity (2019<sub>[18]</sub>).

According to Government sources, Panama has 23 trade agreements in force with 60 countries. Those countries include El Salvador (2003), Chinese Taipei (2004), Singapore (2006), Chile (2008), Costa Rica (2009), Honduras (2009), Guatemala (2009), Nicaragua (2010), Peru (2012), the United States (2012), Canada (2013), Mexico (2015), South Korea (2021) and the United Kingdom (2021). Panama has partial trade agreements with the Dominican Republic (1987), as well as signed but not yet ratified treaties with Colombia (2013) and Israel (2018) (SICE - OAS, 2019<sub>[19]</sub>). Since 2013, trade between the EU and Central America, including Panama, falls under the European Union Central American Association Agreement (EU-CAAA).

The biggest recipients of Panama's exports are Ecuador (19.7%), Guatemala (13.5%) and China (8.29%) (See Table 3). Panama's largest import partners are China (20.8%), the United States (18.8%) and Japan (15.9%) (See Table 4 ).<sup>1</sup>

### Box 1. EU-Panama Trade Relationship

Since 2013, trade between the EU and Central America, including Panama, falls under the European Union Central American Association Agreement (EU-CAAA). The agreement consists of three pillars: political dialogue, co-operation and trade. In trade terms, the agreement is equivalent to the one standing between Central America and the United States.

The agreement has a strong focus on development co-operation. As in the past, Panama benefits throughout the period 2014-2020 from the EU sub-regional programme for Central America (EUR120 million). Co-operation was previously focused on social cohesion and economic growth, while the new programming exercise responds to the emerging needs of the region, namely security and impunity, climate change and private sector development as a vehicle for generating employment opportunities.

Source: European Commission (2018<sub>[20]</sub>); Government of the Netherlands (2019<sub>[21]</sub>) .

<sup>1</sup> Note from the Government: this data may include re-exports from the Colon Free Trade Zone, which can overstate the value of trade products from Panama.

**Table 3. Top 10 export partners (2019)**

Ranking	Country	Exports USD (2019)	
		USD	% of total exports
1	Ecuador	975M	19.7%
2	Guatemala	667M	13.5%
3	China	410M	8.29%
4	United States	308M	6.23%
5	Netherlands	280M	5.67%
6	Costa Rica	198M	4%
7	Paraguay	144M	2.91%
8	Spain	130M	2.62%
9	Germany	111M	2.24%
10	Switzerland	97.9M	1.98%

Source: (Observatory of Economic Complexity, 2019<sup>[18]</sup>)

**Table 4. Top 10 import partners (2019)**

Ranking	Country	Imports USD (2019)	
		USD	% total imports
1	China	7.95b	20.8%
2	United States	17.2B	18.8%
3	Japan	6.09B	15.9%
4	Colombia	2.35B	6.16%
5	Ecuador	1.92B	5.02%
6	Brazil	1.81B	4.74%
7	South Korea	1.71B	4.48%
8	Mexico	01.1B	2.88%
9	Singapore	875M	2.29%
10	Germany	0659M	1.72%

Source: (Observatory of Economic Complexity, 2019<sup>[18]</sup>)

Trade in value added (TiVA) data, which measures backward and forward participation in Global Value Chains (GVC), was not available for Panama at the time of writing. Therefore, this part of the analysis is not directly comparable with other RBC fact sheets prepared by the RBCLAC project. However, general trends indicate that between 2005 and 2018, Panama and its Central American counterparts experienced a lower share in backward GVC participation (ECLAC, 2020<sup>[22]</sup>). Overall, the participation of LAC countries in GVCs is lower than that in other regions such as Asia and Europe (IADB, 2020<sup>[23]</sup>).

## 4 Responsible Business Conduct

Panama has made significant progress during the last years in promoting RBC, including a recently started process to develop a national policy framework in this area. Panama initiated in 2017 a diagnostic process on the status of corporate social responsibility (CSR) in the country, including the review of social, environmental and governance dimensions.

This diagnostic has led the Panamanian Government in developing a [\*National Plan in Public and Private Social Responsibility and Human Rights 2020-2030\*](#). This Plan was launched in February 2020 by the Government of Panama, under the leadership of the Ministry of Commerce (Government of Panama, 2020<sup>[24]</sup>) (See Box 2). Internationally recognised standards guided the preparation of this Plan, including the OECD Guidelines for Multinational Enterprises and its related Due Diligence Guidance for Responsible Business Conduct, the UN Guiding Principles on Business and Human Rights and the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy. Panama is not yet adherent to the OECD Declaration on International Investment and the OECD Guidelines for Multinational Enterprises, although the Plan includes actions to adhere to those instruments. The Plan envisages five areas of action, including communication of the SDGs at a national level, sustainable development and competitiveness, good governance, environmental sustainability and protection, prevention and reparation of human rights. With this structure, the Plan intends to respond to the main social, environmental and good governance challenges of the country. This National Plan is also linked with the priorities defined in the [\*National Strategic Plan\*](#) with a 2030 horizon and is aligned with all the SDGs (ECLAC, n.d.<sup>[25]</sup>).

### Box 2. National policy enabling RBC

The National Plan in Public and Private Social Responsibility and Human Rights 2020-2030 was launched in 2020 after a consultation process with multiple stakeholders, including the public and private sectors, international organisations and civil society. The Plan contains a series of commitments in areas covered by the OECD MNEs Guidelines, such as human and labour rights, protection of the environment and anti-corruption and integrity. The Plan is based on international instruments and standards on RBC, namely the OECD Guidelines for Multinational Enterprises and the OECD Due Diligence Guidance. Among its objectives, it sets the adherence to the OECD Guidelines for Multinational Enterprises, the participation in the OECD Working Party on Responsible Business Conduct (WPRBC), the adoption of corporate governance practices based on international standards, including the consideration of the adoption of regulation related to mandatory non-financial disclosure (Action 3.2.1) and the dissemination of RBC standards and instruments, including the OECD MNEs Guidelines within the private sector (Action 5.1.1).

In addition, the Panamanian Government stated during the 2021 OECD Global Forum on Responsible Business Conduct that the Ministry of Commerce and has been taking steps to revise and update the National Plan to address the new challenges in light of the COVID-19 crisis.

*Source:* (Government of Panama, 2020<sup>[26]</sup>) (OECD, 2021<sup>[27]</sup>)

The Government of Panama has also adopted other RBC-related policies. For instance, the 2030 National Strategic Plan ([\*Plan Estratégico Nacional con Visión de Estado Panamá 2030\*](#)) has five strategic axes linked with the SDGs and covers areas relevant to RBC such as gender equality, decent work, sustainable production, environmental sustainability, among others. As part of the national environmental agenda, the Government enacted the National Strategy on Climate Change 2050 ([\*Estrategia Nacional Cambio Climático 2050\*](#)) which seeks to establish a road map towards a low-carbon economy and climate change mitigation actions that could contribute to the advancement of the SDGs. In addition, Panama ratified the Paris Agreement and as such presented its Intended Nationally Determined Contribution (INDC) to the United Nations Framework Convention on Climate Change (UNFCCC). In 2020, Panama ratified the Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean (Escazú Agreement). The agreement represents the first treaty of its type and includes provisions for protecting human rights defenders in environmental matters (UNEP, 2020<sub>[28]</sub>). Other relevant adherences and rankings are shown on Table 5 and Table 6.

**Table 5. Adherence / ratification of international instruments**

Instrument	Ratification or adherence
<a href="#"><u>OECD Guidelines for Multinational Enterprises</u></a>	N
<a href="#"><u>9 Core UN Conventions on Human Rights</u></a>	9/9
<a href="#"><u>UN Convention against Corruption</u></a>	Y
<a href="#"><u>Fundamental ILO Conventions</u></a>	8/8
<a href="#"><u>Extractives Industries Transparency Initiative (EITI) Member</u></a>	N
<a href="#"><u>Voluntary Principles on Security and Human Rights</u></a>	N

**Table 6. Rankings in global indices**

Indicator	Country ranking	Number of countries
<a href="#"><u>WEF Global Competitiveness Index (2019)</u></a>	66	141
<a href="#"><u>World Bank Doing Business (2020)</u></a>	86	190
<a href="#"><u>ITUC-CSI Global Rights Index (2020)</u></a>	Rating 4	144
<a href="#"><u>Yale Environmental Performance (2020)</u></a>	70	180
<a href="#"><u>Freedom House Freedom of the Press Index (2021)</u></a>	83	210
<a href="#"><u>RSF World Press Freedom (2020)</u></a>	76	180
<a href="#"><u>Global Slavery Index (2018)</u></a>	133	167
<a href="#"><u>WEF Global Gender Gap Index (2020)</u></a>	46	153
<a href="#"><u>Transparency International Corruption Perception Index (2020)</u></a>	111	179
<a href="#"><u>World Justice Rule of Law Index (2020)</u></a>	63	126

## 5 Target sectors

### 5.1 Financial services

The financial services sector capitalises on Panama's location, connecting North and South America and serves mostly clients in Latin America. The sector is relatively large, with assets equivalent to 205.3% of GDP in 2019. It is centred on banking activities, whose assets accounted for 186.2% of GDP in 2019 and includes onshore (86% of banking sector assets) and offshore banks (14%) (IMF, 2020, p. 27<sub>[29]</sub>). Since 2014, the country's international banking centre position has improved, placing Panama as one of the most competitive financial centres in the LAC region (Oxford Business Group, 2015<sub>[30]</sub>).

As of November 2019, the banking system consisted of 79 banks, 46 of which held a general banking license, 22 held an international license and 11 were representative offices of foreign banks. The sector offers primarily traditional products of deposit taking and lending (IMF, 2020, p. 27<sub>[29]</sub>). This industry is dominated by private sector banks (nine out of 10). The Banco Nacional de Panama (BNP) is the only state-owned bank (SBP, 2021<sub>[31]</sub>). Foreign and Panamanian banks compete on equal terms. Both foreign and domestic banks are organised into the banking association (*Asociación Bancaria de Panamá ABP*) and are licensed and regulated by the Superintendency of Banks of Panama (*Superintendencia de Bancos de Panamá, SBP*) (Government of the United States, 2016<sub>[32]</sub>).

Although relatively small, the non-bank sector is dominated by a large number of institutions. It comprises over 1 000 licensed entities, including securities, insurance, cooperatives, savings and loans, developments banks, finance companies, trust, leasing companies. Together, they accounted for 7.2% of financial system's assets (15.2% of GDP) up to 2018. The vast number of entities in this sector poses a major challenge for regulation and supervision (IMF, 2019<sub>[33]</sub>).

To date, sustainable finance regulation has primarily been limited to the banking sector. The involvement of Panama's financial sector regulators and ministries has thus far focused on the development of voluntary sustainable finance practices. There are two main voluntary and industry initiatives related to sustainable finance in Panama: 1) the working group on sustainable finance (*Grupo de Trabajo de Finanzas Sostenibles GTFS*), which was established in 2018 to accelerate environmental, social and governance (ESG) integration in institutional investments (SBP, 2019<sub>[34]</sub>); and 2) the banking sector's sustainable finance protocol *Protocolo de Finanzas Sostenibles*, adopted that same year. Both initiatives were launched under the aegis of the country's stock exchange (*Bolsa de Valores de Panamá, BVP*).

Panama is also establishing itself as a regional centre for the emission of green and sustainability-linked bonds. In July 2019, Panamanian financial institution Banitsmo, a subsidiary of Grupo Bancolombia, issued a USD 50 million social bond with a gender focus - a first in Latin America - on the BVP (IDB Invest, 2019<sub>[35]</sub>). This was followed by the issuance of the first green bond on the BVP in August 2019, a USD 200 million bond by the *Corporación Interamericana para el Financiamiento de Infraestructura (CIFI)* (BVP, 2019<sub>[36]</sub>). A USD 15.5 million green bond was also issued in 2020 by solar energy generator Panasolar Generation (BVP, 2020<sub>[37]</sub>). In 2021, Grupo Promerica de Costa Rica issued a USD 10 million (part of a USD 50 million programme) sustainable bond on the BVP with the backing of IDB Invest (IDB Invest, 2021<sub>[38]</sub>).

### Relevant initiatives:

Recently, the Panamanian government has taken steps to address the existing regulatory deficiencies in combating money laundering and terrorist financing. In this context, the authorities made a high-level commitment to enhance Panama's financial integrity by improving their legal framework to address the insufficiencies and implement the recommendations made by the Financial Action Task Force (IMF, 2020<sup>[39]</sup>). These measures included, inter alia, the amendment of the Criminal Code to criminalise tax offences under the figure of crimes against the National Treasury, the introduction of a new whistle-blower mechanism -under the supervision of the Financial Analysis Unit (UAF)- to report incidents of money laundering and the adoption of a resolution imposing greater control on financial transactions to detect fiscal crimes (IMF, 2020<sup>[39]</sup>; FATF, 2019<sup>[40]</sup>).

The private sector has also engaged in international initiatives in areas relevant to RBC. For instance, the ten most important commercial lenders in the country are part in either one or several national and international initiatives, including the Green Finance Protocol in Panama published by the Panama Bankers Association, the UNEP-FI Principles for Responsible Banking, Equator Principles and the UN Global Compact.

## 5.2 Extractives

Panama hosts large deposits of copper, gold, manganese, silver and other minerals, but its extractive sector is small compared to other Latin American countries (EIA, 2016<sup>[41]</sup>). Due to its geographical position and control over the Panama Canal and the Trans-Panama Pipeline (TPP), the country has mainly functioned as transit point for minerals in the Americas (EIA, 2016<sup>[41]</sup>). In 2020, the share of the mining sector in Panama's GDP was 0.8% (IMF, 2021<sup>[4]</sup>). There are at least two significant deposits of copper, one of which, Cerro Colorado, located in the western part of the country, is estimated to be one of the largest in the world (USGS, 2010<sup>[42]</sup>). The Cobre Panama copper mine, run by the Canadian company First Quantum, is the first big mining project in Panama and started commercial production in September 2019. With a planned investment of around US\$ 6.3 billion, the project represents the largest investment ever undertaken by a private firm in Panama, and one of the largest mining investments in Latin America (Reuters, 2019<sup>[43]</sup>). The mine is expected to produce, on average, over 300,000 tonnes of copper, 100,000 ounces of gold, 1.8 million ounces of silver and 3,500 tonnes of molybdenum per year (MineHut, 2019<sup>[44]</sup>). The mine is forecast to contribute up to 3% of Panama's GDP (IMF, 2020<sup>[45]</sup>).

Gold is largely produced by artisanal and small-scale miners in Panama, but there are no official production numbers or estimates available. Between 2010 and 2015, the Molejon Gold mine, run by the company Petaquilla Minerals, produced gold, but the mine was retired in 2015 due to lack of funds (Bourduillion, 2018<sup>[46]</sup>).

In 2021, there were 153 mining concessions for the extraction of non-metallic minerals in Panama (Government of Panama, 2021<sup>[47]</sup>) and in 2018, the country produced 2.4 million cubic meters of quarry rock and 8 million cubic meters of sand (IGF, 2019<sup>[48]</sup>).

Although Panama does not produce any energy minerals such as oil, gas or coal, it occupies a strategic position for the oil and gas sector serving as an energy transit point, as it controls the Panama Canal and the TPP (EIA, 2016<sup>[41]</sup>). In 2015, approximately 132,000 barrels per day (b/d) of crude oil and 882,000 b/d of other petroleum products were transported through the Panama Canal. The TPP is located near the Costa Rican border. In 2019, roughly 5.7 million long tons of crude oil were transported through the pipeline from the Atlantic to the Pacific, and 1.5 million long tons went from the Pacific to the Atlantic (INEC, 2020<sup>[49]</sup>).



The Panamanian Mineral Resources Code (*Código de Recursos Minerales*, CMR) governs most parts of the extractives sector, except for hydrocarbons and minerals for construction. The National Directorate of Mineral Resources (*Dirección General de Recursos Minerales*, DGRM), which operates under the Ministry of Commerce and Industries is responsible for granting mining concessions, conducting geological surveys and mapping, and overseeing the sector's activities (MICI, 2019<sup>[50]</sup>). The Ministry of Environment through its National Directorate of Environmental Assessment and Management, governs the environmental aspects of the extractives sector. The law requires mining companies to carry out an environmental and social impact assessment for each project they pursue and to react to enquiries by affected communities. Subsequently, companies must devise an Environmental Management Plan that addresses the risks identified. Artisanal and small-scale mining in Panama remains largely unregulated.

### **Relevant initiatives:**

In 2019, Panama joined the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development thereby expressing “its commitment to responsible governance of the mining sector” (IGF, 2019<sup>[48]</sup>). Panama is also part of the Latin American Network on Extractive Industries (Red Lationamericana sobre las Industrias Extractivas, RLIE), a group of Latin American civil society organisations that conducts research and exchange of experiences and advocacy in regional and global spaces to “contribute to the construction of visions and alternative actions to the current model of development, dependent on extractive industries that violates the rights of people and land”. The network has a campaign called “EITI Concierte” with the goal of expanding the initiative EITI to include environmental, social and climate change considerations (RLIE, 2019<sup>[51]</sup>). Panamanian governmental institutions have launched several initiatives to address the rise of social conflicts over the environmental and human rights impacts of large extractive projects, such as the Cobre Panama mine. Social conflicts have often involved indigenous populations, as numerous mining operations are being carried out in their territories, for example on the Ngäbe-Buglé comarca indígena. (Iniciativa Territorio Indígena y Gobernanza, 2019<sup>[52]</sup>) (Inestroza, 2019<sup>[53]</sup>). These governmental initiatives specially aim at including civil society organisations and local communities in decision-making processes.

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