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LULA DA SILVA

The intended result

WHO TO TAKE AWAY FROM?

Invited Writer

**ACTUARIAL VALUATION OF
THE PANAMANIAN PENSION
SYSTEM**

Part II

**STRUCTURE OF LABOR
INFORMALITY IN PANAMA**

Final Part

**TIMES OF CHANGE IN EUROPE AND
WE STUCKED**

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Editorial

Times of change in Europe and we stucked

As our assiduous readers of Actualidad have been able to appreciate, in recent weeks there have been momentous changes in Great Britain and Italy respectively.

On the one hand, Liz Truss came to replace Boris Johnson as Prime Minister, obtaining a favorable vote from her conservative party. Next, in association with his Minister of Economy, he presented a novel proposal that in simple terms had the purpose of reactivating the economy by granting a tax reduction to taxpayers with higher incomes to achieve a reactivation of the economy and therefore reduce unemployment..

However, English society viewed this turnaround with much skepticism and a loss of investment in the stock market quickly ensued. In the end, and in less than 45 days, this Nobel Prize winner had to resign and has been replaced by Rishi Sunak who was her partner in Boris Johnson's Cabinet and must continue along the difficult path that this country is going through after leaving the European Union.

At the same time, another woman, Giorgia Meloni, has just become Prime Minister of Italy, generating great expectations for her youth and her political conviction accumulated in 30 years in participating in different extreme right-wing parties that some evoke as fascist.

Unlike Liz Truss, Meloni is accompanied by a nationalist speech, in defense of the family, passionate about returning Italy to a preponderant political level in Europe.

We must emphasize that one of the critical aspects at stake concerns the welfare state of Europeans and the risks of a war initiated by Russia.

In our country, however, there is an endless list of pending tasks on which a government would need to make decisions and a national agreement to face the problems that we mention below:

1. Loss of consumer confidence: a recent study by the Chamber of Commerce, published by us, reveals a sharp drop in recent months in consumer

confidence in very sensitive issues such as job stability, the country's situation, among others.

2. Risk rating of the country according to Moody's: taking into account that we have not left the OECD and FATF lists, that we have a weakening of the finances of the Social Security Fund, of the swelling of subsidies, an unprecedented indebtedness and low tax pressure, the country's outlook has dimmed.

3. Decrease in foreign direct investment in the country: we are observing that foreign direct investment in Panama has been falling in the last three years.

4. Paralysis of the dialogue table of the Social Security Fund: despite the fact that there is already an ILO study on the situation of the Disability, Old Age and Death program, there has been no statement from the Executive Body and a Work agenda to reactivate this consultation table to comprehensively review the situation of the Social Security Fund.

5. Loss of confidence of political actors regarding independence of Electoral Court: the recent appointment by the Plenary of the Supreme Court of Justice of new Magistrate of the Electoral Court has joined the complaints about the weaknesses of the data collection process. signatures of the independent pre-candidates and there are fears about the transparency of the upcoming electoral process.

6. Proliferation of bills that seek to increase the indiscriminate use of state funds: these are legislative initiatives aimed at real estate projects that the State will have to pay for and others that seek to perpetuate the double remuneration of public servants, harming public finances.

In the end, the country doesn't have an action plan and is adrift.

It will dawn and we will see...L&E



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WHO TO TAKE AWAY FROM?

William Ospina - Columnist Diario El Espectador
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¿W

hy in order to give to those who need it is necessary to take from those who produce, instead of taking from those who relentlessly steal what belongs to everyone??

Ours is a country full of needs. He is hungry, poor, marginalized; it is plagued by criminal groups (they say that once again there are 20,000 men in arms against the law in our land); it has an immense border absurdly abandoned by stupidity in the hands of the mafias, smugglers, and delinquents; It has thousands of young people living off rummage and danger, without opportunities, without a future, but if you try to solve each of these problems separately, it will be very difficult, because governing consists of making big decisions and fulfilling priority tasks.

Colombia can become an astonishingly productive country and it needs to do so because until now the State consumes everything that society pays it, and it is a very small sector that is producing and paying taxes. It may be comfortable for politicians to decide that the country's responsibility lies only in the productive sector, because it is the entrepreneurs who have had the opportunities and privileges to develop their businesses. But the truth is that this sector is so small here, that what needs to be unleashed is the possibility that many more people have opportunities, that large spaces for entrepreneurship

open up, because continuing to squeeze the small productive sector may bear momentary fruit, but not will never produce the solutions that society expects.

That is why it is true that we must think big, build with this country full of possibilities, with these lands and with this immense capacity for work, a productive dynamic that truly generates income not only for individuals but for the State itself, which has to invest urgently in roads that integrate the country, in health, in education, in cultural and ecological processes, in scientific and technological projects.

If in Latin America 400 million people speak Spanish, why do we have to leave the responsibility of our publishing industry to Spain? Why don't we have a continental institute that allies with Cervantes to spread our language around the world? Why don't we advance in the shared market, in the continental transport network, in the common currency? A country like Colombia, in its urgent task of integrating itself into the world and facing the evils of the times, has to take on issues such as industrialization in times of climate change, the production of organic food, the strengthening of the internal market, the creation of powerful continental alliances. Colombia has to integrate its regions, and not only make them dialogue with each other, but also make them resonate

in the continental sphere to which they belong.

We have to dialogue with the Caribbean, with the Pacific and with the extensive region of the Orinoco and its plains: dialogues that will have to be creative dynamics in economic, social and cultural terms; we have to truly integrate ourselves into the Andes mountain range; and we have immense challenges in the face of the depredation that the Amazonian world is experiencing, designing bold alternatives for the planet in the protection of the equinoctial forest that absorbs much of the CO2 from the atmosphere.

Governing is not resolving millions of small issues, because that is what society is there to resolve them for, but setting the big guidelines and making bold decisions. And those decisions at this time have to do with stopping corruption and waste, the evil that devours all the effort that society is paying. If a State like the one we have, gigantic, corrupt, parasitic, consumes a large part of the budget, if the external debt devours the other part; If everything goes to us in the service of the debt and in the functioning of the State, and there is also the sink of corruption that empties the coffers, when will we have resources to invest in roads, to dignify the coastlines, to project education, to improve health, for the construction of those public spaces that generate coexistence and pride in belonging to a tradition and a memory?

It will not be through successive tax reforms, which again squeeze the same anemic productive sector, and the middle classes; it cannot be through solutions that have been tried and failed over the decades. What we see is that all governments can only think of the same thing; who reinvent the same solutions, the same taxes, and never dare to root out the evil of corruption, because to do so you have to make politicians uncomfortable, they are the ones who live from it, you have to make profound reforms, fighting tricky legalism with true legality, and assuming the central issues of State responsibility.

The national budget is \$400 billion. How is it possible that in order to collect the 30 or 40 they need, they don't dare touch the bureaucracy or the waste or the trickle of resources lost in thousands

of poorly supervised contracts; that they don't dare to alter the operating expenses of the ministries, of Congress, of the control entities, of the diplomatic corps, where there would be plenty of resources, but instead have to resort to reaching into the pockets of citizens and companies after a pandemic, and affect even neighborhood stores, so that bureaucrats and politicians do not get uncomfortable or see the opulence of their lives as princes in danger?

Above all, Colombia continues to need these great guidelines and these great solutions; so that each community and each individual can, with clear rules of the game, participate in the construction of a renewed, productive society, where agriculture and agribusiness work, where confronting the land issue is not insisting on the old confrontation between owners of the land and peasants or settlers, but that shared projects are designed that allow everyone to contribute, and receive the benefits.

That wealth be generated for individuals, and well-being for communities, and a source of sufficient income for a responsible State, because if not, they will have to resort to a tax reform that more or less fails, and then to another, and then to another, as always, and in the end to eternal indebtedness, which is what gets governments out of trouble, punishing the entire country more and more and mortgaging its future.

It is a temptation, faced with the ocean of needs, to promise to help this one, to help that one, that this subsidy is going to be distributed, that since there is criminality, forgiveness is going to be offered here, to provide money there, so that people don't commit crimes, but through these particular deals what is postponed and what is renounced is the creation of true opportunities for millions.

The challenge is alive. Fighting corruption, not just to punish it but above all to prevent it, is the task of politics. But for this, powers must be confronted, and the main one is that of a bureaucratic, extortionist and inefficient State, the paradise of politicians, which never produces historical changes, but instead, every time it needs to solve a problem, it simply thinks about who to take away. to be able to give to another. *L&E*

ACTUARIAL VALUATION OF THE PANAMANIAN PENSION SYSTEM

PART 2

Chapter 3

Source: OIT

Institutional Diagnosis

The ILO's technical assistance in actuarial matters takes into account the need to prepare a diagnosis of the governance of the pension system, as a strategic input to understand the context in which it operates, highlight its strengths and weaknesses, and identify potential reforms in the pension system. management.

Good governance is an essential element to ensure the proper and effective functioning of any social security system, while at the same time fostering greater awareness, trust and support of the insured persons and social partners towards the system. In addition, it makes it possible to progressively approach the objective of complying with the principles of social security contained in the international standards on the matter, in particular those of the "general and main responsibility of the State" and "transparent management and administration".

This diagnostic chapter is guided by the ISSA Guidelines on Good Governance, as well as other ISSA and ILO technical inputs, drawn up on the basis of international social security standards and international good practice. The situation of the

governance and management of the IVM Regime is analyzed, highlighting critical areas such as the organization and strategic planning, the performance of the CSS in the extension of contributory coverage, the use of information technologies, the management of economic benefits, and actuarial work, in other aspects. The topics covered in this chapter provide an overview of certain critical issues, but, due to their complexity and relevance to the operation of the IVM Regime, they require further analysis.

3.1 Governance and strategic planning

The Social Security Fund (CSS) is organized at various levels, namely: political and managerial level, coordinating level, supervisory level, auxiliary support level, advisory level and operational level (CSS, 2010). At a political and managerial level, the governance of the IVM Regime and of the other lines of insurance managed by the CSS are defined by the provisions emanating from two higher bodies: the Board of Directors (political level), responsible for setting the policies for the operation, improvement and modernization of the CSS, as well

as supervising and monitoring its administration; and the General Directorate (management level), who acts as legal representative and responsible for the administration and operation of the Institution.

The Board of Directors is a tripartite body, made up of eleven members: the Minister of Health, the Minister of Economy and Finance, a representative of health professionals and technicians, three representatives of employers, four representatives of workers and a representative of pensioners and retirees. Additionally, the Comptroller General of the Republic or, in his place, the Deputy Comptroller General or a delegated official, attends the sessions of the Board of Directors, with the right to speak, but without vote. All members of the Board of Directors must be ratified by the Legislative Branch and hold office for five years.

Regarding the organization of the Board of Directors, five permanent commissions are derived from it whose function is to analyze and make recommendations on the strategic matters of their competence; each commission has five members. These are:

- **Administration and Labor Affairs Commission:** deals with matters related to the administration of the Institution, purchases, and the treatment of labor issues related to the Institution's personnel.
- **Financial Benefits Commission:** deals with matters related to financial obligations and conflicts that require the intervention of the Board of Directors.
- **Investment and Risk Commission:** it is responsible for analyzing and recommending investment policies, monitoring, analysis and evaluation of national and international financial markets, risk management, the ability to timely access capital markets, and the performance of the financing and investment plans of

the General Directorate.

- **Audit Commission:** it is in charge of analyzing and recommending matters related to the financial information contained in the Institution's financial statements; the adequate performance of the internal audit function, the contracting and scope of the external audit and compliance with the internal control policies.
- **Health Commission:** is responsible for analyzing and recommending to the plenary on matters related to health care.
- **The General Directorate of the CSS is appointed for a period of five years, from a list of three candidates, which arises from a contest convened by the Board of Directors, approved by a minimum of eight of its members, and presented by it to the Organ Executive.**

The other levels of organization are defined by the Board of Directors. According to article 28 (number 13) of Law No. 51, the Board must "approve the organic and functional structure, which responds to the objectives and needs of the Social Security Fund, duly supported by the General Director."

In 2009, the Board of Directors approved the organic and functional structure (Resolution 41589-2009-JD), which was updated in 2021. Prior to the reform implemented in 2009, the CSS was operating based on a structure designed in 1982.

According to the current structure, the coordinating level is under the leadership of the General Secretariat, which, among other functions, provides support to the superior bodies of the CSS and serves as a link between the General Directorate and the other levels that make up the structure. The supervisory level is

¹⁰ La CSS posee una Oficina de Asuntos Corporativos, cuya dirección reporta al Director General, y es responsable de los asuntos internacionales, la responsabilidad social empresarial, la imagen institucional y otros proyectos que la Dirección General estratégicamente defina.

in charge of the National Directorate of Internal Audit; The support, advisory, and operational assistant levels are structured and distributed following an arrangement of National Executive Directorates.

The Directorates are high-level hierarchical bodies, whose responsibilities emanate directly from the policies established by the General Directorate. These instances are responsible for defining the best way to use the institutional resources for the provision of services to the insured, and must be accountable for compliance with the strategic plans, results and impact of their management. The CSS has nine National Executive Directorates, which supervise and coordinate the functioning of the national directorates, (intermediate) directorates, departments and sections. The National Executive Directorates are:

- **Health Services and Benefits (operational level)**
- **Economic Benefits (DENPE) (operational level)**
- **Finance and Administration (DENFA) (support assistant level)**
- **Innovation and Transformation (auxiliary support level)**
- **Communications (support assistant level)**
- **Services to the Insured (DENSEA) (auxiliary support level)**
- **Human Resources (auxiliary support level)**
- **Infrastructures and Support Services (auxiliary support level)**

• **Legal (advisory level).**

The National Executive Directorate for Economic Benefits (DENPE) is the instance within the Institution with the greatest responsibilities in the management of the IVM Regime, with the direct support of other instances such as the Finance and Administration Directorate, and the Innovation Directorate. and Transformation, among others. In addition to the above, the role of the National Directorate of Internal Audit stands out, which, through its Economic Benefits Audit Department, carries out internal control audits of the IVM Regime. These audits are performed annually based on compliance with the Government Internal Control Standards of the Comptroller General of the Republic.

Regarding actuarial work, the CSS has an Actuarial Department, whose functional location within the CSS has changed in recent years. In the 2009-2014 Administration, the Department was under the DENPE; later (2014-2019) he moved to DENFA. After other changes in the organizational structure, as of 2019 it is located under the National Planning Directorate, which is dependent on DENPE. Another instance of the governance structure of the IVM Regime is the Actuarial Technical Board (JTA), created in Art. 217 of Law No. 51. It is an external and independent instance of the CSS, whose objective is to carry out regular actuarial audits of the Regime. The JTA is made up of three professionals, appointed by the Executive Body from a list presented by the Board of Directors of the CSS, whose appointment is valid for a period of nine years. Strategic planning. The CSS Administration has a strategic planning instrument, embodied in the 2019-2024 Strategic Plan, approved by the Board of Directors in 2020. The

¹¹Según la Ley, la JTA debe considerar en los análisis los factores económicos, sociales y biométricos que condicionan el desarrollo del régimen; la expectativa de vida de acuerdo con las tablas nacionales de mortalidad elaboradas por la Dirección de Estadística y Censo de la Contraloría General de la República, de conformidad con el Censo de Población y Vivienda; el promedio de los rendimientos de las inversiones efectuadas con los fondos de reserva del riesgo; el promedio del número de cuotas aportadas por los nuevos pensionados y el valor matemático de las pensiones en curso de pago.

Plan is designed based on five objectives, which seek to underpin transformations for the next twenty-five years, in the different regimes administered by the CSS, including the IVM Regime (CSS, 2020c). The National Planning Directorate is in charge of preparing and monitoring the implementation of the Plan.

Strategic Objective 2 is strongly oriented towards performance of IVM Regime, and establishes a sectoral and regulatory adjustment plan led by CSS to ensure the solvency and sustainability of the actuarial reserves required to meet the current and future commitments of the Regime. With this objective, the CSS seeks to have "sustainability and institutional reserves that ensure the solidity and patrimonial protection of the institution in the medium and long term". Although this is Objective 2 is aimed at the performance of the IVM Regime, the other strategic objectives can contribute to improving the performance of the Regime, in particular the planning of information technologies.

Strategic Objective 2 is associated with an action plan, with activities that have a horizon of up to five years for their implementation. Among the most important actions, stand out:

- **Prepare an independent technical and actuarial analysis of the situation of the IVM Regime;**
- **Based on the results, design and submit proposals to amend the Social Security Fund Law (CSS);**
- **Strengthen new economic and financial management strategies that improve revenue collection, expense control and effective management of the institution's equity investments;**
- **Carry out a planning, management and strengthening program for strategic investment**

portfolios that protect assets, reduce risks and improve profitability;

- **Carry out a strategic budget planning process that allows the priority allocation of resources to investment projects;**
- **Implement actions of a regulatory nature and equity restructuring that allow the funding of institutional reserves both at the actuarial and equity levels that ensure minimum financial sustainability for another 25 years;**
- **Implement the measures of social coordination and adjustment to the law that allow ensuring the sustainability of income through contributions, financial returns and medium and long-term investments of all kinds;**
- **Execute the prioritized investment regimen, ensuring social profitability and improvement in the spending flow that means technifying the institution for risk management and its longer-term operation; Y**
- **Account for the behavior of the investment portfolio in terms of its financial performance and net profits for the institution documented during the administration period.**

The CSS published in December 2020 the "Evaluation of the Strategic Plan 2019-2024, CSS" (CSS, 2020a), which analyzed the progress of the Plan, including the effect of Covid-19 on the CSS management. The Evaluation highlights that the Covid crisis affected the fulfillment of the actions originally planned in the Action Plan for the first 18 months. The evaluation highlighted progress made by the Institution in aspects such as the preparation of financial statements, which had not been published since 2012, and the preparation of actuarial studies for the IVM Regime,

although it also highlights that “this is only a step towards the strengthening of finances, since, although this panorama was not clear, no major actions were carried out so that this could move forward”. Since the preparation of the Plan Evaluation, the CSS has shown some progress in the management of the IVM Regime, most of which are addressed in this chapter.

3.2 Performance of contributory coverage

This section analyzes the recent evolution of the contributory coverage of SSC, both from its legal and practical or applied dimensions, in order to identify recent advances, barriers and potential challenges to expand the levels of protection achieved to date. This information shows a general panorama of the performance of the Caja as an insurance entity, in a critical function for the operation of the IVM Regime.

3.2.1 Statutory coverage

The Social Security Law establishes in its Article 77 that “all national or foreign workers who provide services within the Republic of Panama, including employed workers and workers on their own. The Social Security Fund is obliged to promote and facilitate the affiliation of all workers”. This article defines the legal scope of coverage, which covers the entire workforce, salaried and non-salaried. In addition, it establishes the express obligation of the CSS to guarantee the mechanisms to make the coverage effective.

The same article specifies that the compulsory nature of self-employment will come into force as of 2007, but only with regard to the coverage of the Personal Savings Component of the Mixed Subsystem. Art. 77, Paragraph 2 establishes that “the mandatory affiliation of non-contributing independent workers, occasional workers, seasonal workers and domestic

workers, will be governed by the regulations that the Board of Directors dictates for these purposes, which will indicate the contributions, benefits to which they will be entitled within the different risks and other insurance modalities according to their particular characteristics”. That is, the coverage of independent workers, people in domestic work and in other categories are based on the regulations issued by the Board of Directors, in particular the General Regulations for Affiliation and Registration, updated in 2020. The legislation also provides measures to the coverage of foreigners and the voluntary affiliation of specific groups of the population (Art. 77, 78 and 79), whose entry conditions are also regulated in the General Regulations.

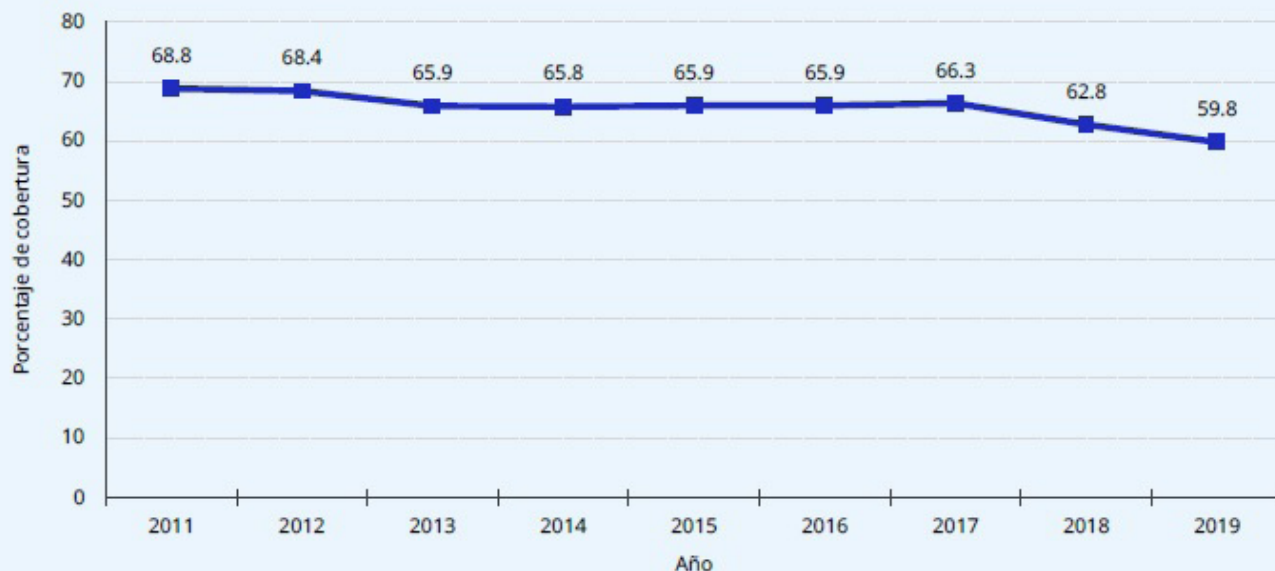
3.2.3. Effective coverage

The extension of contributory coverage represents one of the greatest challenges faced by social security systems, and constitutes a fundamental requirement for the continuity of the income protection policy for the labor force and for the other beneficiaries of the social security regimes. Coverage, both in its level and its trajectory, is determined by multiple factors, which implies that there is no single strategy or recipe to ensure high levels of workforce protection.

The information on contributory coverage presented in this section takes into account the main dimensions that help explain the phenomenon of coverage, such as gender, occupational category, institutional sector, branch of economic activity, size of productive establishment and geographic location, among others. Administrative data and data from the Labor Market Survey (EML) of the National Institute of Statistics and Census (INEC) for 2019 are used. It should be noted that, although there are differences between the data from the administrative data of the CSS and the data from According to the

¹²No se consideran 51.014 cotizantes que corresponden a pensionistas que trabajan.

► Gráfica 3.1 CSS. Tasa de cobertura de IVM como porcentaje de la fuerza de trabajo ocupada. 2011-2019



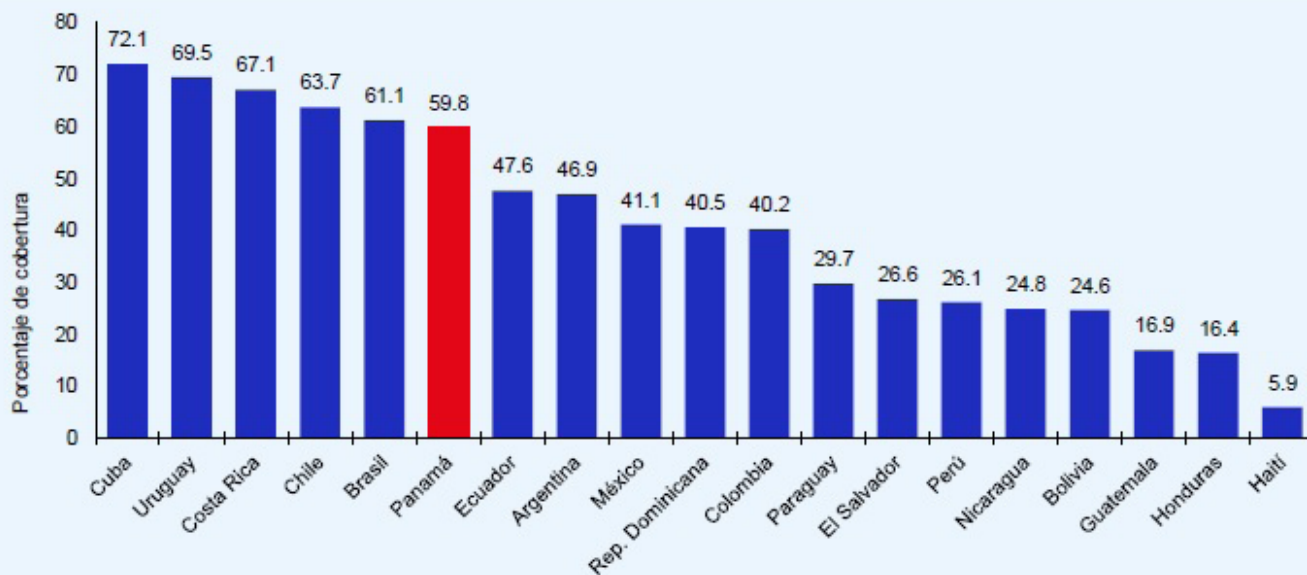
Fuente: elaborado con base en datos de la CSS e INEC (2019 y varios años).

EML, such differences are not significant and are mainly due to methodological differences in the way coverage is defined and calculated. The analysis in this section provides an initial orientation on the coverage situation, which should be complemented

with more in-depth studies and analysis.

3.2.4 Evolution of contributory coverage

► Gráfica 3.2 América Latina. Cobertura de los regímenes de pensiones como porcentaje de la fuerza de trabajo. 2019



Fuente: Elaboración propia con base en OIT (2021a)

According to administrative data from the CSS, in 2019 the number of active contributors to the IVM Regime, including the coverage of the SEBD and the Mixed System, was 1,148,417 people (40% women)¹². Between 2019 and 2020, the economic and labor effects of COVID-19 generated a drop in contributors of 136 thousand people, whose recovery has been slow.

Contributory coverage, measured as the ratio of active contributors to the employed workforce (including the indigenous population), was 59.8% in 2019. This indicator has suffered a significant setback; in 2011 coverage was 68.8%, but it fell 9 percentage points towards 2019. In quantitative terms, this contraction in coverage is explained

► Recuadro 3.1. El cálculo de la cobertura contributiva en Panamá

La producción de estadísticas de cobertura a la seguridad social es una tarea clave, no sólo para el monitoreo y evaluación de las políticas públicas, sino también para el diseño de estrategias que permitan cerrar progresivamente las brechas de cobertura. Los países poseen por lo general dos grandes fuentes de información sobre cobertura, los registros administrativos de las instituciones laborales o de la seguridad social, y la información de las encuestas de hogares o del mercado laboral.

Los registros administrativos de la CSS consideran a una persona cotizante activa como aquella que ha realizado al menos una cotización durante el año en cuestión. La OIT adopta un abordaje similar, al considerar que “los cotizantes activos son aquellos que han sumado cotizaciones durante por lo menos un intervalo de contribución (mes) a su expediente individual durante los últimos 12 meses” (OIT, 2021b).

Los datos de la encuesta realizados por el Instituto Nacional de Estadística y Censo (INEC) se generan mediante la Encuesta de Mercado Laboral (EML), instrumento aplicado de manera presencial aproximadamente durante el mes de agosto, con excepción del 2020 cuando la Encuesta se realizó telefónicamente; si bien sus resultados no son estrictamente comparables con los de las encuestas anteriores, brindan una aproximación a los indicadores que tradicionalmente genera la EML (INEC, 2020). El cálculo de la cantidad de personas cotizantes activas se realizó, en primer lugar, identificando a las personas ocupadas y, en segundo lugar, filtrando esta población través de la siguiente pregunta de la Encuesta: “¿Tiene usted seguro social actualmente como asegurado (a) directo (a)?” (INEC, 2019); de modo tal que la información capturada por la Encuesta corresponde a la situación de cobertura en el mes específico en que se aplica la Encuesta.

En consecuencia, además de las diferencias en la naturaleza y tipo de captura de información, los datos administrativos de la CSS muestran la cobertura de las personas que han cotizado al menos una vez durante el año, mientras que la EML mide la cobertura de quienes cotizaron durante el mes específico de aplicación del instrumento. Por este motivo, aunque ambas fuentes de información son válidas y útiles para la toma de decisiones, la cobertura calculada con base en registros administrativos es mayor.

Fuente: Elaborado con base en OIT (2021b), INEC (2020) e INEC (2021).

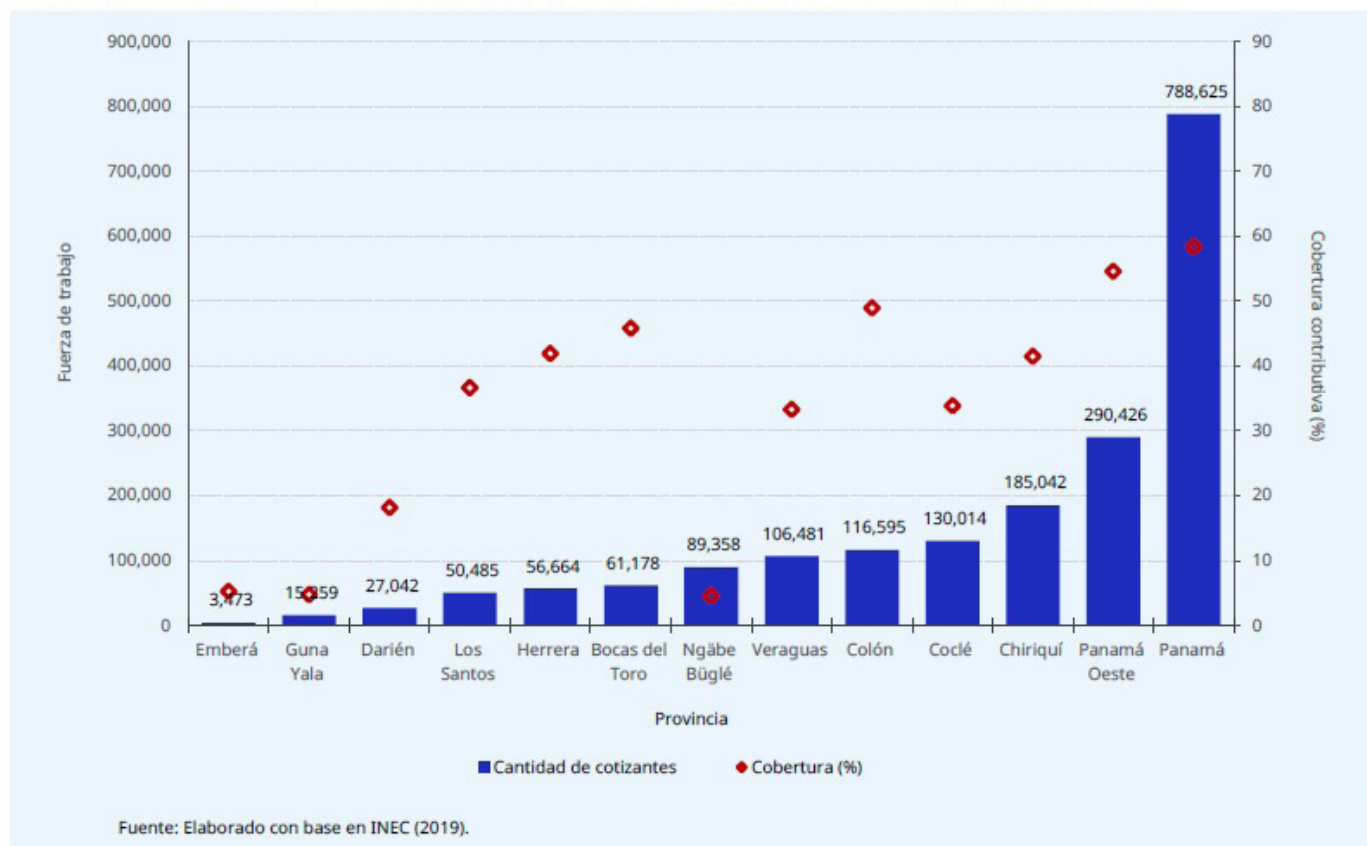
by the limited growth in the number of active contributors; between 2011 and 2019 the amount grew at an average annual rate of 1.65%, below the average growth of the employed labor force of 3.1%.

The fall in coverage calculated based on administrative data is consistent with the calculations made by the ILO, taking as a reference the INEC Labor Market Survey. According to estimates by the Organization, between 2011 and 2021, contributory coverage

fell from 56.8 to 44.5%, thus reaching its lowest value among those recorded in recent years, even when compared to 2020 (45.5%), when the greatest economic impact of Covid-19 was evident.

Despite the decline in coverage, the indicator for Panama is above the regional average (59.9%), at levels similar to countries such as Brazil. It should be noted that the countries that have achieved the highest levels of coverage are those that have

► Gráfica 3.3 Panamá. Fuerza de trabajo ocupada y cobertura contributiva, según provincia. 2019



been able to implement comprehensive coverage extension strategies, placing special emphasis on including “groups with difficult coverage” such as self-employment, domestic work, migrant work, rural work, and work in micro and small enterprises.

3.2.2 Status of contributory coverage

According to INEC Labor Market Survey, in 2019 the coverage of the CSS reached 47.5% of the employed workforce. Although there are differences in the value of this indicator with respect to the calculations based on administrative data from the CSS (59.8%), the information derived from the Survey makes it possible to analyze in greater detail the distribution of coverage according to different categories, and address the dimension of the gaps from different perspectives. An explanation of the differences in coverage estimates is presented in Box 3.1. The analysis in this section uses

2019 as the reference year, in order to consider the situation before the fall caused by the Covid-19 crisis. According to the Survey, contributory coverage in urban areas was 57%, that is, more than double the coverage in rural areas (25%). This is strongly explained by the presence of a greater amount of agricultural employment, self-employment and in small productive units in rural areas, where coverage rates are lower. For its part, coverage is relatively concentrated in some provinces of the country, mainly Panama and West Panama. Two out of three contributors to the CSS live in one of these two provinces, which are the ones that concentrate a greater proportion of the workforce and where the level of development is higher, evidencing the multiple factors that can influence the extension of coverage. For their part, provinces with lowest coverage are those with the highest levels of poverty, reflecting a relationship of mutual causality between coverage and poverty. The lack of coverage is a

► **Tabla 3.1. Panamá. Cobertura contributiva de la fuerza de trabajo ocupada, por sexo, según categoría ocupacional, 2019**

Categoría ocupacional	Total	Hombre	Mujer
Total	47.5	46.3	49.1
Trabajo asalariado	74.9	74.2	75.8
Sector público	94.9	94.6	95.2
Empresa privada	73.3	69.2	80.8
Trabajo doméstico	22.6	37.3	20.8
Trabajo independiente	3.8	4.6	2.4
Patrono (a) dueño (a)	26.0	27.1	23.3
Trabajador (a) familiar	1.0	1.1	0.9

Fuente: Elaboración con base en INEC, 2019.

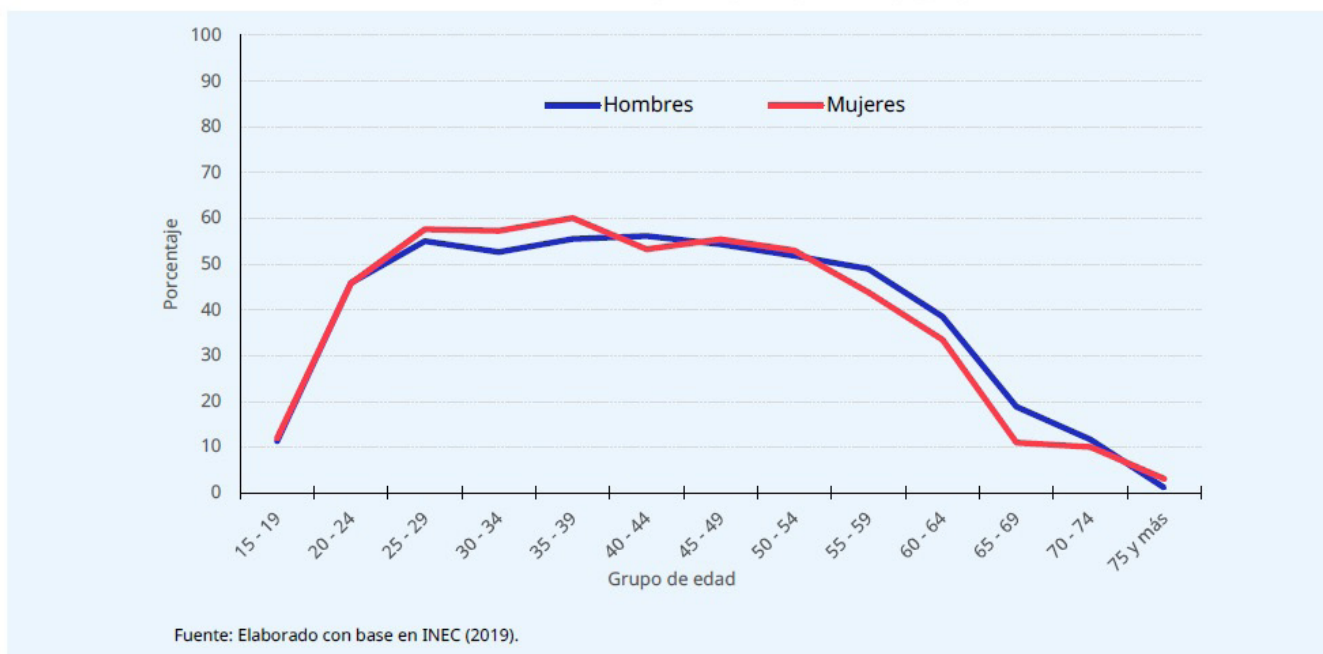
factor that generates poverty, and poverty acts as a structural barrier to the extension of coverage, as is the case of Emberá, Guna Yala, Ngäbe-Buglé and Darién.

The EML data also show notable differences in coverage according to sex; women have 2.75 percentage points more coverage than men. A greater contributory coverage of women compared to that of men is related to the hypothesis that, in general, although women have a lower rate of participation in economic activity (80.6% men versus 50.0% women) and therefore, are less protected by social security, in turn tend to participate in activities and productive units with a higher level of formalization, which can be explained by both supply and demand factors. Hypothetically, on the labor supply side, a greater awareness on the part of women, compared to men, about the advantages of being affiliated with social security, would provide them with greater incentives to demand insurance status, including the advantages of health coverage for women during pregnancy and childbirth. On the demand side, it could be assumed that there are better quality jobs in certain activities and occupations where women are more in demand. According to the information in Table 3.1, two out

of three salaried people benefit from social security coverage, reflecting a coverage gap that is mainly explained by lower coverage in the private sector. The fact that 5.1% of employment in the public sector is not covered by Social Security is striking, which can be explained mainly by the existence of contracting regimes that do not include social security or by the absence of the inclusion of some parts of the public sector, as could be the case of local or municipal governments. Whether for one reason or another, the coverage deficit and its worrying growing trend is an urgent aspect to be addressed by the CSS. Domestic work, for example, has relatively low coverage, although mandatory coverage has allowed the country to achieve higher levels of protection compared to countries that still maintain voluntary group coverage..

Self-employment or self-employment has coverage of less than just 3.8%, which notably affects the total coverage index, particularly considering that self-employment represents close to 30% of the Panamanian workforce. Thus, the extension of coverage to self-employment will be decisive in changing the trajectory of the total coverage index. Although coverage for self-employment is

► Gráfica 3.4 Panamá. Cobertura de la fuerza de trabajo ocupada por sexo y grupo de edad, 2019



mandatory in Panama, the huge coverage deficit in this sector is a wake-up call about the need to undertake reforms that attack the problem forcefully.

International experience documented by the ILO indicates that a vigorous policy to extend coverage to self-employment must address a combined set of policy interventions, including making contribution payments affordable for low-skilled self-employed

workers. tax, administrative reforms to simplify and facilitate the payment of contributions, the introduction of specific compulsory measures for self-employment to achieve the effective application of the obligation, the creation of tax incentives, and the development of communication strategies and education to attract more affiliates. This area of policy presents a wide space of opportunities for improvement for the actions of the CSS, which could greatly benefit

► Tabla 3.2. Panamá. Cobertura de la fuerza de trabajo ocupada, por sector, según tamaño de establecimiento (personas empleadas en la unidad productiva), 2019. En porcentaje

Sector/actividad	Total	Menos de 5	De 5 a 10	De 11 a 19	De 20 a 49	De 50 y más
Total	47.5	8.1	36.2	70.0	82.7	92.9
Sector público	94.9					94.9
Cuenta propia	3.8	3.8				
Trabajo doméstico	22.6	22.6				
Patrón (a) o (dueño(a))	26.1	17.5	33.8	56.2	59.3	61.3
Trabajador (a) familiar	1.0	0.4	2.3	-	-	100.0
Miembro de una cooperativa de producción	13.4	-	100.0	-		
Sector privado (asalariados)	73.3	19.6	52.5	72.1	83.4	91.7
Agricultura, ganadería, caza, silvicultura	34.0	9.0	16.2	35.5	76.0	84.2
Industrias manufactureras	81.6	24.6	66.7	63.0	88.2	95.5
Construcción	61.5	6.4	26.6	63.5	77.0	88.7
Comercio al por mayor y al por menor	84.8	39.3	62.6	86.3	91.5	94.4
Transporte, almacenamiento y correo	72.3	9.5	53.4	83.5	86.1	93.9
Hoteles y restaurantes	69.5	16.1	50.8	73.8	70.8	90.3
Otras actividades del sector privado asalariado	79.6	36.5	65.7	70.0	82.3	89.8

Fuente: Elaborado con base en INEC (2019).

from the international experience in the region..

With regard to coverage by age, it is observed that in the case of Panama the indicator plummets after the group of 45-49 years of age, affecting the

possibilities of people in older ages to consolidate the right to the pension of old age. After the age of 65, the coverage rate drops to less than 10% of the workforce. Likewise, it is evident that women reach higher

► **Tabla 3.3. Panamá. Nueve datos estratégicos sobre la cobertura de la CSS.**

Valor	Indicador
47%	Fuerza de trabajo ocupada que cotizó a la CSS durante el mes de aplicación de la EML del INE
25%	Cobertura en el ámbito rural
2.75 p.p.	Exceso de cobertura de las mujeres, en comparación con los hombres
5.1 p.p.	Brecha de cobertura en el sector público
73.3%	Cobertura del trabajo asalariado en el sector privado
91.7%	Cobertura del trabajo asalariado en establecimientos del sector privado de 50 y más empleados (sector de fácil cobertura).
3.8%	Cobertura del trabajo independiente o por cuenta propia
22.6%	Cobertura del trabajo doméstico
26.4%	Cobertura de patronos o dueños de las unidades productivas.

Fuente: Elaborado con base en INEC, Encuesta del Mercado laboral 2019.

percentages of coverage than men in the first stages of the labor trajectory, but the indicator also falls sharply after age 50, to a lower level than that of men.

Lastly, in order to have a general characterization of contributory coverage, Table 3.2 shows coverage according to institutional sector and size of establishment, measuring the proportion of insured workers according to the size of the productive unit. This information shows that there is still room to extend coverage, including in companies with 50 or more workers, since this group is considered "easy to cover". Based on the experience of other

countries in the region, there is also room to extend coverage in private sector companies that employ 11 and 49 people, mainly in some strategic sectors such as manufacturing, construction, and hotels and restaurants, among others. The increase in the coverage of salaried employment in the private sector and in specific categories (employers, family worker) can contribute to improving the performance of the system in this area.

By way of summary, Table 3.3 summarizes nine strategic indicators of contributory coverage of Social Security in Panama, calculated based on the Labor Market Survey (EML). This information provides a

► **Tabla 3.4. Panamá. Distribución de la población adulta mayor, según fuente de ingreso (pensión o salario) y grupo de edad. 2019**

Sexo	Características	Total	55 - 59	60 - 64	65+
Total	Total	100	100	100	100
	Sólo salario	30	65	40	8
	Con pensión	47	8	33	72
	Pensión contributiva	22	4	18	33
	Pensión no contributiva	13	-	-	24
	Pensión contributiva y salario	9	4	15	8
	Pensión no contributiva y salario	3	-	-	6
	Sin salario, ni pensión	23	27	27	20
Hombres	Total	100	100	100	100
	Sólo salario	39	83	53	11
	Con pensión	48	3	33	78
	Pensión contributiva	23	1	15	38
	Pensión no contributiva	9	-	-	18
	Pensión contributiva y salario	12	2	18	14
	Pensión no contributiva y salario	4	-	-	8
	Sin salario, ni pensión	13	14	14	12
Mujeres	Total	100	100	100	100
	Sólo salario	22	48	28	6
	Con pensión	46	13	33	67
	Pensión contributiva	21	6	21	29
	Pensión no contributiva	16	-	-	30
	Pensión contributiva y salario	6	7	13	3
	Pensión no contributiva y salario	2	-	-	4
	Sin salario, ni pensión	33	40	39	27

Fuente: Elaborado con base en INEC (2019).

general overview of the coverage situation, which deserves a deeper analysis through a specific study that deepens the mapping and investigates the causes and presents recommendations to attack them forcefully.

3.5 Status of effective coverage for older adults

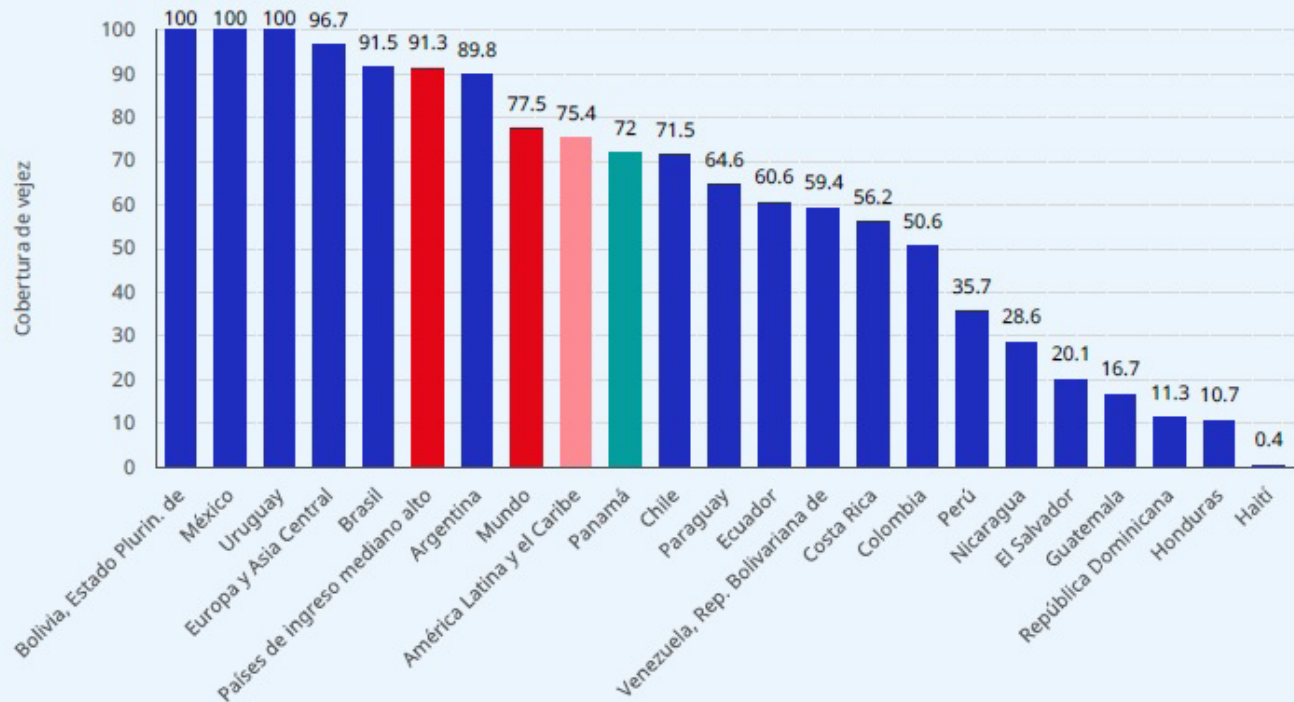
The coverage rate of older adults represents a relevant indicator of the degree of maturation, as well as the performance of the protective action of a pension system over time. Based on information from the EML, it is estimated that in 2019, 72% of adults aged 65 and over received an old-age pension, including both the coverage of the contributory

programs (CSS) and the non-contributory ones covered by the "120 to 65" Program. Coverage levels show significant differences according to sex; men over 65 years of age exhibit coverage 11 percentage points higher than that of women (78%, compared to 67% for women). Likewise, it is observed that men benefit from a higher coverage rate of contributory programs, while women obtain greater protection from non-contributory programs characterized by providing lower benefits, a situation that reflects the inequities faced by women. women in labor market and who are reproduced in the pension system.

► Recuadro 3.2 Universalización de las pensiones de vejez en América Latina

En América Latina, los sistemas de pensiones son la rama de la seguridad social más desarrollada, tomando en cuenta que todos los países tienen al menos un régimen contributivo, y que casi todos disponen de un régimen no contributivo (aunque en su mayoría son programas asistenciales focalizados sujetos a la comprobación de recursos (OIT, 2021a)). La cobertura de la vejez de Panamá está por debajo del promedio de países de ingreso medio alto (91.3%) y del promedio de América Latina y el Caribe (75.4%), lo cual denota que existe un desafío importante para el país.

► Gráfica 3.5 Proporción de personas con edad por encima de la edad legal de jubilación que reciben una pensión de vejez, 2020 o año más reciente con datos disponibles



Fuente: OIT, Base de Datos Mundial sobre Protección Social, con datos basados en la Encuesta de Seguridad Social; ILOSTAT; fuentes nacionales.

La universalización de la cobertura es una tarea fundamental para cumplir con el derecho a la seguridad social de las personas adultas mayores, además de formar parte de las metas trazadas en la Agenda 2030 de los Objetivos de Desarrollo Sostenible (ODS). Los países de América Latina que han avanzado en la universalización lo han logrado principalmente a través de una combinación de programas contributivos y no contributivos, un abordaje que está igualmente previsto en las normas internacionales de seguridad social, particularmente en la Recomendación núm. 202 de la OIT, que llama a los países a establecer sistemas integrales de seguridad social, incluyendo la construcción y mantenimiento de pisos de protección social.

En América Latina se destacan los casos de Bolivia, México y Uruguay quienes alcanzan una cobertura universal de pensiones de vejez; similarmente se destacan los casos de Brasil y Argentina, países que están cerca de alcanzar la universalidad. Por lo general, se piensa que un programa de pensiones no contributivas tiene altos costos de implementación y funcionamiento; sin embargo, la evidencia ha mostrado que aun en países con bajos ingresos existe el espacio fiscal necesario para sustentar el financiamiento de un programa de ese tipo (Ortiz, Durán-Valverde, Pal, Behrendt, Acuña-Ulate, 2017). Haciendo uso del [Calculador de Costos de Pisos de Protección Social de la OIT](#), grosso modo se estima que la implementación de una pensión universal de vejez en Panamá tendría un costo total de entre el 1.0 y 1.2% del PIB.

Fuente: Elaborado con base en OIT (2021a); Ortiz, Durán-Valverde, Pal, Behrendt, Acuña-Ulate, 2017.

Among the population aged 65 and over, 8% receive a salary and 20% receive neither a salary nor a pension. Women show a higher level of lack of protection, taking into account that 27% don't have any source of income, evidencing strong gender inequalities in this

field. Low participation rates, contributory careers with greater interruptions, a faster expulsion from labor market compared to men, among other determinants, can contribute to women not being able to consolidate

retirement rights. This shows the need for reforms that take into account compensatory measures in favor of women, with the aim of progressively guaranteeing greater gender equality and a response to special needs. The information generated by the EML of the INEC provides a general overview of coverage in old age and represents a strategic input for the design of eventual comprehensive reforms that tend to comply with the principles of social security, in particular, the "progressive realization of universal coverage through the horizontal and vertical dimensions". Nearly 20 percent of the elderly Panamanian population suffers from a lack of coverage by the pension system, a situation that could worsen due to the aging of the country's population.

3.3 Affiliation, collection and tax control

The extension of contributory coverage is the result of multiple determinants, both internal and external to the functioning of a social security institution. However, the affiliation, collection and tax control processes are critical to extend coverage and provide more and better benefits. To achieve this goal, it is necessary to continuously adapt administrative processes to changing conditions in the economy and the labor market.

This section describes the most relevant institutional processes for SSC linked to the objective of extending coverage, divided into five categories: affiliation, collection, tax inspection and control, debt management and active collection, and collaboration with the tax administration. This analysis is based on information shared by the technical teams of the CSS and on the review of institutional documents.

Affiliation process. International experience shows

that, without an adequate affiliation and identification system, institutions face problems in automating and generating complete and reliable information for granting benefits and for decision-making in core business processes. Affiliation records are also an important element to guarantee the good performance of functions such as planning, auditing, tax control, and the processing of benefits.

Law No. 51 of 2005 empowers the CSS to determine the obligation to affiliate, retain, quote, remit and other activities that arise, in order to ensure compliance with the institution's mandate (art. 7). In addition, the Law establishes the obligation of the CSS to promote and facilitate the affiliation of all workers (art. 77), in other words, to create the institutional conditions to increase coverage, a permanent challenge for any social security institution.

The CSS has a centralized enrollment system, which has recently benefited from the incorporation of some innovations to facilitate the enrollment processes, not only through the administrative agencies at headquarters and regional offices, but also through the virtual way. However, the challenge for the coming years is significant, due to the significant drop in the number of contributing employers. As a reference, at the beginning of 2021, the CSS had nearly 47,000 active contributing employers, of which 80% were productive units, and the remaining percentage were households that employed domestic work, state entities (including municipalities) and voluntary insured persons. This amount is well below the performance prior to the pandemic, when there were about 75,000 active contributing employers.

The figure for 2021 is the lowest since 2012, when information is available (57,398 companies). The

¹³Es necesario que las instituciones cuenten con datos básicos, pero suficientes sobre sus afiliados, como, por ejemplo, un número de identificación único, sexo, sector institucional, actividad económica del trabajador, ubicación del establecimiento productivo, el salario o ingreso, la composición del núcleo familiar, las prestaciones de la seguridad social a las cuales tiene derecho, entre otros. Para asegurar un sistema de afiliación eficaz algunos países mantienen vínculos de coordinación con otras instituciones, con el objetivo de contar con información actualizada sobre nacimientos, registro de defunciones, registro de contribuyentes tributarios, entre otros, los cuales son críticos para garantizar las funciones del control contributivo.

drop in the number of employers, including voluntary insured, helps to explain the reduction in the number of contributors analyzed in the previous section. Another indicator that shows this challenge is the limited growth of affiliates, a population that includes both active and inactive contributors. According to administrative records, between 2017 and 2019 number of affiliates of the IVM Regime practically did not grow.

Collection and billing. The collection of contributions incorporates all the processes aimed at maximizing billing (issuance of payroll), controlling the income of resources and managing collection. In practice, the collection must be able to generate accurate information on the tax obligations, collection and delinquency of the affiliated persons, and accurately record the resources collected from the insured persons; It must also have the ability to share this information for purposes of planning and management control. For example, the information on the territorial distribution of the collection makes it possible to identify areas of concentration of companies with easy access for collection, or to identify territorial gaps between billing and collection.

The CSS operates a centralized collection system and has recently shown important advances in the diversification of options, when it made new options available to affiliates to facilitate the payment of contributions. Historically, the Institution only had payment options through the Institution's windows, in cash or by check. In 2020, the CSS launched the Caja Virtual, a platform through which payment can be made by credit card, and Online Banking that allows payment to be made through financial entities. In 2021, the Institution had an agreement with two financial entities. In 2021, 17% of the collection was made through these two means, which is considered a step in the right direction.

Although the CSS has shown recent progress, the

comprehensive improvement of the collection and billing system is a permanent task. The obsolescence of processes, equipment and technologies affects the operations of Social Security and final beneficiaries, so the progressive incorporation of integrated automated systems would undoubtedly contribute to improving the efficiency and effectiveness of collection and raising coverage rates.

Audit and tax control. Tax auditing and control represent a set of mechanisms that seek to create risk (economic and legal) between employers and workers, linked to compliance with the payment of social security contributions. In practice, two types of control can be identified: the proactive one, which is carried out in response to ex officio action, and the reactive one, which refers to the actions that originate in complaints through different channels (email, telephone, websites). web, etc).

In practice, it is important that the social security institutions articulate both types of auditing and tax control. In the case of an institution such as the CSS, such efforts should ideally be articulated with instances such as the Ministry of Labor and Labor Development (MITRADEL), and the Ministry of Economy and Finance, among others, in order to increase the effectiveness of the supervisory function and at the same time reduce the costs of managing debt portfolios and coercive collection management.

Regarding control, art. 8 of Law No. 51 defines the power of the CSS to inspect the workplaces of all persons subject to the social security regime. The Law grants the possibility to examine the accounting books, their forms, their payment lists, their declarations of payments to third parties and all those documents that are necessary, to verify and prove the payment of salaries, wages, fees and representation expenses, as well as compliance by employers with their tax obligations, both in terms of contributions

► Recuadro 3.3 Experiencia internacional en la definición de faltas y sanciones relacionadas con el cumplimiento de obligaciones con la seguridad social

Sobre la base de la experiencia de la gestión de seguros sociales en América Latina, la OIT ha documentado distintos análisis comparados sobre las prácticas de tipificación de faltas y sanciones por evasión y morosidad en la seguridad social. Si bien cada país presenta distintas realidades, existen ciertas prácticas interesantes de evidenciar, como insumo para la revisión y evaluación de los marcos normativos. El ejercicio se realizó tomando en cuenta la legislación de siete países: Bolivia, Chile, Colombia, Costa Rica, Ecuador, Paraguay y Perú.

A continuación, se describen una lista de tipificación de faltas, algunas de las cuales existen en todos los países analizados:

- No realizar la inscripción patronal o no realizar afiliación de trabajadores.
- No informar cambios en la situación laboral de los trabajadores.
- No presentar la información requerida, presentarla en forma incompleta o tardía.
- Presentar información falsa o modificada.
- Impedir a los inspectores realizar las tareas de inspección in situ.
- Retener o no realizar los aportes de los trabajadores.
- Retraso en el pago de las cotizaciones.
- Reincidencia en las infracciones.

Todos los países considerados incluyen falta de inscripción como una sanción tipificada. En cuanto a las sanciones por incumplimiento de las obligaciones del empleador, a nivel latinoamericano no hay un patrón definido, pues cada país intenta fortalecer aquellos aspectos que de acuerdo con su realidad presentan mayor debilidad. Además, el vínculo entre las faltas tipificadas y las sanciones depende del contexto de cada país. A continuación, se citan las principales sanciones definidas a nivel latinoamericano:

1. El cierre temporal del establecimiento productivo (ejemplo, Costa Rica)
2. Sanciones monetarias
 - a. Definidas a partir de un número de salarios mínimos;
 - b. Aplicación de una tasa de interés de mora sobre el valor de las cotizaciones devengadas;
 - c. Pago de una multa equivalente a una fracción o a la totalidad de las cotizaciones devengadas.Si es una fracción se aplica aumentos progresivos del porcentaje, conforme se incrementa el número de meses.
3. Sanciones penales (Colombia y Costa Rica)

Cabe señalar que a pesar de que algunas legislaciones dan énfasis a la tipificación y sanción de las prácticas de morosidad, otros ponen mayor énfasis en el combate a la evasión; no obstante, hay que tomar en cuenta que ambas son relevantes, y que el tratamiento de cada una debe estar considerado en el marco jurídico. Las faltas y sanciones por incumplimiento y los resultados, reflejan, en la práctica, la cultura de cumplimiento y, en gran medida, la importancia que cada sociedad le otorga a la seguridad social.

Fuente: elaborado con base en Durán-Valverde y Samamé, 2008.

and occupational health. The CSS inspection body is made up of 179 people nationwide, distributed among 20 agencies; 36% is located in Panama (Clayton).

During 2020 and 2021, according to information provided by the National Planning Directorate of the CSS, the Institution has intensified inspection processes, with door-to-door visits to companies, to prevent delinquency rates and reiterate compliance to employers. delinquent Law No. 51 (Chapter XI) defines a set of offenses and sanctions, for the lack of registration and notification, false declarations and under-declaration of contributions in the forms

(both for employers and independent workers), the refusal to provide information for the determination of the employee-employer quotas, the simulation of legal acts that have the purpose of evading the fulfillment of the obligations, among others.

Most offenses have economic sanctions associated with them, and in some cases, such as false declarations and under-declaration, the Institution is obliged to file the corresponding complaint with the Public Ministry, if there is evidence that a crime was committed. This regulatory framework is not far from the regional international experience, whose

sanctions in some countries tend to be more severe than those established in Panama (see box 3.3).

The existence of the “Paz y Salvo” continues to be an effective instrument to guarantee continuity in the payment of contributions, a mandatory mechanism provided for in Law No. 51 (art 99). In addition, it should be noted that the CSS has recently implemented instruments to facilitate the issuance of the Paz y Salvo vouchers by taxpayers.

The application of the legal framework constitutes an important element in the tax inspection and control procedures that, in one way or another, favor management towards the extension of tax coverage. It is important to point out that the compulsive capacity of the social security collection system, considered in terms of its legal content, does not ensure the success of a coverage extension policy, although it is an essential basis for improving the institutional apparatus. with a view to expanding coverage. In this sense, the legal system and coercive capacity play a determining role in the operational capacity of social security administrations.

The CSS has a great opportunity to improve in terms of the application of the legal framework, as well as in the generation of robust tax control mechanisms. Among other aspects, for example, according to the interviews with the CSS team, the need to review the processes for preparing payment forms by the companies themselves is identified, in order to reduce the risk of tax avoidance. In this sense the art. 9 of Law No. 51 gives the CSS the possibility of reviewing and verifying at all times the declaration form of the contributions derived from the employee-employer relationship, or any other means used to deduct their contributions, for purposes to determine its accuracy, perform scopes and order rectifications.

Debt management and enforced collection. For any

institution, debt management processes represent one of the most complex activities, since it requires different legal, administrative and technological mechanisms, as well as highly trained human resources.

In the area of mass collection and electronic collection, the CSS has shown significant progress with the collection notice projects and the collection and liability plan. However, it is important to reinforce these activities and evaluate the incorporation of new mechanisms that allow reducing administrative costs and improving the efficiency of the processes. The strengthening of debt management would significantly favor the increase in collection and tax coverage.

As of June 2021, nearly 39,000 delinquent employers were identified, half by administrative means and the other by coercive jurisdiction. The coercive jurisdiction is supported by article 5 of Law No. 51, which gives the CSS the jurisdiction to collect all the income of the Institution, including contributions, fines, surcharges and others, and delegates to the General Directorate of the institution initiate the processes, when the delay in the payment of contributions and any other obligation for the institution is three months or more. The number of delinquent employers through coercive jurisdiction was 21% less compared to December 2020.

Based on articles 51, 15 and 16 of Law No. 51, the CSS is required to publish the list of delinquent employers at least every six months, through the national media. The Institution publishes the list of defaulters with three or more months, highlighting the employers who have no agreement to pay, with an agreed payment agreement, without an agreement to pay, and with an agreed payment agreement. This instrument is assessed as highly effective, although with a communication scope that is perceived as limited and with a significant lag in publication dates. There is room for improvement in this area, through the continuation of the purging of the debtor company

databases, the continuous improvement of the Call Center to not only make calls for collections, but also answer general queries from employers and workers.

Collaboration with the tax administration. The link of the social security institutions with the tax entity and with other institutions of the labor market and migration is key to strengthening the institutional capacity of Social Security and thus respond adequately to legal provisions. Law No. 51 provides for the need to create links with other institutions, such as in the area of inspection (art. 8), review and verification of payroll (art. 9), information management (art. 16), collection (art. 18), among other processes.

3.4 Other areas of CSS governance

In addition to the processes discussed above, the management and governance of the pension system is closely influenced by performance in other critical areas, which have an impact on the ability of social security to manage the scheme, extend coverage, provide benefits, and others. related processes. This section outlines the institutional framework, the challenges and the recent management of critical areas such as the use of information technologies, the allocation of economic benefits and actuarial work. It should be noted that this list is not exhaustive, and further analyzes on the governance of social insurance are required, which are beyond the scope of this study.

Information technologies. The use and adaptation of information technologies in social security institutions is a global trend, a product of the accelerated process of change and the need to adopt new solutions for the institutions, which allow guaranteeing the provision of quality services, satisfying the users. insured and improving the efficiency of key processes. In recent decades, the planning and implementation of information technologies has

been a critical issue in the management of CSS, whose structural solution is still in the process of being solved, highlighting some important recent advances, but which have a long way to go.

Law No. 51 highlights the need to permanently launch new technological systems. According to art. 17 the CSS "must implement the technological means that respond to its interests, in order to automate and make its management more efficient, through the establishment of declaration, payment, and cost systems; consultation of individual accounts, control and registration of pensioners, retirees, employers and workers; file, control and registration of dependents; clinical records; control and medical record; purchases and acquisitions of goods and services, among others; as well as the training of its human resources in the use of said means". Despite the fact that in recent years the CSS has invested resources in new technologies, the implementation has been incomplete and the design has lacked the coherence and consistency that, due to its complexity and volume, are required for a social security institution.

In 2012, the CSS sought to replace the MAINFRAME system with the SIPE (Income and Economic Benefits System) and the SAFIRO (Financial Administrative System), with the purpose of articulating these last two systems. The implementation of the systems was not completed and therefore the substitution was not carried out. This has meant that in recent years the CSS continues to work with three systems (MAINFRAME, SIPE and SAFIRO), even causing several processes to be carried out manually. The CSS Board of Directors approved a strategic plan to complete the transition that was initially planned, also seeking to have the CSS assume control and full access to the systems.

Completing this transition implies, in the case of SIPE, updating the information from previous years, strengthening some internal processes, developing

the economic benefits module, among other changes. For SAFIRO, the Authorities foresee a relaunch of the system, in order to take into account the existence of various insurance regimes within the CSS, including IVM Regime; This is due to the fact that the system was initially implemented considering a single regime and therefore a single accounting plan, without taking into consideration an adequate financial separation between different regimes.

One of the results of the insufficient implementation of SAFIRO translates into the difficulty of generating adequate financial statements within the framework of international standards, as well as in an optimal time for making policy decisions in the short term.

The great challenges in the area of information technology have an impact on practically all social security management, so completing the aforementioned transition is a step in the right direction. These changes are necessary in the short term, although they are not the only critical steps. The necessary transformations in this area require medium- and long-term planning, which must be dynamic, attending to the needs of users and ideally within an ICT governance framework. The CSS could greatly benefit from the application of the ISSA Guidelines on ICT Governance in Social Security.

Important advances should also be highlighted, such as implementation of Virtual Fund, mentioned above, the digitization of various internal processes and customer service, the strengthening of information storage processes, the bankarization of various processes, the strengthening of the Center of Telephone Attention and the contact center, the inclusion of a mobile application for the insured, and other processes and tools that tend to reduce administration costs, improve waiting times for the management of procedures and strengthen the confidence of the policyholders and transparency in the management.

Economic benefits. The process of assigning economic benefits shapes the "notion of guarantee" of social security, and its effective performance translates into gains in the population's confidence in the institution.

Based on consultations carried out by the ILO team with the National Executive Directorate of Economic Benefits, there is evidence of ample room for improvement in terms of attention and reduction in waiting times in the granting of economic benefits. The challenges are directly associated with the need to continue modernizing the information system, and in particular the development of the economic benefits module (SIPE).

It should be noted, however, that the benefit resolution process is concentrated in a centralized unit and most of the process is carried out on the basis of physical files, most of which have a high risk of deterioration. The Institution has made progress in digitizing these files, although it is still a pending task to complete. The existence of these limitations in management generates not only high administrative costs (for example, hiring personnel for manual processes), but also inconveniences for the insured during the process of applying for benefits.

Consultations made to the CSS technical team show that the validation and assignment process is complex, mainly due to the number of manual processes involved. The verification and consistency of information in the contribution records frequently implies that the Institution needs to contact directly its regional instances and even with the employer companies, which sometimes have already disappeared. The current need for detailed (manual) verification of the records of the contributions accumulated by the insured persons is associated with the weaknesses in the IVM Regime's individual account database, which seems to require a profound debugging.

The solutions to address the challenges in this critical area need to be addressed jointly with other areas, such as, for example, the processes for collecting and capturing information on contributions (sheets); This would make it possible to progressively increase the quality of the individual account database, reduce administrative costs and improve response times in the pension process.

This section concludes by highlighting the progress of the CSS in aspects such as the virtualization of applications for benefits made by the insured and advances in banking the payment of economic benefits, among other processes, which have allowed reducing administration costs and increase the efficiency in the management of the IVM Regime. These initiatives, however, need to be deepened.

Actuarial work in social security. The governance of the IVM Regime is structured based on two bodies that carry out actuarial work. On the one hand, the Actuarial Department of the CSS, equipped with a consolidated technical team, whose functions are based on the provisions of Law No. 51 and other laws in force, particularly in the need to provide follow-up to the financing of the different regimes it administers. The CSS. The Department prepares annual actuarial reports of the IVM Regime, contributes to the preparation of the economic benefits budget, prepares and reviews the biometric bases and actuarial income tables, analyzes and issues an opinion on the operations of the IVM Regime reflected in the Financial Reports issued by the National Accounting Directorate, and participates in the special work commissions designated by the General Directorate, among other institutional activities.

On the other hand, the Actuarial Technical Board (JTA) is in charge of "investigating, evaluating and analyzing the situation of the Regime" (art. 218), functions that focus on the review and auditing of the technical study prepared by the Actuarial Department of the

CSS, as well as in the preparation of its own report.

According to the corresponding Law and regulations, the JTA must submit an annual actuarial report to the Board of Directors, which allows the CSS to support the request for disbursements from the Disability, Old Age and Death Trust, to cover the negative difference between income and the current expenses of the Regime, at the close of the fiscal year (art. 214 of Law

No. 51). In addition, the report must determine if in any of the ten years subsequent to the presentation of said study, the accounting reserves of the Regime will be less than two point twenty-five (2.25) times the annual expense. As described in subsequent chapters, the SEBD will continue to operate permanently with a reserve level below the legal minimum. When this happens, the JTA must propose to the Board of Directors of the CSS recommendations to balance the Regime, and in accordance with the Law, within a period of 90 days after the presentation of the report, the Board of Directors must execute the required corrective measures and propose the relevant legal changes, or both (art. 219 of Law No. 51).

The actuarial studies of the Actuarial Department of the CSS, once presented to the General Directorate of the CSS, are then channeled to the JTA, to be technically reviewed. On the contrary, the studies of the JTA are directly submitted to the Board of Directors of the CSS, as a basis to support the disbursement of the Trust and to carry out potential reforms to the Regime. This process configuration is problematic.

The coexistence of these two technical bodies creates a diffuse environment regarding the roles and responsibilities entrusted to the Actuarial Department of the CSS and the JTA. Although the functions of the JTA are defined by law (Art. 218 and 219), its role as an auditing body is also intertwined with the role of direct advisor to the Board of Directors of the

► Tabla 4.1 Estructura de la base de datos de afiliados compartida por la CSS.

Campo	Descripción
ISN	Código de Registro interno, solo para revisión dentro del mismo archivo
Patronal	Código del lugar de trabajo
Año	Año del Registro
Enero	Salario Registrado del mes de Enero
Febrero	Salario Registrado del mes de Febrero
Marzo	Salario Registrado del mes de Marzo
Abril	Salario Registrado del mes de Abril
Mayo	Salario Registrado del mes de Mayo
Junio	Salario Registrado del mes de Junio
Julio	Salario Registrado del mes de Julio
Agosto	Salario Registrado del mes de Agosto
Septiembre	Salario Registrado del mes de Septiembre
Octubre	Salario Registrado del mes de Octubre
Noviembre	Salario Registrado del mes de Noviembre
Diciembre	Salario Registrado del mes de Diciembre
Código	Tipo de subsistema, M=sistema Mixto / D=Sistema Definido / O=Optaron del sistema Definido al sistema Mixto.
Sexo	Sexo de la Persona, F: Femenino / M: Masculino
Nacimiento	Fecha de Nacimiento, aaaammdd, año (4 números) / mes(2 números) / día(2 números)
Inicio	Fecha de inicio del registro al sistema
Letra	P = pensionado, A = activos
Tipo	1 = AUTÓNOMA

Campo	Descripción
	2 = MUNICIPIO
	3 = GOBIERNO CENTRAL
	4 = VOLUNTARIOS
	6 = PARTICULARES
	9 = SUBVENCIONADOS
Identificador	Identificador, Cedula codificada para manejo.

CSS in actuarial matters; this double role seems to generate a potential conflict of interest. Therefore, the CSS has two technical teams in the actuary. The separation and independence of functions between the Actuarial Department of the CSS and the existence

of a permanent external auditing body is an issue that must be carefully analyzed, in order to adapt to the framework of international actuarial work regulations and the good international practices.

► Tabla 4.2 Estructura de la base de datos de pensionistas compartida por la CSS al equipo OIT

Campo	Descripción
Cedula	Identificador, Cedula codificada (para manejo anonimizado por OIT)
Fecha.Cheque.AAAA	Año de la creación del primer cheque
Fecha.Cheque.MM	Mes de la creación del primer cheque
Fecha.Cheque.DD	Día de la creación del primer cheque
Sexo	Sexo de la Persona, 2: Femenino / 1: Masculino
Fecha.Nacimiento.AAAA	Año de Nacimiento
Fecha.Nacimiento.MM	Mes de nacimiento
Fecha.Nacimiento.DD	Día de Nacimiento
Plan	Planilla de los pensionados
	13 y 23: Pensiones por Invalidez
	14 y 24: Pensiones por Vejez Normal
	15 y 20: Pensiones de Sobrevivientes.
	17 y 27: Pensiones por Vejez Anticipada antes de la Ley N°51.
	34: Pensiones por Vejez Estacional.
	35: Pensiones por Vejez Proporcional Anticipada.
	36: Pensiones por Vejez Proporcional.
	37: Pensiones por Vejez anticipada después de la Ley N°51.
	43: Pensiones por Invalidez de los empleados del sector Bananero.
47: pensiones por Vejez de los empleados del Sector Bananero.	
Letra	Tipo de subsistema, M=sistema Mixto / " "=Sistema Definido / O=Optaron del sistema Definido al sistema Mixto.
Pension	Salario Quincenal

Campo	Descripción
Asignacion	Asignación Familiar por Esposa e Hijos que se otorga a los pensionados cuando llegan a la edad de retiro por vejez normal.
Fondo	Fondo complementario con cargo al Estado que se otorgaba a los empleados públicos cuando se retiraban por vejez antes del año 2000.
Fecha.Inicio.AAAA	Año de inicio del registro al sistema
Fecha.Inicio.MM	Mes de inicio del registro al sistema
Fecha.Inicio.DD	Día de inicio del registro al sistema
Fecha.Entrada.Planilla.AAAA	Año de inicio del registro al sistema como trabajador
Fecha.Entrada.Planilla.MM	Mes de inicio del registro al sistema como trabajador
Fecha.Entrada.Planilla.DD	Día de inicio del registro al sistema como trabajador

It is worth noting the advances in the communication of the actuarial studies prepared both by the Actuarial Department of the CSS, and by the JTA, whose information has become public, even within the framework of spaces for social dialogue. This is considered a good practice for the governance

► **Tabla 4.3 Estructura de la base de datos de sobrevivientes compartida por la CSS**

Campo	Descripción
CEDULA DEL FALLECIDO	Identificador, Cedula codificada para manejo anonimizado.
PARENTESCO	1 Viuda Y Viudos
	2 Viudas Y Viudos Inválidos
	3 Huérfanos
	4 Huérfanos Inválidos
	5 Madres Y Padres
	8 Huérfano De Padre Y Madre
	9 Huérfanos Inválidos De Madre Y Padre
AAAA DE NACIMIENTO	Año de Nacimiento
MM DE NACIMIENTO	Mes de nacimiento
DD DE NACIMIENTO	Día de Nacimiento
BRUTO	Salario Bruto
AAAA DE PAGO	Año de Pago
MM DE PAGO	Mes de Pago
DD DE PAGO	Día de Pago
PLANILLA	Planilla de los pensionados
	15 y 20: Pensiones de Sobrevivientes.
AAAA DE INICIO	Año de inicio del registro al sistema
MM DE INICIO	Mes de inicio del registro al sistema

Campo	Descripción
DD DE INICIO	Día de inicio del registro al sistema
AAAA DE ENTRADA	Año de inicio del registro al sistema como trabajador
MM DE ENTRADA	Mes de inicio del registro al sistema como trabajador
DD DE ENTRADA	Día de inicio del registro al sistema como trabajador
SEXO	Sexo de la Persona, 2: Femenino / 1: Masculino
CEDULA DEL BENEFICIARIO	Beneficiario de la pensión, Cedula codificada para manejo.

of actuarial work, which should be reinforced with strategies so that the insured population is aware of the current and future performance of the financial governance of the IVM Regime.

Chapter 4. Methodological aspects.

4.1 Data

The present study has been based on an unprecedented effort in terms of data, including aspects of volume and quality. The actuarial study that supports this report used the database of affiliates and pensioners provided by the CSS, which contains 346 million records with encrypted personal identification of active and inactive active affiliates registered in the two information subsystems managed by the CSS, and that include historical information on their contribution wages over several decades, as well as gender, date of birth, subsystem, institutional sector, year of registration (registration) and other complementary fields useful in actuarial analysis, described below.

The ILO technical team estimates that the percentage of error presented by the data is around 0.08564%, mainly caused by inconsistencies in the sex or age of the affiliate, which were mostly resolved by the ILO technical team by crossing with the "Afilia" file delivered to the ILO also by the CSS. The remaining inconsistencies were resolved by applying segmented distribution techniques. Therefore, it is concluded that the database used for this study, although not fully perfect, presents optimal levels to carry out actuarial work, complying with the usual ILO quality standards.

The database of pensioners provided by the CSS was also processed, which contains 1,951,399 records with encrypted identification of the pensioners, information on the benefit history by type of benefit (disability and old age) as of December of each year, as well as gender, date of

birth and historical information at the individual level.

The inconsistencies detected in the variables sex and date of birth represent 0.45588% of the total information. These inconsistencies were corrected using segmented distribution techniques.

It is very important to note that, as part of the database consistency review process, the information mentioned was contrasted against the aggregate statistical information sent by the CSS, determining errors of less than 2% for the base year; at the level of number of cases and average wages / pensions.

After the processing of this information and its debugging; more than 140 data matrices were built for each subsystem (SEBD and SMCBD), which constitute the inputs of the ILO-PENSIONS model; classified in:

- Demographic and labor market context
- Economic context
- Rules for readability conditions
- Rules for calculating benefits
- Demographics for the base year
- Transition odds
- Familiar structure
- Financial situation for the base scenario
- Financial assumptions

Finally, historical financial statements of the Disability, Old Age and Death Insurance were received, delivered by the CSS, as well as an extensive set of legal information and technical documents, which were reviewed and processed by the work team to document the study.

4.2 The ILO actuarial model (ILO/PENSIONS)

The ILO Pension Actuarial Model, ILO/PENSIONS, is a computerized projection and simulation tool for pension schemes created by the Social Protection Department of the International Labor Organization

(ILO). The purpose of the model is to provide information on the impact associated with the adoption of reforms in social security pension regimes.

The ILO/PENSIONS model is in line with international actuarial standards and practices, and is based on ILO social security standards, in particular the Social Security (Minimum Standards) Convention, 1952 (No. 102). It complies with the ISSA and ILO Guidelines on Actuarial Work in Social Security (2016) and the International Standards of Actuarial Practice (ISAP), recommended by the International Association of Actuaries (IAA). The main components of the ILO/PENSIONS technical specifications were included and formulated based on the extensive knowledge that the ILO has built up over several decades, including its flagship publications, namely Actuarial Mathematics of Social Security Pensions (Iyer, 1999), Financing Social Protection: Quantitative Methods in Social Protection Series (Cichon et al. 2004), and Actuarial Practice in Social Security (Plamondon et al. 2002).

The ILO Pension Actuarial Model is based on the principles embodied in the ILO social security standards, adopted by representatives of governments, employers and workers around the world. These standards constitute a guarantee of balanced, sustainable and long-lasting approaches in the design of pension systems, universally applicable to the enormous variety of existing regimes in the world.

These principles include the general responsibility of the State to ensure the due provision of benefits and the proper administration of pension schemes as part of comprehensive national social security systems, especially by ensuring that the necessary actuarial studies and calculations, related to the balance financial, are made periodically and, in any case, before any change in benefits, insurance contribution rates or taxes to cover the contingency in question. There are various situations in which the ILO/PENSIONS

model can be applied. It is an actuarial model that combines economic, demographic and financial modeling components, specific to pension schemes. Due to its versatility, the model can also be useful to support quantitative work on tax-financed pension schemes, i.e. non-contributory pension schemes.

A detailed description of ILO/PENSIONS can be found in the ILO/PENSIONS User Manual, available online at the link ILO/Social Protection Platform (social-protection.org).

4.2.1 The ILO intervention model for actuarial work

The formulation of quantitative models for pension schemes consists of a set of complex and interrelated elements, which include macroeconomic framework, the labor market, the population groups covered with their respective sociodemographic characteristics, and the legal regulations in relation to the financing and access to benefits.

Actuarial valuations are a critical factor in providing a long-term financial perspective for managers and planners working in the social security sector. Actuarial valuations require the incorporation of long-term demographic and financial projections in the complex financial systems of pension schemes, which can only be achieved through the use of adequate models. ILO/PENSIONS has been designed to support the elaboration of actuarial and financial valuations or studies of the pension systems and regimes established by law, in order to contribute to the establishment of a robust quantitative basis for making policy decisions regarding pension regimes.

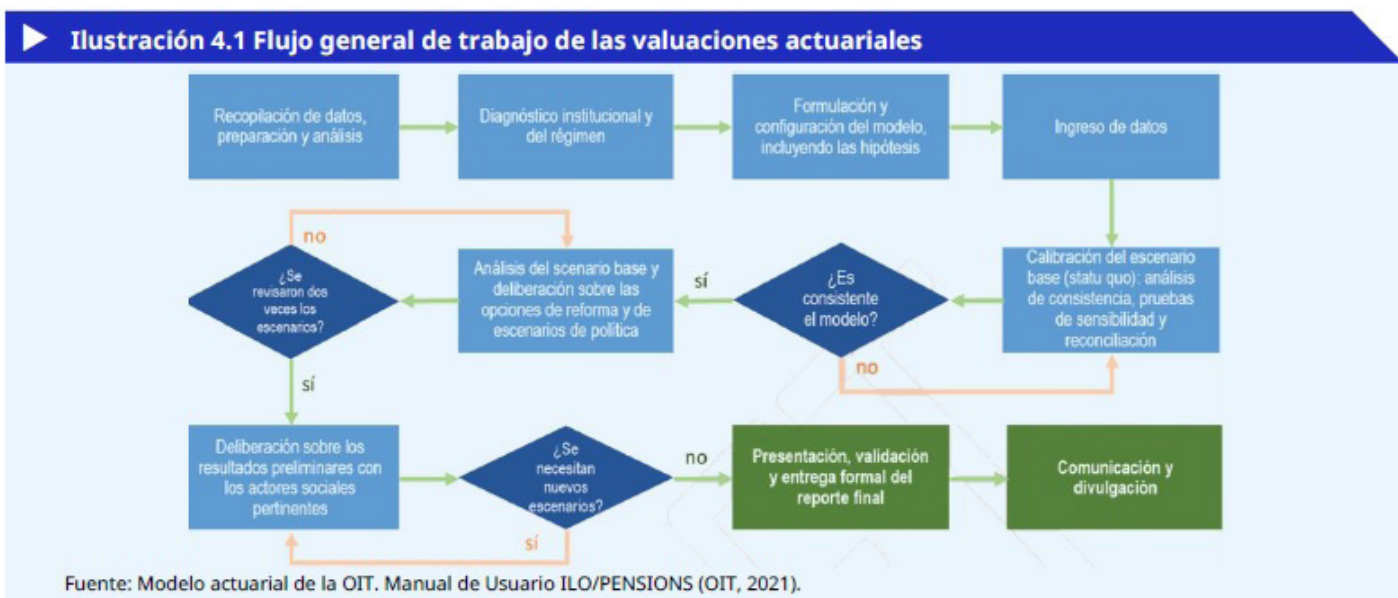
In this way, ILO/PENSIONS makes it possible to do the following:

ILO Fundamental Principles and Minimum Standards

and Actuarial Work

A crucial issue for the ILO is that actuarial work and its link to policy design must be framed in international social security standards, as well as in good comparative practices. The Social Security (Minimum Standard) Convention, 1952 (No. 102) of the ILO, which has laid the foundation for the development of social security in the world, states that performing actuarial studies and periodic calculations is a main means by which the State can use to fulfill its general obligation regarding the provision of social security benefits.

In particular, article 71.3 of Convention no. 102 stipulates that: "The Member (country) shall assume the general responsibility in regard to the service of benefits granted in application of this Agreement and adopt, when appropriate, all the necessary measures to achieve said purpose; must guarantee, when appropriate, that the necessary actuarial studies and calculations related to the balance are established periodically and, in any case, prior to any modification of the benefits, the rate of insurance contributions or the taxes destined to cover the contingencies in question".



Regarding the application of good practices in the management of social security systems, the Guidelines on Actuarial Work for Social Security jointly prepared by the ISSA and the ILO stand out. The main objectives of the Guidelines are:

- Promote good practices for actuarial work performed by and for social security institutions and support efforts to improve the accuracy, consistency and comparability of actuarial work;
- Offer guidance for procedures performed in the

work of actuaries;

- Facilitate the work of institutions in their governance procedures related to actuarial work;
- Improve the efficiency of actuarial procedures;
- Provide practical assistance to institutions to facilitate their compliance with actuarial standards;
- Provide guidance to individuals and agencies responsible for policy and regulatory issues of

actuarial intervention.

4.2.2 The actuarial valuation process

It is essential that the actuarial valuation process complies with the international standards and guidelines of the International Association of Actuaries (IAA) and with the Guidelines on Actuarial Work in Social Security of the ISSA and the ILO, specifically guidelines 1 to 12, 25 to 28 and 40 to 46. Figure 4.1 shows the general work process for actuarial valuations.

The collection, preparation and analysis of the data must be based on Guideline 2, on the Actuarial Work of the ISSA and the ILO, which indicates the following: the data necessary for the operation of the actuarial model includes the demographic and financial information of the contributors active and inactive affiliates, current and potential beneficiaries, as well as the current regulations under which the regime operates and its expected changes in the future. The entity responsible for this information is the social security institution; these data must be updated, available and reliable. The input of data in the actuarial model requires the collection of information from different sources, not only from the social security institution, but also from other institutions, including household surveys, surveys of the social and macroeconomic sectors, technical reports and databases. data.

Consistency and coherence between the information from different sources must be guaranteed through a process of review, analysis and data cleaning. Modern data science tools for data integration and visualization are critical to supporting such a process. The main data sources needed for the model include the following:

- **Regulatory framework;**
- **Official statistical information;**

- **Previous actuarial valuations;**
- **Financial statements;**
- **Plans and programs for the extension of coverage;**
- **Opinion of the actuaries on the data.**

The Institutional and Regime Diagnosis includes the following analyzes:

- 1) social, demographic, macroeconomic and labor market environment, which affects sources of financing and spending trends;**
- 2) legal and regulatory framework against the minimum principles and parameters established by the ILO social security standards;**
- 3) governance in general, including the organization of political and administrative structures;**
- 4) administrative and operational procedures, in order to identify areas for potential improvement that have an impact on efficiency and results in terms of collection of contributions, administrative expenses, adequacy of benefits, coverage and access to benefits;**
- 5) the investment regime and its operation, and**
- 6) other areas of interest based on specific analytical needs of the valuation.**

In the Formulation and configuration of the model there are different aspects that must be considered:

- **Level of disaggregation of the necessary inputs**

and outputs;

demographic and financial assumptions;

- **Adequacy and role of the actuary and the social partners. According to Guideline 3, the assumptions used for the valuation of a social security scheme must be sufficient to evaluate it according to its financing objectives and consistent with the general socioeconomic environment of the country;**

- **Cross validation: “peer-review”;**

- **Consistency with current available data;**

- **Congruence between the hypotheses;**

- **Current plans and programs;**

- **Nominal values versus real values;**

- **Opinion of the actuary regarding the assumptions;**

- **Definition of scenarios.**

The entry or entry of data to the model (variables, parameters, hypotheses, etc.) is usually a laborious activity. This phase should start only when the user has full confidence in the specific goals that he hopes to achieve by formulating a specific model. Monitoring and verification is an essential process. As a general rule, the person reviewing the model should be different from the person entering the data.

The Calibration of the Base Scenario (status quo): review of consistency, sensitivity tests and reconciliation. Model calibration is the process of adjusting the inputs and parameters of a model and setting constraints on the margins of certainty to obtain results that meet certain criteria. By

adjusting the parameters entered in the model, the calibration process allows correcting significant deviations of the projection variables with respect to the observable values. Therefore, the calibration procedure requires sufficient reliable historical data.

There are no specific rules on how to calibrate the actuarial model and this is where the professional experience of the actuary is crucial. However, as a first step, the model, with its parameters and assumptions, must reproduce with some accuracy the demographic and financial results observed for the first year of the projection, the fraction of the year with results available, or the results observed for various annual intervals. previous years, in case the projection period had started in a period prior to the current year.

The Consistency Check is a rigorous procedure for verifying consistency of the results throughout projection horizon, in order to identify unexpected deviations and seek explanations for them. On the other hand, the objective of sensitivity tests is to study the impact of various sources of uncertainty in a quantitative model. When previous actuarial valuations are available, it is very useful to carry out the exercise of reconciling the results obtained in current valuation with those of previous valuations, especially most recent one. Guideline 7 of ISSA and ILO Guidelines on Actuarial Work for Social Security includes some indicators and variables that could be reconciled between these valuations.

The Baseline (Status Quo) Analysis is essential to identify undesirable situations that could arise in the future. For this purpose, it is very important to take into account not only the results of the base scenario projections, but also the institutional and pension diagnosis. Once potential problems and situations to be corrected have been identified, solutions must be found. These must be put to the consideration of the social actors and translated

► Ilustración 4.2 ILO/PENSIONS: Panorama de la estructura del modelado (elementos básicos)



Fuente: Modelo actuarial de la OIT. Manual de Usuario ILO/PENSIONS (OIT, 2021).

into policy scenarios to assess their impact.

This scenario assessment exercise will provide important information that is very useful to decision makers. The “Analysis of reform options and policy scenarios” is one of the most important objectives of quantitative modeling work in actuarial science applied to social security. Therefore, this stage is critical and a matter of great interest to users of actuarial reports, namely politicians and others in strategic positions, decision makers. The formulation of policy scenarios comprises two stages: formulation and analysis. The formulation is related to the decision of which reform options will be incorporated in the projections, while the analysis stage seeks to explain the results and their causes. Both stages interact dynamically and feed back the decision to explore, formulate and analyze new scenarios.

Analysis of the preliminary results with the social partners of the actuarial valuations are usually an important input for decision-making at the political level of social security institutions and schemes. To this end, it is recommended that the preliminary results of the work, including the scenarios evaluated, be discussed and analyzed with the relevant social partners.

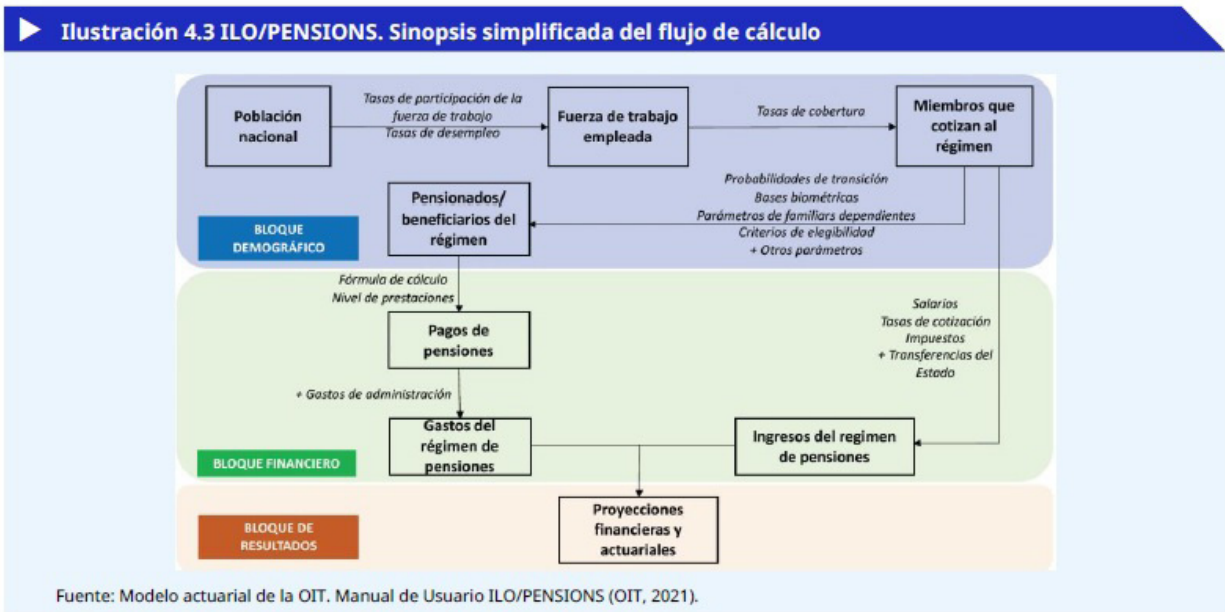
Presentation, validation and formal presentation of the

final report are the main means by which the results of the process are communicated to decision-makers and pension insurance authorities, in the form of conclusions and recommendations. The structure and content of the actuarial report should comply with the International Standard for Actuarial Practice 2 (ISAP2) and the ISSA and ILO Guidelines on Actuarial Work for Social Security, in particular Guideline 9 on reporting.

Guidelines 25 to 28 of the ISSA and ILO Guidelines on Actuarial Work for Social Security address communication and disclosure aspects of actuarial reports, such as communication between board members, management and the actuary, the procedure for the presentation of the report, the responsibilities of the social security institution regarding the presentation of reports and communication, including the correct form of technical and non-technical communication, depending on the audience. Due to the technical complexity of actuarial work, the communication of the results of actuarial valuations must be tailored to the specific needs of each audience.

4.2.3 Main characteristics of ILO/PENSIONS

ILO/PENSIONS is built on a basic set of building blocks. Work on the model is done



in two phases, as shown in Figure 4.2..

The first is the design phase, where users set parameters on platform to establish their definitions of the various models. Users must go through an initial process of deliberation and analysis, to define the critical aspects involved in creating a specific actuarial model. To do this, users define the schemes to model, the population groups that belong to each scheme and the age limits of each population group included in the scheme. For each scheme, the user needs to create at least one group of active contributors.

Likewise, each scheme automatically creates a group of inactive contributors and four groups of beneficiaries: old age, disability, widowhood and orphanhood. Users establish the projection period and the reference salary calculation modality for pensions in real or nominal terms. The second is the implementation phase of the modeling process itself.

Inputs: The inputs for the exercise help simulate the demographic and financial dynamics experienced by population groups. They relate to:

1) The Context, mainly related to the national

demographic, labor market and macroeconomic situation in which the schemes operate;

2) The Scheme or the characteristics of the scheme: eligibility conditions, benefit formula, contribution rates, income and administrative expenses; and

3) The Population Group and its characteristics: initial contributions, structure and transition probabilities (including those of inactive groups and of all beneficiaries).

Outputs or Results: ILO/PENSIONS allows the user to generate an extensive set of results reports with different uses and needs in terms of policy analysis and design. We can distinguish between two main groups of results: those at the population group level, such as demographic and financial projections, and those at the regime or country level. All calculation results, both intermediate and final, including yearly and gender disaggregations, can be displayed, copied, and migrated out of the model. The final results include the demographic and financial flows projected in absolute values, such as the populations that contribute directly, the eligible populations, the income and expenses of the regime,

and the actuarial levels of reserves, among others.

Without going into the degree of internal mathematical complexity of ILO/PENSIONS, the general logic of calculation algorithms is relatively clear. Illustration

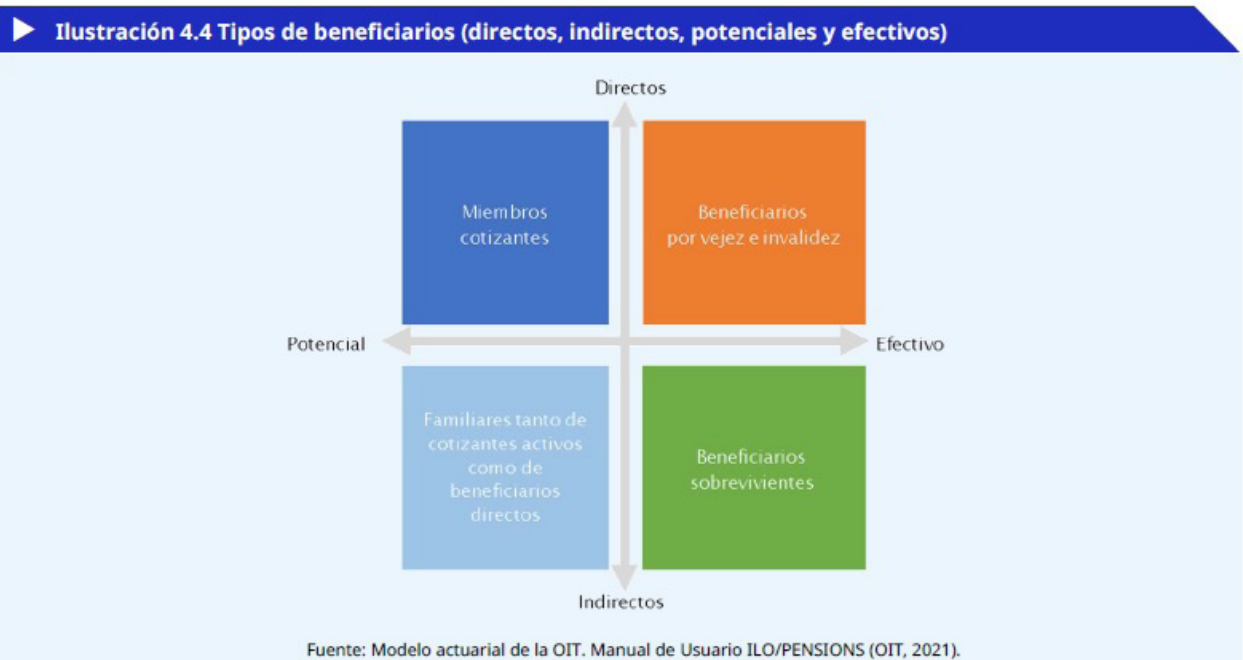
4.3 presents general scheme with steps followed in the preparation and calculation of the actuarial projections

The logic of the flow of projections can be

described in the following steps as part of three blocks: demographic block (inputs), financial block (inputs) and results block (projections).

The demographic block is made up of the calculation of the general populations and the specific populations of a regime:

1. National population. To ensure the overall consistency of the population projections, feeding the model with a projection of the national



population distributed by sex is a reliable starting point.

2. Employed labor force (employed). Projected and hypothetical economic participation rates, as well as unemployment rates, are applied to the population to project the employed labor force.

3. Members who contribute to the scheme. Considering the level of coverage of the employed population, the initial age and the distribution by sex of the groups contributing to the scheme, active and inactive, are used to simulate how the new generations of contributors to the pension

scheme will be distributed according to age, sex and number of quotes.

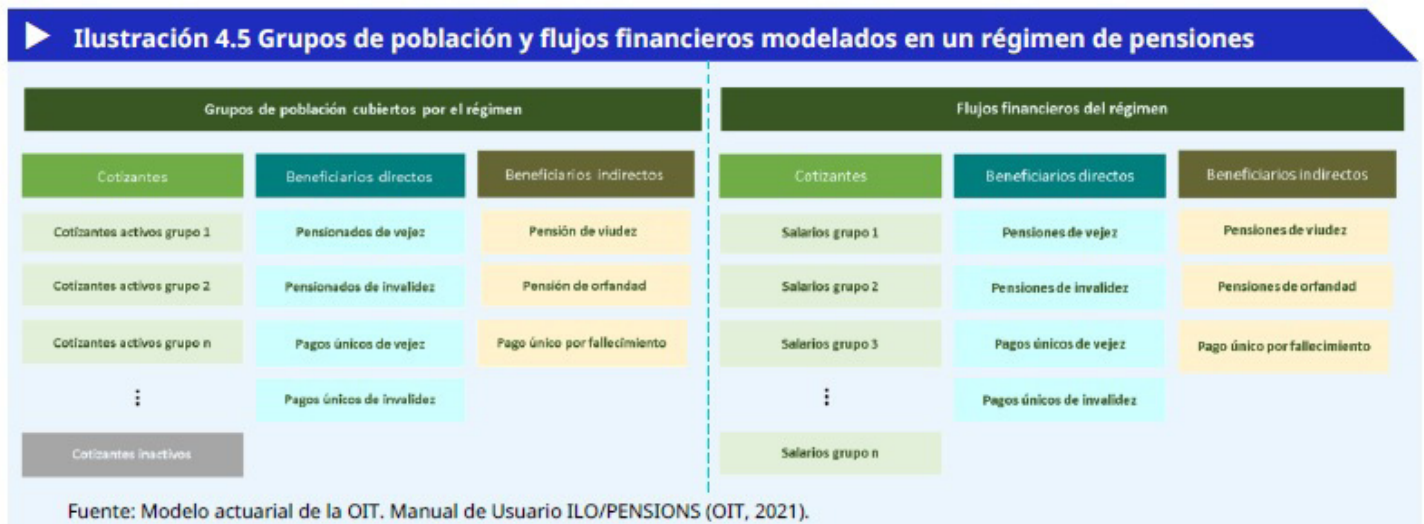
4. Pensioners / Beneficiaries of the scheme. Transition of the listed populations towards obtaining benefits once the eligibility conditions are met and the contingencies materialize.

The financial block is required from the calculations made in the demographic block. By using certain assumptions, this block estimates:

5. Income from the pension scheme. Contribution revenues are derived from wage information

and demographic projections of contributors. The wages, calculated as a consequence of the interaction of the previous surviving groups and the new income, and the wage structure

as a weighted average of the theoretical wage structures and of the observations of the last available records.



6. Payments of the pension system. The average benefit value (and total benefit expense) is derived from the weight of surviving and new beneficiaries. The average benefit value is the weighted average of new and past benefits. The weighting applied to prior benefits considers the survival probabilities of past generations of beneficiaries. The average value of the new benefits by age and sex is the result of applying the pension formula to the calculated reference salary.

7. Expenditure of the pension regime. Total spending, which is comprised of total benefit spending and derived from information on average benefits and beneficiary demographic projections. Administrative expenses are assumed to be a set percentage of benefit expenses.

Through these steps, users can obtain the Block of results, with which the calculation of projections and actuarial financial indicators is obtained. ILO/PENSIONS has the ability to generate and display a

wide range of output variables and indicators, including demographic, financial and actuarial variables.

This includes projections of the populations covered by population group, sex and age; the expenses of the scheme by sex and age; collection of paying members by sex and age; financial flows of income and expenses, and financial results of the annual operation; and actuarial, coverage, income and expense indicators.

Contributing members, beneficiaries and relatives that make up the exposed population can be characterized in different groups of beneficiaries, as shown in Figure 4.4..

Direct Beneficiaries, who enjoy the benefit (cash), include recipients of old-age and disability pension payments, or those who receive single payments in current period. They enjoy economic protection to which they themselves contributed in the past. In addition, in the event of their own death, they sponsor the protection of their respective families.

The direct Beneficiaries, of potential benefit: they are members who contribute to the scheme to have old-age or disability benefits. Many of them already have disability coverage and continue to contribute toward coverage when they meet old-age requirements.

The indirect Beneficiaries, who enjoy the benefit (effective), are the survivor pensioners. They are people who receive benefits generated by the contributions made by a family member who contributed in the past, currently deceased.

The indirect Beneficiaries, of potential benefit: are the people who will potentially receive a benefit in the event of the death of a contributing member or a direct beneficiary.

The main task of ILO/PENSIONS is to estimate the size and risk exposure of the first three groups throughout the projection period. Exposure to risks affects the

potential for generating cash flows in the future, as well as the potential magnitude of such flows. Risk exposure refers to the additional factors that affect the probability of certain contingencies and the magnitude of their consequences if they materialize. The main factors to assess risk exposure are age, sex, number of accumulated contributions, salary and/or amount of pension. Factors such as age and gender affect the frequency of occurrence of certain risks, while past credits and past wages or pension amounts affect the magnitude of potential cash flows. These population groups and financial flows determined in a regime are presented in Figure 4.5.

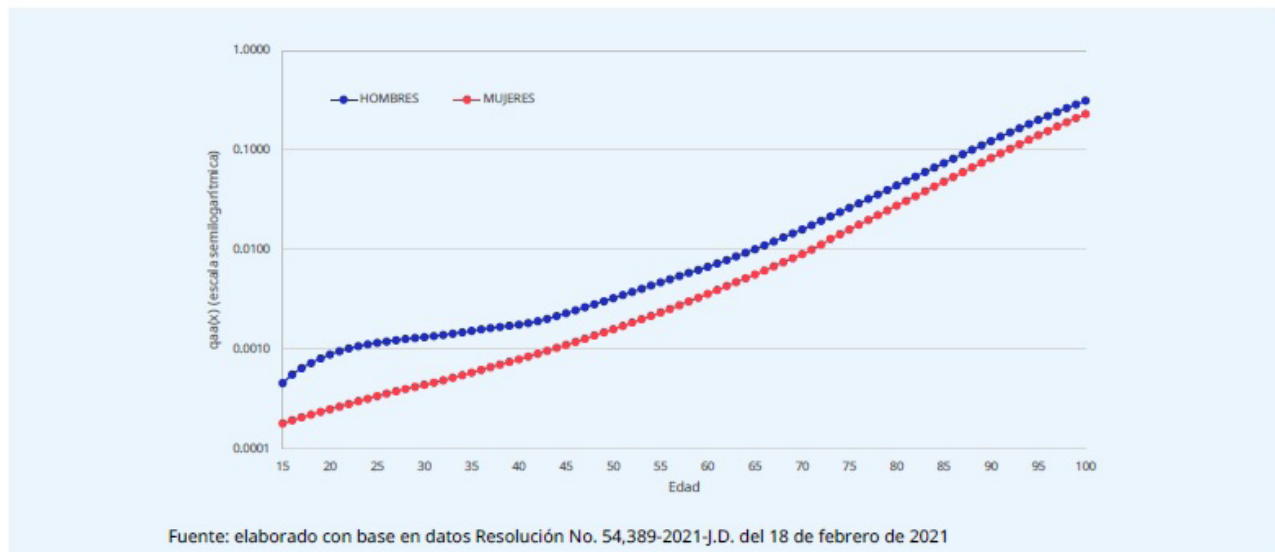
Active contributors are those who have added contributions during at least one contribution interval (month) to their individual file during the last 12 months. Inactive contributors are those who have contributed in the past but have failed to make at

► **Tabla 4.4 Probabilidades de fallecimiento de asegurados activos, inactivos y pensionados, por sexo y edades seleccionadas.**

EDAD	HOMBRES	MUJERES
20	0.000870	0.000245
40	0.001738	0.000780
60	0.006646	0.003547
80	0.043686	0.027380
100	0.311263	0.228828

Fuente: elaborado con base en datos Resolución No. 54,389-2021-J.D. del 18 de febrero de 2021

► **Gráfica 4.1 Probabilidades de fallecimiento de asegurados activos, afiliados inactivos y pensionados, por sexo y edad.**



least one contribution during the last 12 months. Together (active contributors and inactive members), they are affiliated contributors: they have potential rights to benefits backed by previous contributions and this differentiates them from non-contributors

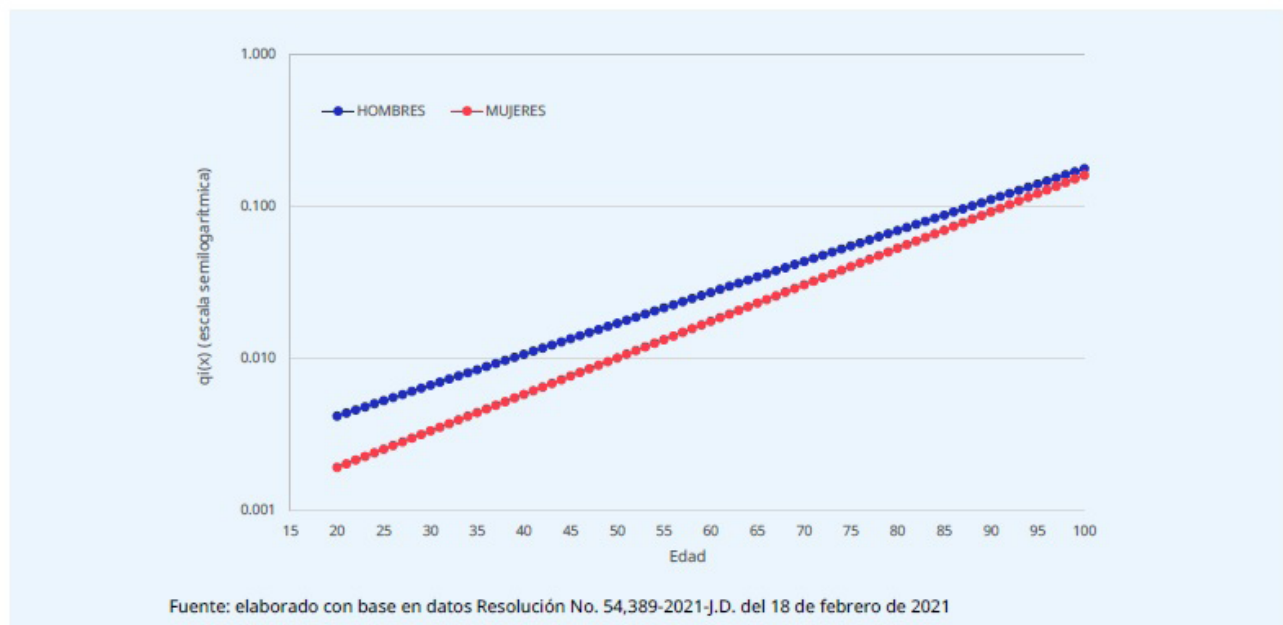
(those who have never contributed to the scheme). The direct beneficiaries are divided according to the type of benefit and the contingency caused by said benefit. There are two types of benefits: single payment and pensions. A single payment

► **Tabla 4.5 Probabilidades de fallecimiento de pensionados por invalidez, por sexo y edades seleccionadas.**

EDAD	HOMBRES	MUJERES
20	0.004131	0.001895
40	0.010571	0.005746
60	0.027053	0.017418
80	0.069233	0.052803
100	0.177176	0.160074

Fuente: elaborado con base en datos Resolución No. 54,389-2021-J.D. del 18 de febrero de 2021

► **Gráfica 4.2. Probabilidades de fallecimiento de pensionados por invalidez, por sexo y edad.**



Fuente: elaborado con base en datos Resolución No. 54,389-2021-J.D. del 18 de febrero de 2021

is a single cash payment. Pensions are periodic cash payments of a predictable amount that last as long as the beneficiary is alive, in the case of direct beneficiaries. The contingencies considered for direct beneficiaries are old age and disability.

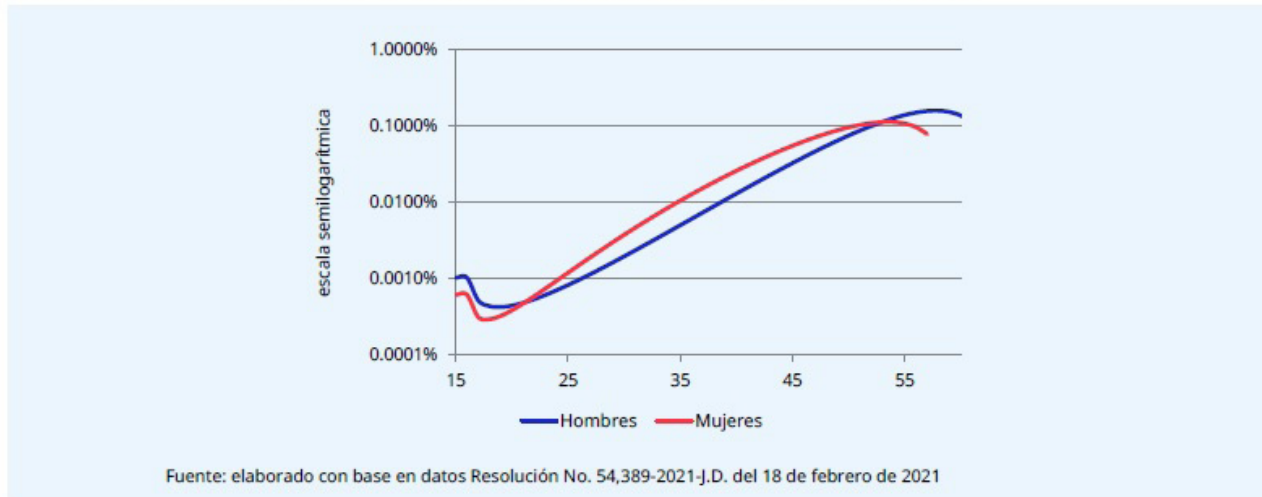
Indirect beneficiaries are of three types: beneficiaries of a single payment for death, widowhood pensioners and orphan pensioners. Because the only contingency that causes indirect beneficiaries is death, sometimes pensions of this type must be suspended for reasons other than the death of

► **Tabla 4.6 Probabilidades de retiro por invalidez de asegurados, por sexo y edades seleccionadas.**

EDAD	HOMBRES	MUJERES
20	0.000004	0.000004
30	0.000019	0.000037
40	0.000129	0.000257
50	0.000739	0.000949
60	0.001355	-

Fuente: elaborado con base en datos de la CSS.

► Gráfica 4.3. Probabilidades de retiro por invalidez de asegurados, por sexo y edad.



the beneficiary, for example, marriage, remarriage, completion of studies, entry into the labor market or reach the age of majority (normally 18 years). For their part, the active members who contribute through their salaries. These wages are the potential source of contributions and the main

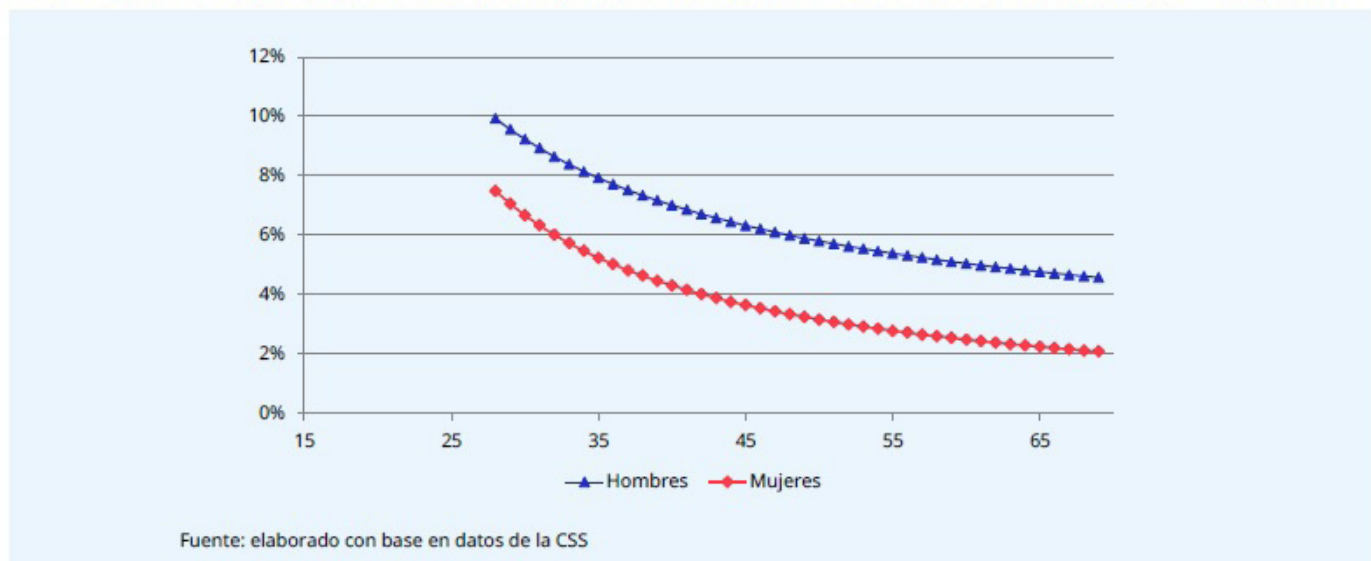
source of income in most pension schemes. Inactive members do not pay contributions. Their salaries, whether unknown to the regime or nonexistent, are not part of the regime's wage bill. The direct beneficiaries show four financial flows, two

► Tabla 4.7 Probabilidades de salida de la población de cotizantes activos por otras causas, por sexo y edades seleccionadas.

EDAD	HOMBRES	MUJERES
30	0.0923	0.0666
40	0.07	0.0429
50	0.0579	0.0314
60	0.0503	0.0246

Fuente: elaborado con base en datos de la CSS

► Gráfica 4.4. Probabilidades de salida de la población de cotizantes activos por otras causas, por sexo y edad.



correspond to single payments without any subsequent commitment, be they for: old age or disability. The other two are life pensions whose payment will continue as long as the beneficiaries live: old age or disability.

For their part, the indirect beneficiaries receive either a single payment for death or lifetime pensions for widowhood and orphanhood, excluding some cases in which the benefit can be stopped due to remarriage

and the payments due to orphanhood are made until a certain age is reached, with some exceptions. Life pensions are a main source of expenditure for most pension schemes. They are also the main source of financial security for their direct beneficiaries.

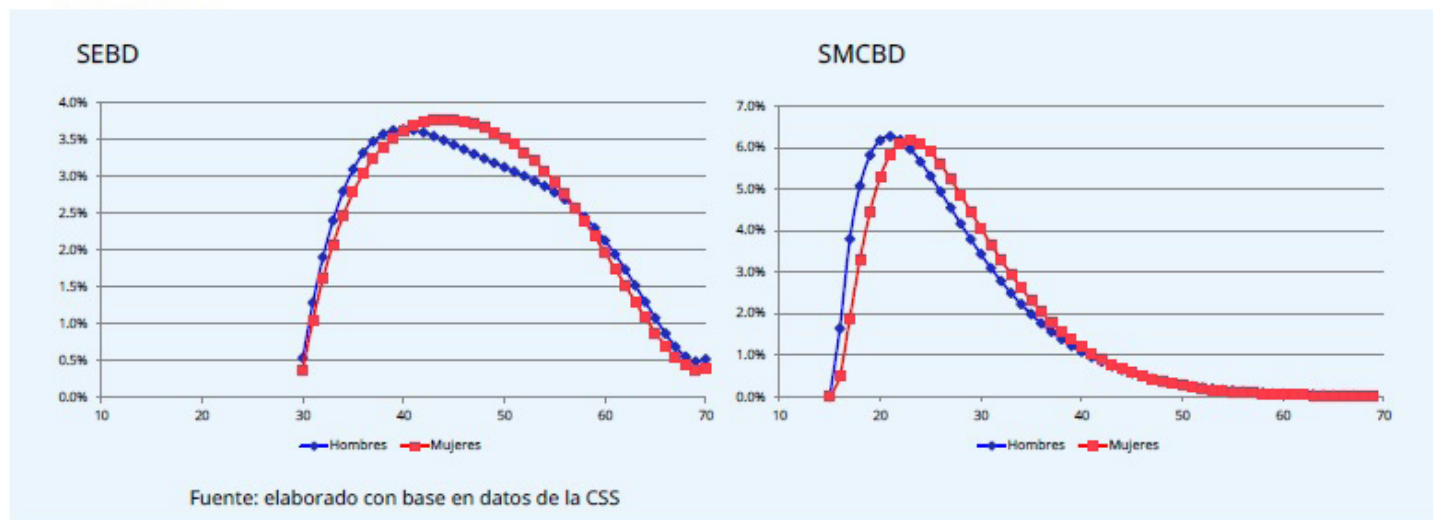
The probabilities of mortality of active and pensioners, as well as the probabilities of disability or retirement due to old age, will determine the

► **Tabla 4.8 Probabilidades de entrada a la población de cotizantes activos, según sexo, edad y subsistema.**

EDAD	SEBD		SMCBD	
	HOMBRES	MUJERES	HOMBRES	MUJERES
20	-	-	0.0617	0.0528
30	0.0053	0.0038	0.0343	0.0406
40	0.0363	0.0362	0.0108	0.0120
50	0.0312	0.0352	0.0029	0.0027
60	0.0212	0.0196	0.0007	0.0005

Fuente: elaborado con base en datos CSS

► **Gráfica 4.5. Probabilidades de entrada a la población de cotizantes activos, por sexo y edad según subsistema.**



Fuente: elaborado con base en datos de la CSS

volumes of the demographic flows that are part of the direct or indirect beneficiaries, influencing the financial volumes of the system. This without forgetting that previously the eligibility conditions to access the indicated benefits must be considered, as well as the structures of each family group.

4.3 Actuarial technical bases

This actuarial study uses the biometric bases approved by the Board of Directors through Resolution No. 54,389-2021-J.D. on February 18,

2021, which are summarized below. Additionally, it uses technical bases based on the information provided and the ILO/PENSIONS methodology. The actuarial technical bases are not applied with differences by subsystems (SEBD and SMCBD).

4.3.1 Probability of death of active, inactive and old-age and survival insured persons

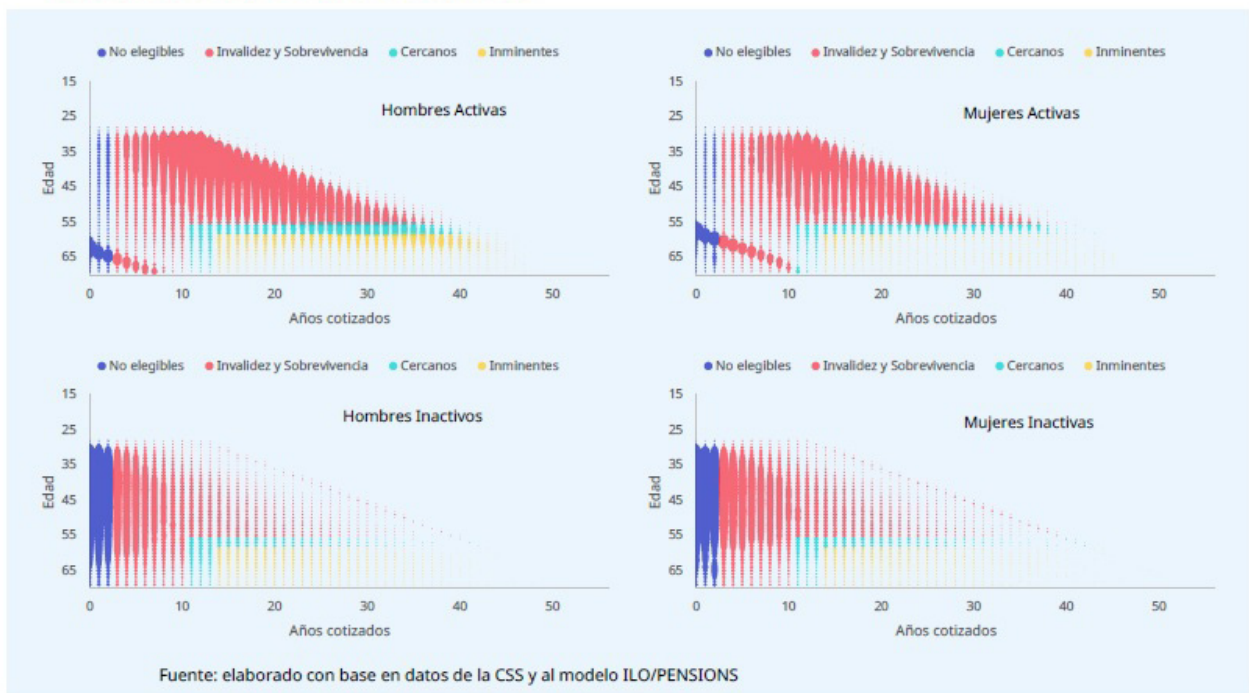
The probabilities of death by simple ages shown are summarized in Table 4.4 and complete in Graph 4.1. They are increasing exponentially with age and higher for men than for women. If life expectancy is compared at 15 years, which is the first age of the Reference Table, it is observed that it takes a value of 65.4 years

for men and 71.2 years for women, when compared to life expectancy at the same age for the total population in 2020 that arise from mortality tables published by the INEC, it is observed that the tables presented here have 3 more years of life for both sexes. In other words, RIVM contributors and beneficiaries have lower mortality than the general population, as expected.

4.3.2 Probability of death of pensioners due to disability

The probabilities of death of pensioners due to disability by simple ages that are summarized in Table 4.5 and completely in Graph 4.2, increase exponentially with age and are greater for men than for women. In this case, life expectancy at 15 years for the disabled population

► Gráfica 4.6. Panamá. Matriz de "riesgos" de acceso a pensión, por edad y años cotizados, según sexo de cotizantes activos y afiliados inactivos. 2019.



Fuente: elaborado con base en datos de la CSS y al modelo ILO/PENSIONS

is 44.7 years for men and 52.4 years for women.

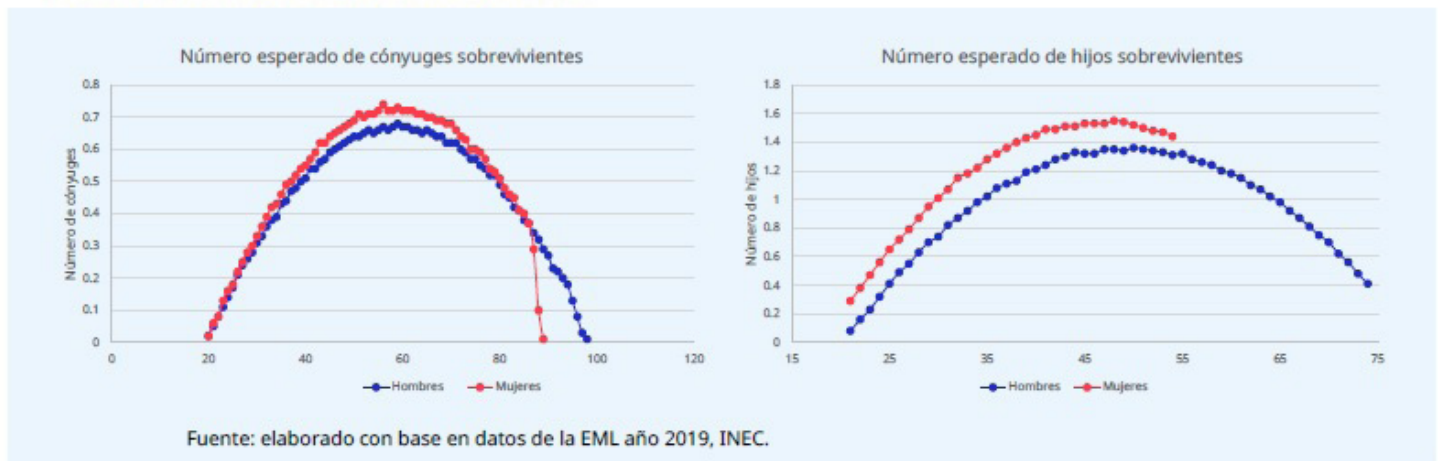
4.3.3 Probability of invalidity of the insured

The probabilities of invalidity were estimated from the history of the CSS since, if the rates approved by the Board of Directors were used, the total number of invalids projected considerably exceeded the expected

total. The rates by simple ages are shown for selected ages in Table 4.6 and for all ages in Graph 4.3, these are increasing exponentially with age and are slightly higher among women than among men between 21 and 53 years. These are similar to those presented and estimated in previous works (Belliard et al, 2012).

4.3.4 Probabilities of leaving the active

► **Gráfica 4.7. Estructura familiar esperada para los sobrevivientes luego de la muerte del causante de pensión. Encuesta del Mercado Laboral, 2019. INEC.**



population for causes other than death, disability or retirement due to disability

The probabilities of leaving the active population by simple ages are shown for selected ages in Table 4.7 and for all ages in Figure 4.4. These are decreasing with age since the rest of the causes have more strength than this one to eliminate from the active population in adult ages. At the same time they are higher for men than for women. These probabilities were built based on the experience and data made available by the CSS.

4.3.5 Probabilities of entering the active population

The probabilities of entering the active population by age and sex are shown for selected ages in Table 4.8 and for all ages in Graph 4.5. These probabilities of entering the active population are in a first stage increasing and then decreasing with age since as age increases and inactivity is entered, it is less likely to re-enter. If you compare between genders, you can see that initially men have a higher probability of entry and later this is lower than that of women. These probabilities of entry from the inactive population to the active population were constructed based on the history of each subsystem.

4.3.6 Old-age pensions

To estimate withdrawals for old age, the history of past quotas contributed is used. Said analysis is also carried out to determine the people who could access survival and disability pensions, as can be seen in (Graph 4.6). This matrix of risks and history of past contributions is built based on the employment history of active contributors and inactive affiliates who made a contribution. When people have contributed at least one quota within the year, they are considered active contributors and these contributions are projected into the future based on the history of the cohort according to age, sex and subsystem (SEBD or SMCBD). Then, through the matrices with past contributions, it is possible to establish compliance with the necessary requirements established in the eligibility conditions to access the old-age retirement or other benefits, but to finish accessing the benefit, in addition to meeting the conditions of eligibility, the contingency of Disability, Old Age or Death must occur. In the case of old age, the person must choose to retire, these retirement probabilities were obtained based on past history, they show growth with age from the legal minimum ages of access to the old age pension.

In the risk matrices presented in Graph 4.6, it can be seen that active contributors compared to inactive affiliates have greater numbers of people with "Imminent" risks of old age, that is, they could access the old-age benefit within a year, since they already meet the eligibility conditions. In the same way that those who are "Close" to meeting the conditions, they have less than 5 years of contributions left to meet the eligibility conditions. Then, there is a large group ("Disability and Survival") within the active contributors and inactive affiliates who could only access disability or survival pensions by reaching the age and the amount of contributions necessary.

4.3.7 Family structure, survival pensions

To establish the family structures (spouses and children) that should be assigned as a surviving family group of active contributors and inactive affiliates, old-age and disability pensioners at the time of death according to age and sex, the microdata from the Market Survey were processed. Labor 2019 carried out by the INEC in the homes of Panama. The behavior by age and sex is shown in Graph 4.7. This family group of the deceased will be the one that subsequently generates the widowhood and orphan pensioners by age and sex of the deceased survivor pension. It is not presented here, but the numbers of spouses and children have an expected age and sex according to the age and sex of the deceased, according to data from the EML, 2019.

4.4 Assumptions and hypotheses

This section describes the assumptions and hypotheses considered in the study to carry out the parameterization of the demographic and financial projections to implement the ILO/PENSIONS actuarial model. The assumptions and hypotheses considered in the study represent a moderate status quo scenario; This implies that reasonable and consistent behavior with recent history has been considered, but without

implying future optimistic or pessimistic behavior of the projected variables. In general, internationally recognized considerations and behaviors are used, adapted to the conditions of the Republic of Panama.

4.4.1 Population

To determine the population by age and sex of the Republic of Panama between 2019 and 2095, the projected population published by ECLAC/CELADE in the Demographic Observatory 19 revised in 2019 (ECLAC, 2020) was used. These are based on and prepared jointly with the INEC. The total estimated population will go from 4.2 million in 2020 to 6.5 million in 2095, with an average annual growth of 0.6% for the period, starting at 1.4% and ending at 0% by 2095.

The projected number of children per woman (Global Fertility Rate) starts at 2.4 children per woman in the year 2020 and will decrease to 1.9 children per woman by the year 2095. While projected life expectancy at birth is increasing, going from 78.7 years for both sexes in 2020 to 87.2 years in 2095, corresponding to 89.7 for women and 84.6 for men.

Regarding the projection of aging and the age structure, the proportion of the population over 65 years of age is expected to go from 8.7% in the year 2020 to 26.5% in the year 2095, with women appearing older, who will spend in same period from 9.3% to 28.3%, while men will go from 8.0% to 24.6%, respectively.

The current composition by sex is very equitable and will go from 100.1 men for every 100 women in 2020 to 97.8 men for every 100 women in 2095.

4.4.2 Assumptions about the labor market

Regarding the employed labor force, it is expected that it will go from 1.9 million people in 2020 to 3

million in 2095, an average annual growth of 0.6%; the male employed labor force will go from 1.2 million in 2020 to 1.8 million in 2095, registering an average annual growth of 0.5%, while the female employed labor force will go from 0.7 million in 2020 to 1.3 million in 2095, a growth annual average of 0.8%.

In this sense, the participation rate in the employed labor force over the total population will go from 44.8% for both sexes in 2020 to 46.9% in 2095 (being 33.9% in women and 55.7% in men in 2020 for move to 39.5% for women and 54.4% for men in the year 2095). These trends hide two internal behaviors that occur in the population: one is the growth of the rates of participation in the labor force by age of women, which tend to approach the rates of male activity although they are halfway between the current and those reached by men; and the aging of the population over time that causes the population to have an increasing weight in higher adult ages, where lower rates of participation in labor force are presented, generating a reduction in total rate observed (composition effect) .

In the projection of the unemployment rate, the pattern of behavior by age and sex observed in the Labor Market Survey (EML) presented in Graph 1.14 is used, leaving this pattern by age constant during the projection, implying that unemployment affects more to young people and women. But given that the population of Panama ages during the period, a total unemployment rate will be generated that decreases slightly year after year, going from 7.1% in 2020 to 6.4% in 2095 for both sexes, in the same period men go from 5.8% to 5.2% and in women from 9.1% to 8.2%. Again, resulting from the composition effect caused by the structure by age over time.

The general coverage rate of the IVM Regime, that is, the active population contributing to the system over the employed workforce, is projected with a first reduction for 2020, reaching 56.1% (52.4% for men

and 62.2% women) and then it will grow slowly in 2095 to 60% for men and women. SEBD coverage will go from 30.4% in both sexes, 30.7% in men and 30.0% in women, in the year 2020 to 0% in the year 2095; and the coverage of the MS will go from 25.6% in both sexes, 21.7% in men and 32.2% in women, in the year 2020 to 60% in the year 2095 for men and women.

4.4.3 Economic hypotheses

The first thing that must be clarified regarding economic hypotheses is that the model to be used in actuarial projection will be in nominal values. That is why here the assumptions and hypotheses of behavior are exposed in nominal and real terms. In this sense, it is important to keep in mind that the variations that occur during the work are in nominal value, in the same way the monetary values that are expressed in current currency.

The real GDP growth between 1946 and 2019 was 5.0%, while if period 2007-2019 is analyzed, the average annual real growth was 6.1%, although it showed a more moderate trend in recent years, stabilizing around 3% per year. (without considering 2020 and 2021, which were extraordinary years, one due to its strong fall and the other due to its high growth), as previously presented in Graph 1.4. So, after the significant contraction in 2020 (-17.9%) and the interesting recovery in 2021 (15.3%), a slight reduction is projected from said value until it stabilizes in the long-term trend in 2026 of 4.5% per year. real. For the year 2022, a real average annual growth of 9% is projected, for 2023 7%, for 2024 5.8%, for 2025 5% and 2026 onwards, a long-term trend of 4.5% real annual is maintained.

In order to project the wage growth of CSS participants in real terms, we seek to comply with the decomposition of GDP growth presented in Box 4.1, under the assumption that wages grow according to the growth of total factor productivity, it is estimated at 1.5%

per year in real terms. In other words, once the real annual GDP growth has been established, it is broken down into: the growth of the capital factor, another part in growth of the labor factor, and another part product of the average annual growth of total factorial productivity. It is assumed that in the long term each factor is contributing about 1.5% to total GDP growth.

Regarding the interest rate or profitability used in the actuarial projection model for reserves and financial placements, a behavior 1pp lower than long-term GDP growth is estimated, that is, 3.5% annually in real terms and 4% nominally. . If the nominal return obtained between 2015 and 2019 for the reserves of the two subsystems is observed, these were 4.2% per year on average, implying a real annual return of 3.8% during the five-year period.

On the other hand, it is considered that the increases in the amounts of pensions will grow according to the

growth of purchasing power, in view of the different ad hoc increases and those implemented in the law, that is, pension beneficiaries are expected to maintain their value. in terms of purchasing power, growing and adjusting the nominal value in the long term according to projected annual inflation.

Finally, inflation in recent years (see Figure 1.5) has been showing a high and fluctuating level, with a downward trend from 2008 to 2021. Between 2015 and 2019, annual inflation stood at 0.44%, while since from 2000 to 2020 this was 2.3% per year. While annual inflation is projected from the last known value of 2021 (1.63% per year) decreasing and smooth until it converges to 0.5% per year in 2026, that is: 1.1% in 2022, 0.84% in 2023, 0.7% in 2024, 0.58% in 2025 and then fixed at 0.5% per year.

Continue in our next edition. *L&E*

► **Recuadro 4.1 Modelo de comportamiento y crecimiento del PIB**

La desagregación de la tasa de crecimiento del PIB sigue el modelo que considera tres factores de crecimiento del producto: trabajo, capital y productividad factorial total, que pueden ser resumidos en una función de producción en términos generales, del tipo, en cada momento t:

$$Y_t = A_t F(L_t, K_t)$$

Donde:

- Y_t = PIB
- A_t = indicador de productividad factorial total
- L_t = nivel de empleo
- K_t = stock de capital

De esta forma, el indicador de productividad factorial total está explícito y refleja cambios en la tecnología, así como mejoras productivas tomadas en conjunto (producto de mejor inversión o mayor capacitación del trabajo).

Trabajando esta función, se descompone el crecimiento del PIB en sus tres elementos y, en función de los supuestos hechos sobre los mismos, se analiza la consistencia del crecimiento estimado para el producto.

$$\frac{\Delta Y}{Y} = \frac{F(L, K)\Delta A + A\Delta F(L, K)}{Y} = \frac{F(L, K)\Delta A}{AF(L, K)} + \frac{A\Delta F(L, K)}{AF(L, K)}$$

$$\frac{\Delta Y}{Y} = \frac{\Delta A}{A} + \frac{\Delta F(L, K)}{F(L, K)}$$

A continuación, se desagrega la tasa de crecimiento de la función $F(L, K)$, en términos del crecimiento del empleo y del stock de capital:

$$\frac{\Delta F(L, K)}{F(L, K)} = \frac{\partial F}{\partial L} \frac{\Delta L}{F(L, K)} + \frac{\partial F}{\partial K} \frac{\Delta K}{F(L, K)}$$

Teniendo en cuenta que la productividad marginal del trabajo es $A \frac{\partial F}{\partial L} = PM_L$ y la productividad marginal del capital es $A \frac{\partial F}{\partial K} = PM_K$, se reescribe la ecuación anterior en términos de la participación del trabajo y del capital en el producto "Y" y de sus tasas de crecimiento.

Multiplicando numerador y denominador de la ecuación anterior por A, se obtiene:

$$\frac{\Delta F(L, K)}{F(L, K)} = \frac{A \frac{\partial F}{\partial L} \Delta L + A \frac{\partial F}{\partial K} \Delta K}{AF(L, K)} = \frac{PM_L L \frac{\Delta L}{L} + PM_K K \frac{\Delta K}{K}}{AF(L, K)} = \frac{PM_L L \Delta L}{Y} + \frac{PM_K K \Delta K}{Y}$$

Así, el coeficiente que acompaña a las tasas de crecimiento del trabajo y del capital son las contribuciones del trabajo y capital al producto total, que llamaremos α y β , respectivamente:

$$\alpha = \frac{PM_L L}{Y}$$

$$\beta = \frac{PM_K K}{Y}$$

Estos coeficientes suman 1. De esta manera, considerando los factores de producción agregados trabajo y capital y la productividad factorial total, que entra en la función de producción en forma multiplicativa (a modo de simplificación, lo que no implica ningún supuesto particular sobre la tecnología de la economía), la tasa de crecimiento del producto (PIB) es el resultado de la suma (ponderada) de las tasas de crecimiento de sus componentes:

$$\frac{\Delta Y}{Y} = \frac{\Delta A}{A} + \alpha \frac{\Delta L}{L} + \beta \frac{\Delta K}{K}$$

Esta ecuación, que muestra la desagregación del crecimiento del producto en sus tres determinantes, tiene la ventaja de no depender de ninguna especificación particular de la función de producción. Solo tiene como puntos importantes las estimaciones que se hagan de α y β .

STRUCTURE OF LABOR INFORMALITY IN PANAMA FINAL PART

Una investigación actualizada por el Observatorio del Mercado Laboral Junio 2022



Structure of labor informality in Panama

In November 2021, the Panamanian Institute for Labor Studies (IPEL) conducted a survey whose general objective was to identify and assess the level of impact and consequences of the Covid-19 pandemic that forced a large number of citizens to become workers from the informal sector. Without a doubt, the survey showed that there are risk factors such as natural disasters and pandemics that lead to an increase in informality; in addition to other factors that we will analyze later.

The survey also revealed that many interviewees said they had transformed their lives because by having to work on the streets, they feel better, they don't have to follow orders, they set their own hours, they get weekly income; Some even earn more than they did in the formal job they had before the Covid-19 pandemic.

The most visible face of labor informality is found in street vendors or peddlers, independent workers, manicurists, vegetable and food vendors, newspaper vendors, car caretakers, gardeners, taxi drivers, plumbers, home distributors, ice cream vendors, chicheros; microentrepreneurs

Source: MITRADEL

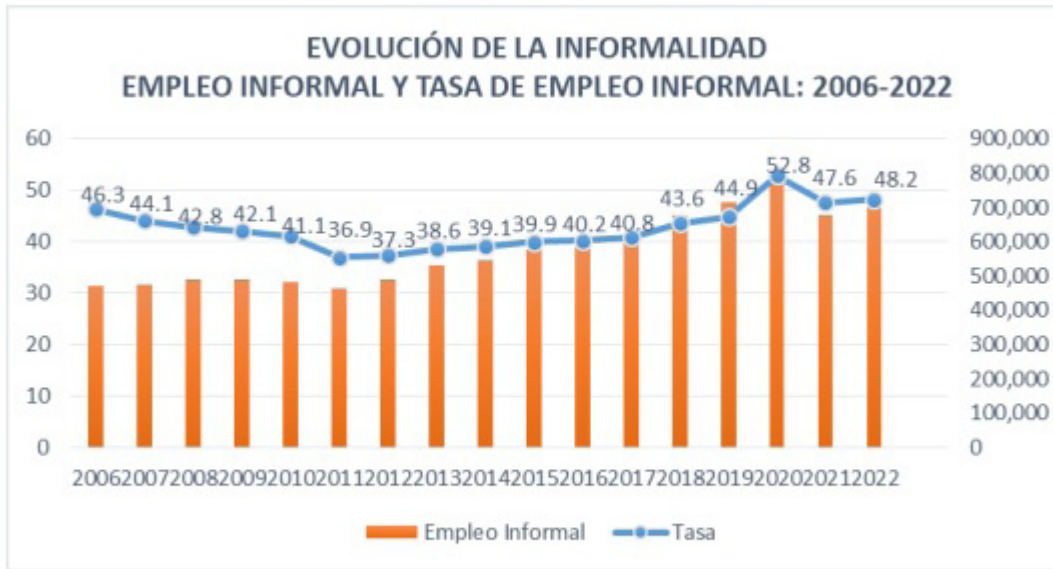
with 5 or fewer employees, domestic servants, auxiliary workers, professionals and technicians.

This labor informality is measured internationally through regular labor surveys, which in the case of Panama is annual, while in other countries such as Chile, it has become quarterly. Its structure, that is, its composition is very similar since ILO criteria and concepts are used, although they are not binding.

The best way to analyze the behavior and evolution of informal employment in Panama is to take a graphic look at the informality index in a historical series of sixteen years. There we observe that the levels of informality have remained high, in a relationship between 4 and 5 informal jobs for every 10 occupied positions. See Graph No. 1 below.

When analyzing in absolute terms, data on total informal employment and by sex, published by INEC in the labor market surveys for the years 2019 to 2022, the following results are recorded: 716,113 informal

GRÁFICA No. 1



Fuente: OML con datos del INEC y la encuesta de propósitos múltiples, abril 2022

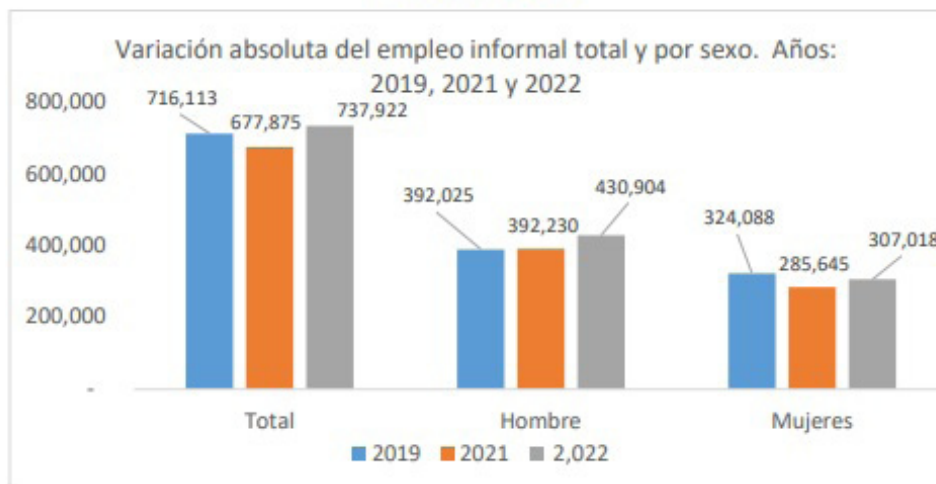
workers in 2019; 677,875 in 2021 and 737,922 in 2022. However, when comparing 2022 with 2021, the result shows an increase of 60,047 new informal workers from one period to another, that is, an interannual variation of 0.7 percentage points and 3.4 percentage points percentages in relation to 2019.

These same data, analyzed by sex, show that in 2019 there were a total of 392,025 male informal workers and in 2022 there are 430,904; that is, 38,879 new

informal men and as for women, in 2019 there was a total of 324,088 and in 2022 there are 307,018, reflecting a decrease of 17,070 fewer women in the informal sector; that is, a decrease of 5.2%. See Graph No.2

When analyzing the percentage variation of total informal employment and by sex for the same years 2019 to 2022, an increase in the total informal employment rate is observed from 44.9% in 2019,

GRÁFICA No. 2

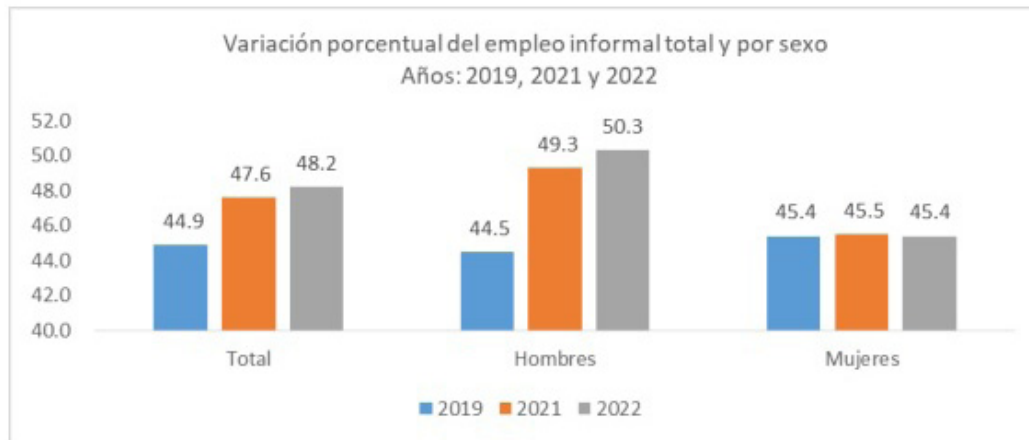


Fuente. OML con datos del INEC, encuesta del mercado laboral 2019 y 2022

47.6% in 2021 and 48.2% in 2022. The accumulated the three years, shows a greater increase in the rate of the male sex that varied from 44.5% in 2019 to 50.3% in 2022; while the female rate remained at 45.4%,⁷ as reflected in the following Graph No. 3.

When breaking down, in absolute terms, informal employment by provinces and regions, it can be seen that the provinces of Panama, West Panama, Chiriquí and Colón are where the largest number of informal workers are concentrated, as can be seen in the

GRÁFICA No. 3



Fuente. OML con datos del INEC, encuesta del mercado laboral de 2019 y 2022

following Graph No. 4.

However, when we analyze the percentage distribution

with respect to the total employed population, by provinces and counties, we find that the Guna Yala, Ngäbe Buglé, Emberá-Wounaan counties and the

GRÁFICA No.4



Fuente. OML con datos del INEC, encuesta del mercado laboral agosto 2019, octubre de 2021 y encuesta de propósitos Múltiples abril 2022

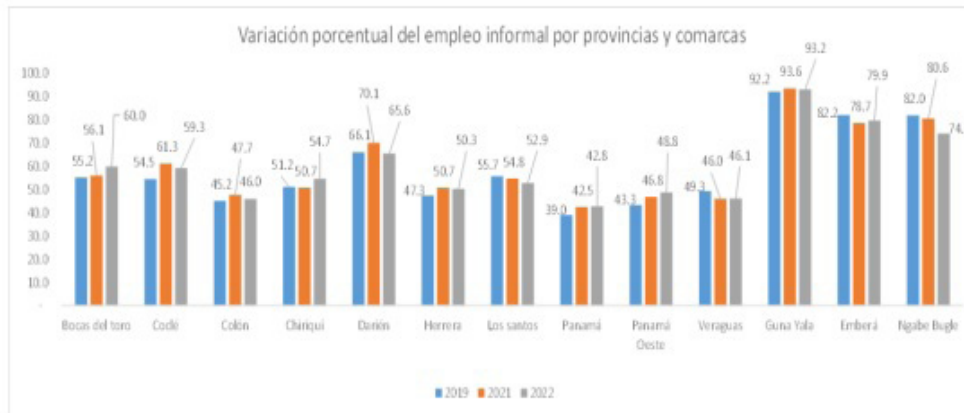
⁷Es necesario aclarar que a pesar que las estadísticas muestran una disminución de empleos informales de las mujeres en términos absolutos, el indicador en términos relativos se mantuvo, debido a que la población ocupada no agrícola, sobre la cual se calcula dicho indicador, también disminuyó.

province of Darién are the areas where the highest rates are found. high levels of informality in the country, as can be seen in Graph No. 5 that we present below.

On the other hand, when breaking down informal

employment in absolute terms by employment status, according to the Multiple Purpose Survey of April 2022, whose total amounts to 737,922 workers, we find that the largest number of informal workers work in informal companies; or 569,522 workers. However,

GRÁFICA No. 5



Fuente. OML con datos del INEC, encuesta del mercado laboral agosto 2019, octubre de 2021 y encuesta de propósitos Múltiples abril 2022.

it is noteworthy that 108,715 workers, equivalent to 14.7% of the total, work in companies in the formal sector, which suggests that illegal and unfair hiring practices are being applied in these companies. The following Graph No. 6 shows the commented data.

When analyzing the characteristics of informal workers, based on the category in the occupation, the

data from the Multiple Purpose Survey of April 2022, indicate that of a total of 737,922, 434,898 workers are located in self-employed activities, equivalent to 58.9%; in the private company, NGOs and cooperatives, there are 108,715, which represents 14.7%; in the group of wage earners in informal companies there are 96,515, that is, 13.1%; while in the other groups of domestic service, employers and family work that

GRÁFICA No. 6



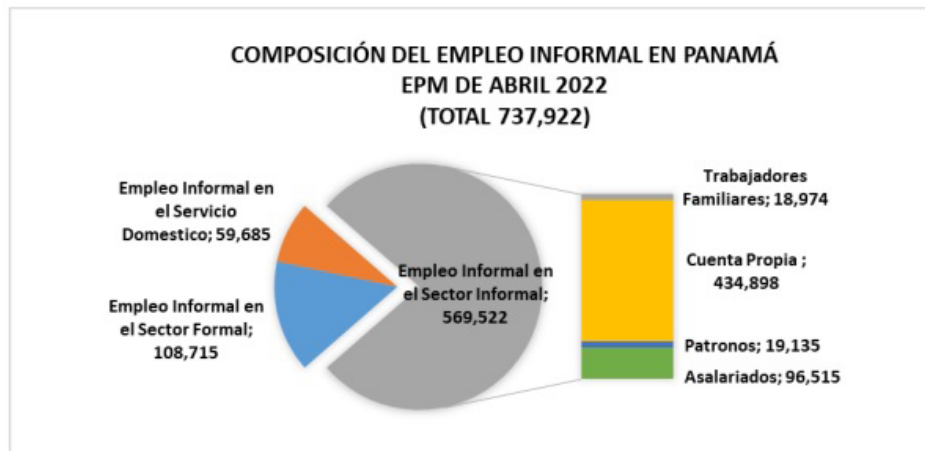
Fuente. OML con datos del INEC, encuesta de propósitos múltiples abril 2022.

add up to 97,794 workers, the remaining 13.3% is found. The aforementioned composition can be seen in Graph No. 7.

When breaking down, in absolute terms, informal employment by sectors of the economy, it is observed that the largest number of informal workers is located

in the tertiary sector. Of the total of 737,922 informal jobs in 2022, we find that 527,742 belong to the tertiary sector; that is, 71.5% of the total and 210,180 belong to the secondary sector. For methodological reasons, the primary sector, where agricultural activity is concentrated, is not included. The aforementioned data can be seen in Graph No.8.

GRÁFICA No. 7



Fuente: Observatorio del Mercado Laboral, Datos del INEC, Encuesta de Propósitos Múltiples, abril 2022.

However, when analyzing the variations of informal employment, in relative terms, with respect to the total of the non-agricultural employed population of each sector, during the last three years (leaving out 2020 for being atypical), it is in the secondary

sector where the greatest variations are reflected. Thus, for example, the variation in 2019 was 56.6% compared to the previous year; in 2021 it was 65.3% and in 2022 it was 65.6%, as shown in the following Graph No. 9.

GRÁFICA No. 8



Fuente. OML con datos del INEC, encuesta del mercado laboral agosto de 2019, octubre 2021 y encuesta de propósitos múltiples Abril 2022.

VI. Relationship between the growth of the economy and labor informality in Panama

A relevant aspect in the analysis of the labor market is the relationship between the behavior of the Gross

Domestic Product (GDP), an indicator that measures the performance of the economy, and employment.

In this case, it is convenient to analyze the relationship between GDP and informal work in

GRÁFICA No. 9



Fuente. OML con datos del INEC, encuesta del mercado laboral 2019, 2021 y encuesta de propósitos múltiples abril 2022.

order to investigate whether the growth of the economy makes it possible to solve the problem of informality and generate decent employment.

When analyzing a statistical series, of seventeen years, between 2005 and 2021, that compares the GDP growth rate and the informal employment rate, we find an inverse relationship between GDP growth and the informal employment rate.

It is observed that between 2005 and 2011 the GDP grew from 6.9% to 11.3% respectively, with an average annual rate of 7.7%, and the informal employment rate fell from 46.6% to 36.9%, respectively, with an average annual rate of 42.8%. However, from 2012 to 2019, the last year before the crisis caused by the Covid-19 pandemic, the economy entered a slowdown phase and GDP fell from 9.8% to 3.0%, respectively, with an average annual rate of 5.6% and the informal employment rate increased from 37.3% to 44.9%, respectively, with an average annual rate of 40.5%.

The above figures show that economic growth is important to reduce labor informality; however, it is

not enough to solve this problem, given that during the phase of greatest expansion of the economy, with average annual growth rates well above the historical average, labor informality remained at excessively high levels, so Comprehensive public policies are required to generate decent employment and combat informality in a sustained manner.

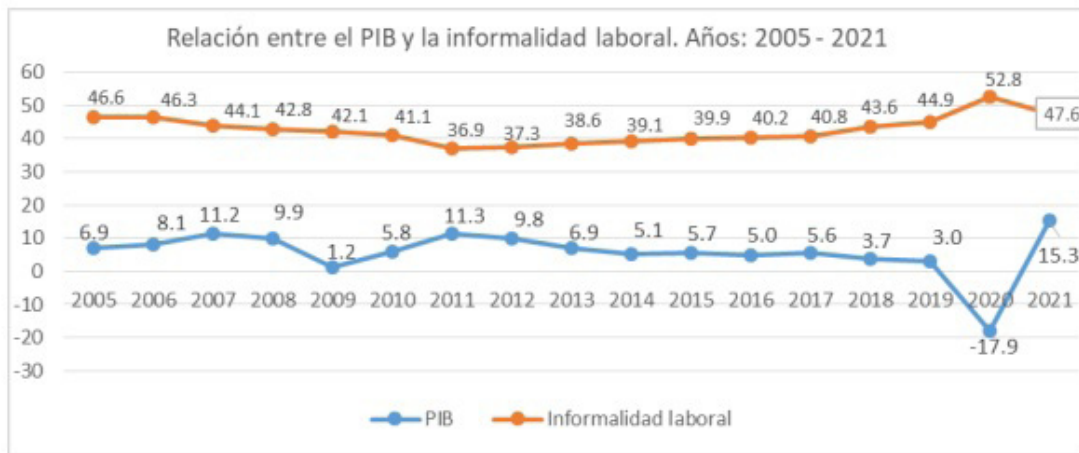
The following Graph No.10 shows the percentage relationship described above.

VII. Causes and consequences of labor informality in Panama

The various studies and analyzes carried out by some labor market researchers and international organizations have shown that after almost fifty years, from the moment in which the ILO promoted an investigation on employment in Kenya (1972) and the concept of Informal Sector, the public policies and strategies adopted by the States to stop the increase in informality, have not reached their objectives; except in Argentina (2004-2007) and Brazil (decade of the 2000s) where, temporarily, they stopped the

⁸ OML (Observatorio del Mercado Laboral). Ministerio de Trabajo y Desarrollo Laboral. VISIÓN LABORAL. Revista No.2 Volumen 1, marzo 2022, pág.24

GRÁFICA No. 10



Fuente. OML con datos del INEC, serie histórica

upward trend.⁹

According to the structuralist approach to which we have already referred, the researchers R. Priebisch and A. Pinto, consider that “the causes of informality were directly linked to the inability of the formal sector of the economy to generate enough jobs to attend to the growing population of developing countries” in such a way that young people and adults who enter the labor market and do not get a job have been “forced to invent their own job in the informal sector”

Faced with this reality, there are other situations, such as the average schooling of the non-agricultural population aged 15 and over in Panama, which is 11.7 years passed. This situation leads us to the analysis of technical training and vocational training in the country, which is divorced from the needs of the productive sector, including informal workers who, on occasion, must face courses that require levels of education higher than the primary education, and in many cases, secondary education.

In more recent years, entrepreneurship has become more important, particularly in the wake of the Covid-19 pandemic.

Five years ago, the National Government, through Executive Decree 177 of 2017, created the National Entrepreneurship Council of the Republic of Panama

and later, the Ministry of Education of Panama, through Law 128 of March 3, 2020, began a process to incorporate the culture of entrepreneurship into educational programs through the subject of business management. The academic world, business associations and the Micro, Small and Medium Enterprises Authority (AMPYME) agree on the convenience of instilling the philosophy and teaching of entrepreneurship, in order to create more MSMEs that contribute to the development of productive businesses, sustainable and job-creating. The ideal scenario is that these micro and small companies reinforce the formal sector and produce decent jobs.

The Panamanian AMPYME, which must play an essential role in the activities of micro, small and medium-sized enterprises, where there is a good part of informal workers, reactivated during the pandemic period, an aggressive program called Seed Capital, consisting of a fund Competitive, non-refundable up to B/. 2,000.00, intended to support new entrepreneurs and microenterprise entrepreneurs, in urban, rural and indigenous areas. These contestants must complete a training course and remain under the supervision of the institution.

The reality is that for self-employed workers and small entrepreneurs, access to capital for productive investments is limited and expensive. Although the solid financial and banking structure that we have

⁹OIT. Estrategias para el crecimiento y generación de empleos de calidad. Ginebra Suiza

in Panama, provides financing to micro and small investors for the acquisition of goods, works and services required for the execution of a project, working capital, technical assistance or debt restructuring. The truth is that we have an intermediation service through a Panama Trust Fund, which provides resources to the financial sector, but we do not have a bank for the promotion and development of MSMEs.

The vertiginous momentum that the intensive use of digital technology has acquired at a global level, as well as the commitment of the National Government to lead the country to a digital transformation in public services, added to the interest of the private sector in supporting the headquarters of a Hub of Government Digital Innovation becomes a great challenge to reduce informality and, at the same time, constitutes an important opportunity for many informal jobs to experience qualitative changes.

In the review and analysis of the causes and consequences of labor informality, the issue of health and social protection cannot be omitted. This aspect is inherent to informality since it is its main characterization.

The economic units and workers that make up the informal sector by definition do not have social security associated with their work. Some avoid paying taxes and social security contributions to reduce costs, cash flow, or simply due to a lack of tax culture.

The consequences of this behavior are diverse: they are not entitled to the services and programs offered by the Social Security Fund in matters of health, maternity, disability, old age, retirement or death. All this translates into a virtual lack of social protection since many will continue to take advantage of the public health services and programs provided by the State. There will always be options or other mechanisms to buy private health insurance or join a private pension and retirement plan, but it is not the rule.

The literature on informal work in Latin America has identified several aspects that set a trend in terms of its growth. Two of them are: the complex

effect that regulations have on informal activities and the impact that macroeconomic policies have had on the informal sector in recent decades.

Referring to the regulations on informal activities, in Panama it is complicated to register voluntarily with the Social Security Fund. In addition to the long process, an informal worker who wishes to join the institution must contribute 9.75% of the salary of the institution as a worker and 12.25% of the salary of the worker as employer; that is, 22% of the salary earned. This contribution must be accompanied by 1.25% of the salary, corresponding to the educational insurance. In this case, it is interesting to note that there is a combination of contributions, in which the Social Security Fund is also the entity that collects education insurance.

We know that there are government projects and proposals to facilitate these processes, but there are many others in which the informal worker is reluctant to participate.

Below we show in a very simplified way a list of causes and consequences of labor informality in Panama, some of which have been analyzed in previous paragraphs. See Table No.1 below.

CUADRO No. 1

Causas y Consecuencia de la Informalidad laboral en Panamá	
Causas	Consecuencias
Altos costo de la formalidad	Postergación y desinterés para cumplir normas legales y asumir gastos
Tramite engorrosos del Estado	Sentimiento de complejidad en los procesos e indiferencia por la formalidad
Elevados Impuestos	Temores y apatía hacia la formalidad
Ineficiencias y corrupción de funcionarios públicos	Temor y desconfianza del trabajador informal
Bajo nivel de educación, poca o nula capacitación técnica	Dificultad para conseguir empleos bien remunerados y estabilidad laboral
Empresas del sector informal con prácticas deliberadas de contratos atípicos	Privación de la seguridad y del acceso al crédito del trabajador
Aparición de nuevas formas de trabajo	Produce ajuste en las dinámicas y necesidades del sistema de producción actual
Tercerización laboral	Generación de unidades económicas pequeñas que prefieren la informalidad
Desregulación de las relaciones laborales	Empleos temporales, subcontratación, reducción de jornadas laborales
Influencia del avance de las tecnología	Disminución del uso de mano de obra directa
Escasez de oportunidades para ganarse la vida en zonas rurales	Migración al trabajo informal en zonas urbanas
Discriminación contra grupos vulnerables (mujeres pobres, discapacitados, grupos étnicos y contagiados de VIH/SIDA)	Personas, familia y comunidades condenadas a la pobreza y a la supervivencia en la informalidad

Fuente: Confeccionado por el OML, junio 2022

VIII.Objectives and proposals to reduce labor informality in Panama

SDG

In the 2030 Agenda of the Sustainable Development Goals (SDGs), the Republic of Panama has committed to 17 of them, with numbers 1, 4 and 8 being the ones that have the greatest direct relationship with the labor market. Therefore, they represent our priorities.

Objective #1:

It refers to the end of poverty and the need to improve social protection.

Objective #4

It refers to quality education through training in technical and professional skills.

Objective #8

It refers to the obligation to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Therefore, this goal reflects the concerns of governments and people around the world.

For the ILO, this objective #8 includes the following priority aspects:

- **Full and productive employment and decent work**
- **Salary inequality due to gender**
- **Unemployment among young people**
- **The elimination of all forms of child labor**
- **The formalization of the informal economy**
- **Entrepreneurship, micro-enterprises and small and medium-sized enterprises**
- **The protection of labor rights and the promotion of a safe work environment**
- **Migrant workers.**

Likewise, the Action Plan of the National Government (2019 – 2024) that refers to the main tasks and priority actions to transform Panama, contains four pillars and a star: 1. Good governance; 2. Rule of law, law and order; 3. Competitive economy that generates jobs; and 4. Combat poverty and inequality. The star that is education, despite the challenges and historical gaps that its development poses, in addition to the great efforts to improve it, requires a comprehensive strategy, a larger budget and well-focused actions among all the participants of the society.

For the purposes of this analysis of Labor Informality in Panama, Pillar #3 of the Action Plan refers to the economic development model, which “has shown

signs of fatigue and, therefore, has to transcend and evolve in accordance with the new times, to generate sustainable, inclusive and lasting prosperity”.

Informal employment, which at the end of 2019 was 44.9%, increased dramatically in 2020 to levels never seen before, rose to 52.8% due to Covid-19 and then decreased to 48.2% in 2022. Even so, as we mentioned in paragraphs previous years, informal employment has become an opportunity “for a large sector of youth who have preferred to undertake.

An OECD study indicates that the country's economic growth has not permeated the majority of the population, creating a dual economy that manifests itself in high informality. The recommendation of said study is that the government encourage employers to formalize their workers. They also suggest reducing labor informality in some formal companies and lowering the costs associated with formalization for small and medium-sized companies, independent workers, in addition to improving and simplifying collection mechanisms.”.

Proposals

Each of the proposals listed here have been suggested and recommended by researchers, analysts and technical, academic and political bodies inside and outside of Panama. They have people in charge who have been working on them and, in other cases, some need more discussion, but with an execution date.

- Implement, as a matter of national urgency, technical training and vocational training programs focused on young people and women in order to bring qualified labor to the labor market..
- Accelerate the project to modify the Dual Training Law with the commitment that companies ensure their hiring.
- Promote economic policies that favor young people and women entrepreneurs.

¹⁰Nito Cortizo Cohen. Plan de Acción 2019 – 2024. Tareas principales y acciones prioritarias para transformar Panamá.

¹¹OCDE. Tercera Fase del Estudio Multidimensional de Panamá, 2019.

- Offer financing facilities to help entrepreneurs and reduce bureaucratic barriers to the creation of MSMEs, a task that AMPYME has already begun under the current administration.
- Formalize the proposal for the social and financial inclusion of self-employed workers (TPCP) advanced by the National Government.
- Encourage employers to formalize their workers.
- Eliminate labor informality in some formal companies.
- Reduce the costs associated with formalization for MSMEs and independent workers, as has been done with the elimination of billing teams.
- Improve collection mechanisms.
- Create trust and credibility among all the actors in the informal sector regarding the benefits of the different health, disability, old age and death programs of the Social Security Fund.
- Maintain a complete system of employment statistics in the informal sector (SIEL project – Labor Market Information System).
- Create enough opportunities for formal, protected and decent employment for all workers and employers, as has been done with the creation of the Solidarity Employment program. *L&E*

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Norms of INTEREST

CRIME POLICY

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Law 328 of October 10, 2022 was recently sanctioned, through which a State policy is established as an instrument for the development and implementation of the necessary policies for the prevention of criminal behavior, without improvisation, based on a scientific tool, away from the sectorized policy and characterized by the strategy, coherence and coordination of the different entities that intervene in the prevention of crime and the rehabilitation and reintegration of people who have committed crimes.

The Criminological Policy will have as guiding principles, prevention, citizen security, respect for human rights, social justice, sustainable human development, citizen participation, education for a culture of peace, peaceful community relations and rehabilitation and social reintegration.

Within the Ministry of Public Security, the Executive

Secretariat for Criminological Policy and the National Council for Criminological Policy are created, made up of an interdisciplinary team from various State institutions.

On the other hand, the Executive Secretariat and the National Council will collaborate with the Prison Policy Council of the Ministry of Government and the interdisciplinary teams in the rehabilitation and reintegration of people who have broken the law.

The norm contemplates that a National Criminological Policy Plan must be elaborated that will have a State vision, which will be regulated for the achievement of the objectives.

Law 328 came into effect in the third quarter of 2022. *L&E*



MANDATORY NEONATAL SCREENING

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Through Law 239 of October 11, 2022, it is established that neonatal screenings are mandatory, which are universal, routine and continuous, as part of the care of newborns in all health institutions, public and private. in Panama and will be free at the facilities of the Ministry of Health.

Similarly, the National Neonatal Screening Program is created, under the administration of the Ministry of Health, with the aim of detecting metabolic or endocrinological, auditory, ocular and cardiac diseases in the newborn to reduce morbidity and childhood disability.

It has been arranged that neonatal screening will be carried out in public and private health institutions, which will be obliged to comply with biosafety procedures, bioethical standards that seek to protect the patient, and internal and external quality control protocols. external, approved by MINSA.

It is worth mentioning that public and private

institutions, as well as non-profit organizations that carry out neonatal screening (metabolic, auditory, cardiac and ocular) must submit quarterly, on a mandatory basis, to the Department of Medical Records and Health Statistics all the statistical information related to the National Neonatal Screening Program.

Law 239, which came into force on October 13, 2022, grants all public and private health institutions a period of two months from the entry into force of the regulation to adapt the provision of neonatal screening services. with the procedures and protocols contemplated in said standard.

In Panama, neonatal screening is not new, given that through Law 4 of January 8, 2007, the National Neonatal Screening Program was created; however, it had another vision, now with Law 331 neonatal screening is made mandatory and new parameters are established to follow. *L&E*



NATIONAL QUALIFICATIONS FRAMEWORK

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In recent days, Executive Decree No. 7 of October 10, 2022 was approved, which adopts the National Qualifications Framework, in order for the country to have a unique tool for classifying learning outcomes by levels and in accordance with approved descriptors, which contributes to consolidating a quality education and training offer that contributes to economic growth.

Executive Decree No. 7 establishes that principles of National Qualifications Framework will be those of relevance, coherence, inclusion, fairness, transparency and reliability.

Regarding the scope of the NCM, it has been arranged that it is national with coverage for all the productive sectors of the country and the regulatory character will be established progressively in order to organize and articulate the professional and educational offer from primary to tertiary, being this way inclusive and equitable, as it facilitates the recognition of learning obtained by the experience.

In this order of idea, the NQF has been organized into eight qualification levels and the results

of the eight levels are organized in a matrix of descriptors, which will be adopted by the NQF Commission and reviewed every five years.

Among the key processes in the implementation of the NQF are Sectorization and prioritization; Formation and follow-up of the sectoral tables; Population of the MNC; Approval of qualifications; Promotion of the use of qualifications; Approval of the offer based on qualifications; Recognition of prior learning and Management of the Qualifications Information System.

Another aspect to mention is that a transitional governance instance has been contemplated, which will be in charge of the implementation and follow-up of the NCM until a definitive instance is established, for which a period of three months is defined from the issuance of the Decree in reference.

The transitional body that will have the stewardship of the NCM in its implementation and monitoring will be the Ministry of Labor and Labor Development, which will have the National Qualification Framework Commission, a Technical Secretariat that will be

exercised by the Labor Market Observatory and a Technical Committee. of implementation. The Decree develops the functions of each of these dependencies.

The NCM Commission will be responsible for defining the three-year implementation plan, which will be established based on the annual operating plans.

Promoting the human development of a country and achieving sustained economic growth, so that the economy can generate the required jobs, constitutes a challenge for any Government.

That is why it is necessary to improve and expand the quality of education, as well as to achieve an integration of education and training with the productive sector, given that current trends in the national and international labor market impose the need for review, update and prioritize public-private strategies that allow improving local productivity and the determination of aspects related to the promotion of employment.

The National Qualifications Framework is an instrument that the educational, productive and social society has demanded for many years, all in order to strengthen education based on the principle of relevance. *L&E*



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MARKETING OF ROASTED COFFEE

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EThe Cabinet Council issued Cabinet Decree No. 28 of October 6, 2022, which extends for six months the temporary control measures for the marketing of roasted coffee. *.L&E*



LEGAL FRAMEWORK FOR REGULATING PUBLIC LIBRARIES IN PANAMA

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With the sanction of Law 331 of October 24, 2022, the legal framework is established to regulate libraries in our country, which aims to develop and expand the General Law of Culture in relation to policies to strengthen libraries, public libraries and the exercise of cultural rights, through the establishment of a regulatory framework that regulates the country's public libraries, the principles that should govern their operation, as well as their services, organization, library staff and their spaces.

Law 331 provides, that the National Library and all public libraries attached to the National Network of Public Libraries in the national territory, as well as public reading centers, shall be governed by it.

School and university libraries and those whose administration does not correspond to the Ministry of Culture, will be excluded from the application of Law 331 in reference.

It is established that governing body of public libraries will be the Ministry of Culture and will be in charge of the design and implementation of the corresponding public policies.

On the other hand, the National Network of Public Libraries is created, with the aim of articulating and coordinating actions to guarantee the harmonious and integrated operation of the country's public libraries, as well as the free, equitable and effective provision of library services in each of them.

In such a way that the Network will be made up of all public libraries attached to the Ministry of Culture and reading centers and may enter into agreements or strategic alliances with specialized libraries or other libraries not attached to the Network, in order to train or advise your library staff.

It will correspond to the National Direction of Cultural Rights and Citizenship, through the National Library, to coordinate the National Network of Public Libraries.

On this basis, it has been established that public libraries will provide basic and complementary services, and will operate during hours appropriate to the needs of users.

Basic services are defined as those inherent and essential for the operation of the public library, which must always be provided free of charge to all users.

Law 331 states that public libraries are considered an integral part of the public space of the communities, which is why they are considered a place of free access for the organization and performance of any cultural activities that the members of the community consider important.

We must comment that it is defined that the bibliographic and documentary heritage of the nation includes the works, as well as any document in any medium, that is considered important for the preservation of historical and cultural memory, as well as for the strengthening of the identity of the cultures that coexist in the Panamanian territory.

With the sanction of this Law, it becomes clear that public libraries are essential spaces for the exchange of ideas, debate, dialogue, the promotion of citizen participation and the strengthening of democratic values.

Citizen participation is highlighted, establishing that the community should be an integral part of the organization of public libraries and their role in social and cultural events.

Finally, we have that Law 331 is considered to be of public order and must be regulated by the Executive Branch. *L&E*





TRANSFER PRICES

COMPETENCE: ADMINISTRATIVE TAX COURT.

DATE: August 04, 2022.

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¿W hat is the transfer price?

It is the price agreed upon by two or more entities of the same business group within a transaction, in order to transfer goods or services between them.

The forensic firm filed an appeal with the Administrative Tax Court against Resolution No. 201-1697 of February 20, 2020, which resolves to SANCTION the taxpayer with a fine of ONE HUNDRED AND EIGHTY ONE THOUSAND ONE HUNDRED AND FORTY BALBOAS WITH 64/100 (B/.181,140.64), for not complying with the presentation of the Transfer Pricing Report-Form 930 for the fiscal period 2017 and in turn orders the presentation of the Transfer Pricing Report Form 930 for the period 2017, in a term of 10 business days, and against its confirmatory act contained in Resolution No. 201-5722 of June 29, 2021, both issued by the General Directorate of Revenue of the Ministry of Economy and Finance.

BACKGROUND

Through Resolution No. 201-1697 of February 20, 2020, the General Directorate of Revenue of the Ministry of Economy and Finance sanctioned the taxpayer with a fine of ONE HUNDRED EIGHTY ONE THOUSAND ONE HUNDRED AND FORTY BALBOAS WITH 64/100 (B/.181,140.64), for failure to submit the Transfer Pricing Report-Form 930 for the 2017 fiscal period.

The legal representatives of the taxpayer presented a formal appeal for reconsideration before the Tax Administration, mentioning some of the most relevant points.

It is a Panamanian company that is incorporated under the laws of the Republic of Panama and maintains operations in the Panama Pacific Special Economic Area.

It is dedicated to various activities for which it has been authorized from the special area. For such purposes, as indicated by the authorized activities, it is usual that, as part of the business and operation, it must purchase goods and services from its subsidiaries or related companies located abroad.

Therefore, since the company is registered and operating under a special regime such as the Panama Pacific Special Economic Area and according to its affidavit of income for the 2017 fiscal period, it does not maintain operations taxed with income tax, since 100% of your reported income qualifies as non-taxable income and, consequently, the transfer price rules contained in article 762-D of the Tax Code are not applicable.

The Tax Authority resolved the appeal for reconsideration filed by the legal representative of the taxpayer and decided to maintain Resolution No. 201-1697 of February 20, 2020 in all its parts.

CONSIDERATIONS OF THE COURT

The Administrative Tax Court states that, when the operations of a taxpayer with related parties abroad, do not comply with the condition that such operations have effects such as income, costs or deductions in the determination of the taxable base for tax purposes on the income, it is understood in accordance with the law, in its literal sense, that said taxpayer is not subject to the transfer pricing regulations in any of its aspects, including the presentation of the transfer pricing report, since it does not fall within the scope of application of this.

The Court considers that tax exemptions do not necessarily release the beneficiary from the formal obligations related to the exempt tax; in the present process, the obligation to present the transfer pricing report is conditioned to the incidence that said operation has on the national income tax.

The Administrative Court concludes that the transfer pricing regime, understood in its generic form as the set of auxiliary measures that help the Tax Administration to apply the income tax and become an additional tax duty of the taxpayer, to the year 2017 was not applicable to operations with related parties that did not have effects such as income, costs or deductions in the determination of the tax base, for purposes of the income tax of the national taxpayer.

RESOLUTIVE PART

THE TAX ADMINISTRATIVE COURT, in plenary session, administering justice on behalf of the Republic and by authority of the Law, provides:

FIRST: REVOKE Resolution No. 201-1697 of February 20, 2020, in all its parts, which resolves to SANCTION the taxpayer with a fine of ONE HUNDRED EIGHTY ONE THOUSAND ONE HUNDRED AND FORTY BALBOAS WITH 64/100 (B/.181,140.64), for failure to submit the Transfer Pricing Report-Form 930 for fiscal period 2017 and orders said taxpayer to submit the Transfer Pricing Report -Form 930 for the period 2017, within 10 business days, and its confirmatory act contained in Resolution No. 201-5722 of June 29, 2021, both issued by the General Directorate of Revenue of the Ministry of Economy and Finance.

VOTE SALVATION

MAGISTRATE ANEL JESÚS MIRANDA BATISTA

The Magistrate disagrees with the decision adopted in the resolution indicated above, where it is ordered to REVOKE, in all its parts, Resolution No. 201-1697 of February 20, 2020, confirmed by Resolution No. 201-5722 of June 29, 2021, both issued by the General Directorate of Revenue of the Ministry of Economy and Finance.

The Magistrate states that it must be determined

that the second paragraph of article 762-D of the Tax Code clearly provides that the scope of application of the transfer pricing regime reaches any operation that a taxpayer carries out with related parties that are tax residents of other jurisdictions, provided that said operation has effects such as income, costs or deductions in the determination of the tax base, for income tax purposes, of the fiscal period in which the operation is declared or carried out.

Considers that this is one of the general provisions applicable to the transfer pricing regime, that is, that those taxpayers who, due to special laws or regimes, are exempt from paying income tax, supplementary tax and dividends, are not excepted, and only the fact that in the income tax return any amount is reported in the income section in the lines identified as; Transactions with Related Parties-Foreign.

After the analysis, the Magistrate does not share the decision made in Resolution No. TAT-RF-086 of August 4, 2022, and I share the position raised in similar cases in previous resolutions of Resolution No. TAT-RF- 086 of August 4, 2022.

The Magistrate cited an extract, specifically in the fact that the taxpayer is required to submit form 930, this being a formal tax obligation, the same as other obligations such as the submission of the affidavit of income, even if it operates in regimes with the simple objective of providing information to the Tax Administration for the due control.

As the reasons exposed, have not been shared by the majority of the magistrates, Judge Anel Jesús Miranda, firmly and respectfully established the saving of vote.

OPINION

Law 69 of December 26, 2018, which establishes the method to calculate the income

subject to an extension or preferential tax treatment for the assignment or exploitation of intangible assets and dictates other provisions.

Article No. 9: the validity of article 762-L of the Tax Code is reestablished, with a new content where the transfer pricing regime is expressly extended to natural or legal persons, operations with related parties that are established in the Colon Free Zone, operate in the Oil Free Zones under Cabinet Decree 36 of 2003, Panama-Pacific Special Economic Area, Headquarters of Multinational Companies, City of Knowledge or in any other free zones or in a special economic area established or created in the future are subject to the transfer pricing regime in accordance with the provisions of this article, the aforementioned persons are obliged to comply with the provisions of this article with respect to the operations carried out as of the 2019 fiscal period.

In this sense, the taxpayer was not required to submit transfer pricing reports for the 2017 fiscal period, as requested by the Tax Administration through resolution No. No. 201-1697 of February 20, 2020. *L&E*

AGREEMENT NO. 002-2017 OF DECEMBER 20, 2017 IS DECLARED ILLEGAL, ISSUED BY THE BOARD OF DIRECTORS OF COIBA NATIONAL PARK, WHICH APPROVES THE INCORPORATION OF FUNDS FROM THE PARK INTO THE WATER, PROTECTED AREAS AND WILDLIFE TRUST SUB-ACCOUNT

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By virtue of the Resolution of July 18, 2022, the Third Chamber of Administrative and Labor Litigation, resolves the lawsuit filed by the legal representation of the PANAMA ENVIRONMENTAL INCIDENCE CENTER (CIAM), and the FOUNDATION FOR THE PROTECTION OF THE SEA (PROMAR), which seeks to declare void, as illegal, Agreement No. 002-2017 of December 20, 2017, issued by the Board of Directors of the Coiba National Park, which approves incorporating the funds of the Park into a Sub Account of the Trust of Water, Protected Areas and Wildlife.

CHALLENGED ADMINISTRATIVE ACT

Agreement No. 002-2017 of December 20, 2017, which approves the incorporation of the Coiba Park Fund into a subaccount of the Trust of water, protected areas and wildlife", and refers to article 4 of Law 8 of March 25, 2015, which establishes as part of the budget of the Ministry of the Environment, that the income created by special laws with a specific destination,

the Law 44 of July 26, 2004 and Executive Decree No. 69 of July 11, 2017, which adopts the Regulation of operations and investments regarding the funds constituted by the Ministry of Environment, for the benefit of the Water Trust, areas protected and wildlife.

BREACHED LEGAL PROVISIONS

It is estimated that the contested administrative act violates the following legal norms: Articles 25 and 26 of Law 44 of July 29, 2004, "That creates the Coiba National Park and dictates other provisions, since upon approval of the transfer of funds to the Water, Protected Areas and Wildlife Trust sub-account is acting in open violation of article 25, since the Coiba National Park Fund is not subject to the principle of a single state fund, unlike all other environmental funds. Regarding the concept of violation of these legal norms, the plaintiff considers that the Board of Directors of the Coiba National Park, when approving the contested resolution, didn't comply with the

law that governs it and rather, they exceeded their functions and did not respect the hierarchical order of the legal norms, it also lacks the competence to assign to other entities fund control functions assigned to them by Law 44 of July 26, 2004.

EXPLANATORY REPORT OF CONDUCT

The Minister of the Environment and the Secretary of the Board of Directors of the Coiba National Park (Mayor of Río de Jesús), render their report stating that: "On December 20, 2017, in an extraordinary meeting of the Board of Directors of the Coiba National Park, approved the mechanisms to operationalize the Coiba Fund and it was proposed by the Presidency of the Board of Directors that this Fund become a sub-account of the Water, Protected Areas and Wildlife Trust, taking into account numeral 7 of article 2 of the Executive Decree 69 of July 11, 2017, which cites that: the fund will be constituted, among others, by "Resources from environmental funds established or to be established and that are compatible with the objectives of this trust." The plaintiff indicates that the Board of Directors was established as a collegiate and inter-institutional entity for the governance of the park and specifies that the Funds of the Park will not be subject to the principles of the Single Fund of the State.

CONCEPT OF THE OFFICE OF THE ADMINISTRATION

The Attorney General's Office concludes that although the Directors of the Coiba National Park Council indicate in their conduct report that the transfer of said Fund to the Sub-Account of the Water Trust, Protected Areas and Wildlife, will be regulated and governed by the Board of Directors of the Fund, after the aforementioned regulations, such statement supposes a legal and structural error, since as has been said this instrument whose trustee (administrator) is the National Bank responds to the Board of Directors of the Trust and to the guidelines issued by the Ministry of

the Environment (trustor) in accordance with Cabinet Resolution 140 of October 14, 2016 and Executive Decree 111 of July 25, 2018. The purposes of the creation of the Coiba National Park Fund are oriented to the improvements and integral projection of the park and contravene the budgets regulated in articles 25 and 26 of Law 44 of 2004. Agreement number 002-2017 of December 20, 2017, also violates articles 35, 36 and 52 of Law 38 of July 31, 2000, since it did not observe the hierarchical order or the principle of strict legality.

DECISION OF THE THIRD CHAMBER

The Third Chamber, before the legal controversy raised, addresses two important issues such as the legal regulations of the Coiba National Park and the Water, Protected Areas and Wildlife Trust: The COIBA NATIONAL PARK was created by Law 44 of June 26 of 2004, as a national heritage, part of the National System of Protected Areas constituted by a marine and insular globe in the Province of Veraguas. For the purposes of this analysis, it is important to highlight the following terms:

As we can see, the purpose of the Coiba National Park concerns the conservation and protection of existing insular, marine and coastal ecosystems in the area, the evolutionary and ecological processes for the benefit of present and future generations; provide opportunities for scientific research with an emphasis on the conservation and management of endemic, threatened or endangered species, conserve and protect historical and archaeological cultural objects, sites and structures for scientific research purposes. Regarding its resources, assets and management, the National Park and its assets will be managed at the operational level by the National Environmental Authority, in accordance with the provisions of the Park Management Plan and the conservation and sustainable use policies established by the Board of Directors. Articles 19 and 20 of Chapter VI of Law 44, regulate the integration and functions of the Board of Directors.

At this point, it is important to point out what was expressed by the Attorney regarding Parque Coiba being excluded from the cash unit principle, which implies that it is not subject to the Single Account of the Treasury, therefore, it should not deposit its income in favor of the National Treasury so that these are included in the general budget of the State, nor should it cancel its economic obligations through the Single Account of the State, but rather the assets and liabilities produced should be managed by the Board of Directors of said park, in an account owned by the Institution, subject to the Supervision of the Comptroller General. The National System of Protected Areas is created through Resolution J.D. -022-92 of September 2, 1992, by the Board of Directors of the National Institute of Renewable Natural Resources.

By virtue of Law 8 of March 25, 2015, it places Coiba National Park in the category of National Parks, II of International Union for Conservation of Nature (IUCN), whose objective is to “Protect natural biodiversity together with underlying ecological structure and environmental processes on which it rests, and promote educational and recreational use”. and UNESCO considers it as part of the World Heritage Site. Its administration is entrusted to a Board of Directors, who has among its attributions, the care of the Park and the control of the funds assigned to it under the supervision of the Comptroller General of the Republic; In addition, it establishes the conservation policies and the sustainable use of the Park, for which it will support the Ministry of the Environment.

Water Trust, Protected Areas and Wildlife

Established by Executive Decree No. 69 of July 11, 2017, it regulates the operations and investments of the funds constituted by the Ministry of the Environment, for the benefit of the Water, Protected Areas and Wildlife Trust, in order to provide the parameters for the initiatives for the benefit of

environmental heritage. These are those that have been constituted through special laws, such as the Fund for Forest Protection and Development, Protected Areas and Wildlife, Environmental Assessment and Control; and Climate Change Adaptation, and the Hydrographic Basin Fund, as well as the funds from Donation Agreement TF-01972.

The resources or sources of financing for the fulfillment of the objectives of these laws, will be managed jointly as a Water Trust, Protected Areas and Wildlife, in order to diversify the risk and terms in the established financial investments, as well as the necessary control and surveillance mechanisms. Subsequently, by virtue of Executive Decree No. 111 of July 25, 2018, the Board of Directors of the Water, Protected Areas and Wildlife Trust was created and its Operational Manual was adopted, with the purpose of becoming a governing body and facilitate decision-making and accepting or not the operational plans, acts and contracts presented by the Settlor (Ministry of Environment) to the Trustee (National Bank of Panama) or the Asset Manager up to any amount. In accordance with the foregoing and after examining the legal norms related to the contentious-administrative claim for annulment filed, this Court concludes that Law 44 of 2004, by which the Coiba National Park is created, serves a different purpose for the which the Water, Protected Areas and Wildlife Trust was created. The Coiba National Park is not part of the funds listed in article 4 of Law 8 of 2015; therefore, it cannot be included as a sub-account of the Water, Protected Areas and Wildlife Trust, since this Park has its own fund in order to fulfill the purposes of the Park, not subject to the principles of a single state fund. because these are “funds that will be allocated to the investment and administration expenses of the Park, especially to the projects and activities for its management, protection and conservation. Therefore, this Judiciary concludes that the Board of Directors of the Coiba National Park is The incorporation of its

sources of financing into a sub-account of this Water, Protected Areas and Wildlife Trust is prohibited, since the funds of this national heritage are subject to the principle of a single state fund whose administration corresponds to the Council. Advisory We consider that there is an alleged violation of articles 25 and 26 of Law 44 of 2004 and articles 35, 36 and 52 of Law 38 of 2000, in consequently, DECLARES THAT IT IS ILLEGAL, Agreement No. 002 of 2017 of December 20, 2017, "By which the Board of Directors of the Coiba National Park approves the incorporation into the Coiba Park Fund of a sub-account of the Water Trust, protected areas and wild life".

In short, the administration of the funds in INRENARE, ANAM and now MI AMBIENTE, was traditionally done through the figure of Fund Management Entities, however, the previous administration concluded that it was beneficial or necessary for the optimal functioning of the different funds that managed the institution the creation of a Trust Unit that would be in charge of the administration, that is, a large common fund made up of funds such as Water, wildlife protected areas, forestry fund, among others. The funds that, for the management of this natural heritage, have the purpose of fulfilling a purpose and that is to administer said park without so much bureaucratic stumbling, however the creation of a sub-account within the fund of waters, protected areas and wildlife, limits this capacity, in addition to the fact that these funds must be duly supervised, since it is not only about the maintenance of the park as such, considered a world heritage site, but it is also our image as a nation, a source of environmental wealth, which generates economic income to the country and a source of pride for a nation that promotes to the rest of the world, the reflection of one of the most admirable natural treasures of the continent. *L&E*



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Politics

LULA DA SILVA – THE INTENDED RESULT

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As I personally expected and had predicted approximately six months ago, the candidate of Workers' Party (PT) for President of Brazil, Luis Inácio Lula Da Silva, won electoral victory over his main rival, President Jair Bolsonaro. , in first electoral round held on October 2, 2022, in which other presidential candidates participated.

This metallurgical worker, trade unionist and progressive politician, previously held the position of President of the Federative Republic of Brazil from January 1, 2003 to December 31, 2010. Thus, he won the presidency in two consecutive terms, in the elections of 2002 and 2006, achieving his second term, which ended on December 31, 2010. This 'eternal' presidential candidate was a candidate in 1989, 1994 and 1998, losing in all of them. Now, in his sixth attempt, he obtained victory in the first electoral round



of October 2, 2022, with 48.43% of the votes against President Jair Bolsonaro, who achieved 43.20%, that is, with a not insignificant difference of 6,187,159 votes.

Many of the polls predicted that candidate Da Silva would win in the first electoral round, an opinion that we don't share considering that the former president's previous victory in 2002, possibly at his best moment, achieved the presidential triumph in the second round with 61.27% of the total votes. His re-election in 2006 was also won in the second round with 60.83% of the votes.

When Lula assumed the presidency in 2003 he became the first left-wing president elected to office after the fall of the military tyranny.

Lula Da Silva was Federal Deputy of Brazil for Sao

Imagen: Luiz Inácio Lula Da Silva / Diario El País - www.elpais.com/

Paulo from 1987 to 1991 and Minister of the Civil House of Brazil for a few days in 2016 with President Dilma Rousseff, her political successor and her own party. This made him a 76-year-old politician, with a lot of experience and merits considering his very humble origins, full of difficulties. He participated very actively in union life, organizing significant strikes that precipitated the fall of the military regime..

The eight years of Lula Da Silva's government were distinguished by efficiency, maintaining low inflation and a high growth rate, incentives for exports, salary increases, debt payments with international organizations, reduction of poverty through various programs social, achieving economic success for his country. When he finished his second presidential term, Lula left presidency with great popularity.

It should also be remembered that in 2016 Lula was linked to a corruption scandal and on July 12, 2018, he was convicted and served a 580-day prison sentence, which prevented him from participating as a presidential candidate in the elections on July 7. October 2018, which Jair Bolsonaro won. Lula had intended to run in 2018, and had a substantial lead in the polls over Bolsonaro, until the Superior Electoral Tribunal rejected his candidacy due to a 2017 corruption conviction. He was released on November 8, 2019. after serving his sentence. On March 8, 2021, the Supreme Court annulled all the sentences passed against Lula, alleging lack of jurisdiction of the judge who sentenced Lula for alleged crimes.

For his part, the current President, Jair Messias Bolsonaro, is a retired military officer and ultra-conservative and extreme right-wing politician, who was a federal deputy for Rio de Janeiro between 1991 and 2018. He was also elected a councilman in 1989. He has belonged to various political parties and finally he joined the Social Liberal Party to participate in the recent elections of 2022. In 2018 he

was elected president in the second electoral round with 55.13% of the votes, against his closest rival, Fernando Haddad, who won the 44.87% of the votes. During his campaign activities, on September 6, 2018, Jair Bolsonaro was stabbed and his attacker was arrested by the Police, the attack being condemned by most of the rest of the presidential candidates.

During his presidency, Bolsonaro was characterized by not exercising a protective policy of indigenous groups and the lands reserved for them, also demonstrating against environmental organizations. He was also criticized for the terrible handling of the coronavirus crisis, with Brazil having the second highest number of deaths worldwide. The COVID-19 pandemic has worsened in Brazil, deliberately exposing their country to the virus by acting slowly and negligently. Bolsonaro minimized the benefit of vaccines, paid more attention to the country's economy than to the public health of Brazilians and is held primarily responsible for the spread of the virus, which has claimed hundreds of thousands of lives in his country.

During his administration, privatization and deregulation were hallmarks of his administration. He fostered a better economic environment in the country, especially in recent months during which Brazil has seen a gradual improvement in its economy. During the pandemic crisis there were suspicions of corruption on the part of the president and an evaluation of his handling of the pandemic began in Parliament, but the investigation has not prospered.

During administration of Donald Trump, President Bolsonaro was considered one of his greatest allies. President Bolsonaro was characterized by impulsive comments against women, the LGBT community and other groups. Trump was apparently fascinated that some considered Bolsonaro to be the Trump of South America and many considered that both were "cut from the same cloth." Both announced possible electoral

fraud respectively in the elections of November 3, 2020 in the United States and the recent elections held in Brazil on October 2, 2022, with premature and unfounded expressions, taking it for granted before they occurred.

Having qualified on October 2, 2022 for both Lula and Bolsonaro to face each other on October 30, 2022 in a second round of elections in accordance with Brazil's electoral system, these elections are considered an important test for one of the largest democracies in the world. Both are in the task of consolidating the votes already obtained in the first round and now they need to attract and add the votes of independents and other political groups, as well as those Brazilians who abstained from voting, who represented almost 20% of registered voters in the first round. Voter turnout was 79.05% in the first round, an extremely high turnout figure, considering that electoral abstention is very high in our Latin American countries.

Brazilians will have an important electoral appointment on October 30 of this year, where they will have the responsibility of electing their next president in the second round of elections after none of the candidates achieved 50% of the popular votes to declare themselves the winner.

Although for most of the polls in the first electoral round there was a closer vote than predicted, the victory of Lula Da Silva over the Brazilian far-right president, in my opinion was never in doubt due to the anti-democratic and other characteristics of the latter. Both Lula and Bolsonaro have the mission, during this month of October, to capture the 38 million Brazilians who voted blank or did not vote and the almost 10 million votes that leaned towards other candidates now eliminated from the electoral contest.

The controversial Jair Messias Bolsonaro, Constitutional President of Brazil, has stated that

"there is a fraud machine" inside the Electoral Court, once again questioned the security of electronic ballot boxes and during months of campaigning has reiterated that the only way to lose is if the election is stolen. For its part, the Brazilian Electoral Court has categorically rejected the complaints as "false and dishonest." As for the pollsters, Bolsonaro's supporters say they are sure that the polls are misleading again to hinder President Bolsonaro's re-election.

The political campaign in general has been characterized by personal attacks between both candidates. Bolsonaro has defined the elections as "a fight between good against evil" and proclaims himself a defender of conservative and Christian values and calling Lula Da Silva a "thief" who can lead Brazil to be a socialist country as well. than Venezuela.

Lula Da Silva, on her side, called President Bolsonaro "genocidal" for his terrible role in facing the COVID-19 pandemic, initially calling it a "little flu" and later exhibiting an unfavorable position towards the vaccine to combat it. Lula points out that "democracy against fascism" is at stake in these elections. Former President Lula Da Silva pledged to restore democracy and peace in Brazil, promising that he will win the elections on October 30 and that he will be sworn in as the new Constitutional President on January 1, 2023.

Although some followers of Bolsonaro do not want to recognize him, my opinion is that he has a certain rejection of the electorate, little chance of winning over the voters of other candidates who represented the third option and achieved a poor number of votes, in an environment of slow recovery of the economy in Brazil. Brazilians are going through serious economic problems, such as unemployment and health-related problems.

Lula is incorporating into his electoral base center-

right elements such as Geraldo Alckmin of the PSDB, his rival in the 2006 elections, whom he widely defeated in the second round. Likewise, he has moderated his speech to attract more centrist voters.

Bolsonaro maintains that his campaign for the second electoral round has strength and a positive strategy for victory and his party took possession of the most representation in both the Brazilian Chamber and Senate. Regardless of the fact that he does not agree with the leftist candidates, I believe that Lula Da Silva will win again in the second electoral round. In my opinion, he is the candidate that best suits the interests of the country and to resolve the serious problems of Brazil, the largest country in Latin America, based on his proven experience in having held the presidency for two consecutive presidential terms, in which, objectively, it exercised in a favorable way for the country. Additionally, it is impossible to rule out Bolsonaro's undemocratic position of not recognizing the majority will of the Brazilian people if he does not favor it. It is also important to remember that in the eight presidential elections of modern democracy in Brazil, the candidate who has led the first round has never lost in the second electoral round, and in our opinion, this time will not be the exception. *L&E*

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MONTHLY INDEX OF ECONOMIC ACTIVITY (IMAE): AUGUST 2022

Source: GCRP

The Monthly Index of Economic Activity (IMAE) in the original series presented, in August 2022, an interannual variation of 12.75% when compared to the same month of the previous year and lower than the 31.45% registered twelve months ago; according to preliminary information compiled by the National Institute of Statistics and Census (INEC).

It should be noted that the figures are subject to revision; if there are changes, they will be disseminated, in a timely manner, on the institution's website, in the next publications of the indicator.

The accumulated average IMAE, from January to August 2022, showed an increase of 10.94% compared to the same period for 2021.

It is important to highlight that the economy maintains its recovery path, after the impact of the health emergency caused by COVID-19 and conflicts in the international arena.

On a year-on-year basis (August 2022-21), the economic activities that registered positive variations were:

Community activities, where the provision of entertainment and recreation services continues to be favored, fundamentally, by the increase in income from gross bets in games of luck and chance, mainly type A slot machines, gaming tables casinos, gross lottery sales and horse-racing activities.

Construction continued to show positive results, due to the gradual reactivation of private projects; and its association with the increase in inputs directly related to the activity, such as gray cement and ready-mix concrete.

The commercial activity favored by re-exports in metric tons from the Colon Free Zone, retail trade, local wholesale and the sale of fuel for national consumption.

The services provided by hotels and restaurants maintained their levels, due to income from the sale and consumption of food and beverages and the greater number of tourists and excursionists entering the country.

Transport, storage and communications services as a whole presented favorable behavior (net tons and income from canal tolls, telecommunications and

air transport), coupled with good performance of commercial movement in Colon Free Zone and the movement of TEU containers of the National Port System. Financial intermediation recorded positive results in financial services and insurance activity.

The fishing activity reported a positive rate, due to a greater capture of shrimp, an export-oriented species.

The Electricity and water category showed an increase, mainly due to the generation of renewable electricity and the billing of drinking water.

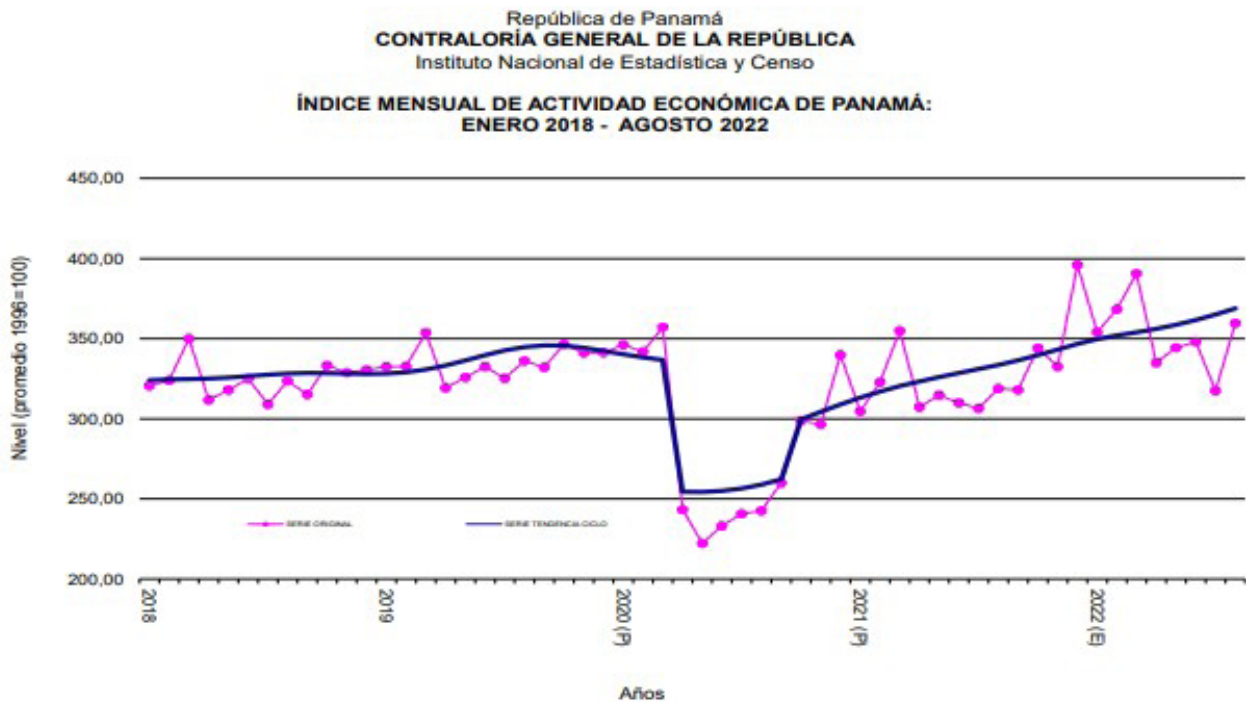
The manufacturing industrial production showed positive levels for some activities of the elaboration of food products such as: The production of beef cattle, pork, tomato derivatives, soft drinks, the production of evaporated, condensed and powdered milk.

Exploitation of mines increased due to the export of copper ore and its concentrates to various international markets.

Other activities that maintained their performance were: domestic services, real estate, business and rental activities, and Health services provided by private sector.

Among the activities that registered negative results were: the generation of thermal electricity, as well as the industrial production of alcoholic beverages. In the agricultural sector, some activities, such as: the production of natural milk, bananas, watermelon and pineapple. The accumulated growth, from January to August, was 10.94%.

The economic categories that presented good results were: Other community, social and personal service activities, Construction, Commerce, Hotels and restaurants, Transport, storage and communications, Financial intermediation, Fishing, Real estate, business and rental activities, Electricity and water, Manufacturing industry, Exploitation of mines and Teaching, among others. *L&E*



CONSUMER PRICE INDEX (CPI): SEPTEMBER 2022

Source: GCRP

Comment of the National Urban CPI for September 2022, in relation to August of the same year:

The September/August National Urban CPI experienced a slight variation. The groups that presented increases were: Miscellaneous goods and services at 0.8%; Alcoholic beverages and tobacco; and Restaurants and hotels, both 0.2%.

The increase observed in the Miscellaneous Goods and Services group highlighted the rise in four of its ten classes, namely: "Insurance related to transportation" 6.0%, due to the rise in the price of auto insurance.

The group Alcoholic beverages and tobacco reflected growth in two of its four classes. The greatest variation was "Wine" at 2.7%.

The increase registered in the Restaurants and hotels group caused by the increase in one of its two classes, "Restaurants, cafes and similar establishments" by 0.2%, due to the rise in the price of alcoholic beverages outside the home, meals and non-alcoholic beverages out of home; and prepared meals to go.

The groups Housing, water, electricity and gas; Transportation; and Communications presented a slight variation, and Education remained unchanged.

The groups that showed decreases were: Health at 1.1%; Food and non-alcoholic beverages; clothing and footwear; Furniture, articles for

the home and for the ordinary maintenance of the home; and Recreation and culture all 0.1%.

The decrease reflected in the Health group was due to the reduction in two of its seven classes. The greatest variation was in "Pharmaceutical products" 3.1%, due to the decrease in the price of medicines.

The decrease presented in the Food and non-alcoholic beverages group was due to the drop in four of its eleven classes, whose greatest variation was the class "Legumes-Vegetables" at 3.1%, due to the decrease in the price of legumes, tubers and vegetables. Beans.

The Clothing and footwear group showed a reduction in two of its four classes, "Shoes and other footwear" by 0.2%, due to the decrease in the price of women's shoes, slippers and sandals; and girl slippers and sandals; "Clothes" 0.1%, due to the decrease in the price of sweaters and pants for boys and girls.

The group Furniture, articles for the home and for the ordinary maintenance of the home presented drops in three of its eleven classes. The greatest variation was "Repair of furniture" at 0.8%, due to the decrease in the price of furniture maintenance services.

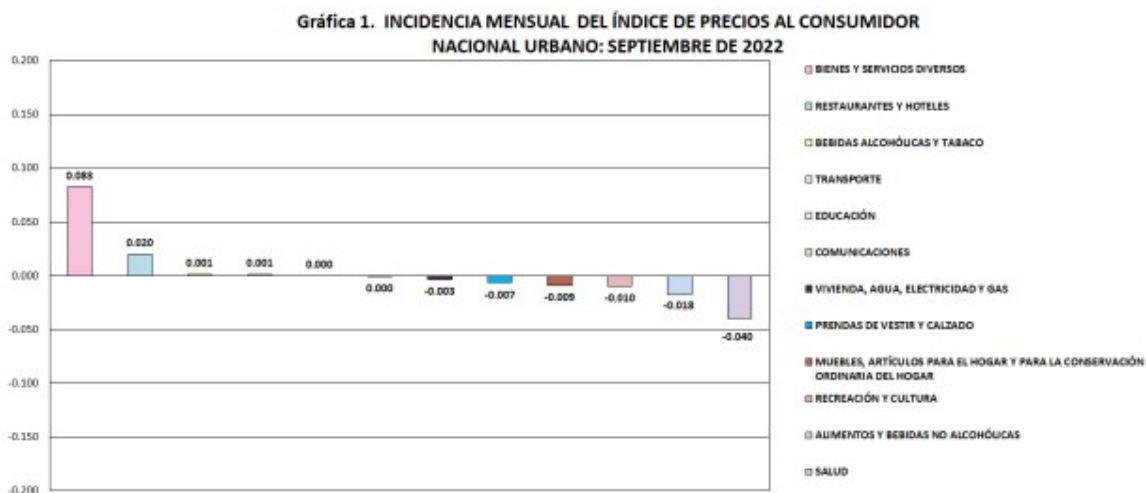
The reduction in the Recreation and culture group was the product of the decrease in four of its sixteen classes, highlighting the class "Processing and information equipment" with greater variation at 1.4%, caused by the decrease in the price of computers and printers.

- Year-on-year variation of the National Urban CPI (September 2022 compared to September 2021):

The National Urban CPI showed an interannual variation of 1.9%. The groups that registered increases were: Restaurants and hotels 5.0%; Food and non-alcoholic beverages 4.4%; Education 2.5%; Miscellaneous goods and services 2.2%; Housing, water, electricity and gas 2.0%; Furniture, articles for the home and for

the ordinary maintenance of the home 1.3%; Alcoholic beverages and tobacco 0.8%; Transportation at 0.6%. The groups that presented decreases were: Health; and Recreation and culture, both at 0.7%; Clothing and footwear 0.2%; and Communications 0.1%.

Below, the graph with the monthly incidence by group of the National Urban CPI for September 2022:



Incidence: Corresponds to the contribution of each group with respect to the total variation of the National Urban Index, therefore, the sum of the incidences results in the variation of the index. *L&T*

CUADRO 1. INCIDENCIA Y VARIACIÓN PORCENTUAL MENSUAL DEL ÍNDICE DE PRECIOS AL CONSUMIDOR NACIONAL URBANO, SEGÚN GRUPO DE ARTÍCULOS Y SERVICIOS: SEPTIEMBRE DE 2022
BASE 2013=100

Grupo de artículos y servicios	Ponderaciones	Incidencia	Variación mensual
TOTAL	100.0	0.0	0.0
Alimentos y bebidas no alcohólicas	22.4	-0.018	-0.1
Bebidas alcohólicas y tabaco	0.7	0.001	0.2
Prendas de vestir y calzado	7.7	-0.007	-0.1
Vivienda, agua, electricidad y gas	8.5	-0.003	0.0
Muebles, artículos para el hogar y para la conservación ordinaria del hogar	7.8	-0.009	-0.1
Salud	3.4	-0.040	-1.1
Transporte	16.8	0.001	0.0
Comunicaciones	4.3	0.000	0.0
Recreación y cultura	9.7	-0.010	-0.1
Educación	2.4	0.000	-
Restaurantes y hoteles	6.7	0.020	0.2
Bienes y servicios diversos	9.8	0.083	0.8

- Cantidad nula o cero.

0.0 Cuando la cantidad es menor a la mitad de la unidad o fracción decimal adoptada para la expresión del dato.

Gráfica 2. EVOLUCIÓN DE LA VARIACIÓN DEL ÍNDICE DE PRECIOS AL CONSUMIDOR NACIONAL URBANO TOTAL, ALIMENTOS Y BEBIDAS NO ALCOHÓLICAS Y TRANSPORTE: ENERO DE 2021-SEPTIEMBRE DE 2022



CUADRO 2. EVOLUCIÓN DE LA VARIACIÓN DEL ÍNDICE DE PRECIOS AL CONSUMIDOR NACIONAL URBANO, SEGÚN GRUPO DE ARTÍCULOS Y SERVICIOS: DE ENERO A SEPTIEMBRE DE 2022

Grupo de artículos y servicios	Variación porcentual mensual									
	2022									
	Enero	Febrero	Marzo	Abril	Mayo	Junio	Julio	Agosto	Septiembre	
TOTAL	0.3	0.7	0.9	0.6	0.8	1.1	-1.2	-1.4	0.0	
Alimentos y bebidas no alcohólicas	0.2	0.1	0.4	0.2	0.7	1.0	1.0	0.4	-0.1	
Bebidas alcohólicas y tabaco	0.3	1.5	-0.2	0.4	0.2	-0.9	1.1	-0.7	0.2	
Prendas de vestir y calzado	0.1	0.0	0.0	0.1	-0.2	-0.1	0.0	0.0	-0.1	
Vivienda, agua, electricidad y gas	-0.4	0.4	0.2	0.2	0.1	0.0	1.4	-0.1	0.0	
Muebles, artículos para el hogar y para la conservación ordinaria del hogar	0.2	0.7	0.0	0.0	-0.2	0.3	-0.1	0.2	-0.1	
Salud	0.1	0.0	0.5	0.1	0.0	0.0	0.0	-0.3	-1.1	
Transporte	1.3	2.7	4.0	2.4	3.1	4.4	-8.2	-8.4	0.0	
Comunicaciones	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	
Recreación y cultura	0.0	0.1	-0.2	-0.2	-0.1	0.1	0.0	0.0	-0.1	
Educación	0.0	2.6	-	-	-	-	-	-	-	
Restaurantes y hoteles	0.6	0.1	0.3	0.9	0.6	0.4	0.2	0.6	0.2	
Bienes y servicios diversos	0.0	0.3	0.4	0.0	0.0	0.2	0.2	0.5	0.0	

- Cantidad nula o cero

0.0 Cuando la cantidad es menor a la mitad de la unidad o fracción decimal adoptada para la expresión del dato.



WORLD BANK SUPPORTS PANAMA IN EXPANDING ITS BIODIVERSITY-FRIENDLY PRACTICES IN RURAL AREAS

Source: World Bank

Yesterday, the World Bank approved a US\$3.51 million grant from the Global Environment Facility (GEF) to support the Panamanian government's program to strengthen its capacity for biodiversity conservation and increase the adoption of inclusive practices and friendly to biodiversity in selected rural areas of the country.

"Some of the main contributors to Panama's GDP, including the Canal and tourism, continue to depend on the sustainable management of our abundant natural resources and globally important biodiversity," said Minister of Economy and Finance Héctor Alexander. "Within this project we have the responsibility to make strategic investments with a long-term perspective and demonstrate our commitment to protect the country's biodiversity."

The Project for Sustainable Rural Development and Biodiversity Conservation is structured around two complementary axes to strengthen biodiversity management:

- Strengthen institutional capacity for biodiversity conservation by improving the management, administration and knowledge of biodiversity in

twelve Protected Areas and five Key Biodiversity Areas. Nearly 20,000 Panamanians residing in rural areas will benefit indirectly from better conservation of biodiversity and management of natural and productive resources. The Ministry of the Environment (Mi AMBIENTE) is the agency responsible for carrying out coordination activities with relevant partner institutions. Within the framework of this component, the Project will also support research, generation of knowledge and dissemination of the intrinsic value of biodiversity in Panama.

- Support economically viable biodiversity-friendly investments and inclusive activities in the buffer zones of National Protected Areas and Key Biodiversity Areas. The Project will help organizations of rural producers and local communities to develop sustainable economic activities through Productive Alliances. The investments will focus on organic agriculture, agroforestry and silvopastoral systems; ecotourism with practices such as improving energy, water, and waste systems at visitor facilities, and strengthening value chains, including certification processes for organic and biodiversity-friendly products. To contribute to a better economic inclusion, a minimum

level of participation by female beneficiaries (40%) and indigenous groups (25%) will be targeted.

"This Project will have a positive environmental impact both in the conservation and management of biodiversity around National Protected and Key Biodiversity Areas of Panama, as well as in promotion of activities for generation of income in rural communities and in favor of vulnerable groups, such as indigenous and Afro-descendant populations that are a fundamental part of our work," said Michel Kerf, World Bank Director for Central America and the Dominican Republic.

The Project will be developed over four years and will have a total cost of US\$10.01 million, including the US\$3.51 million grant from the GEF. An additional US\$6.5 million will come from co-financing, including direct contributions from the counterpart (Mi AMBIENTE), a line of credit made available by other financial institutions for those implementing subprojects, and contributions from the beneficiaries themselves. *L&E*



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NEW SEM LICENSES WILL GENERATE

Source: MICI

The Multinational Companies Headquarters Commission (SEM) approved this Thursday new licenses within the regime to three companies of Panamanian origin, whose joint initial investments exceed B/. 2.8 million.

In the extraordinary session, the Commission considered that the companies, dedicated to financial, pharmaceutical and sporting goods production activities, meet the requirements established in Law No.

41 of 2007, in addition to having a high corporate profile. All these companies plan to develop corporate responsibility programs, which will be activated once they start their operations as SEM.

So far in 2022, the SEM Commission has incorporated 11 companies into the regime, including the recently approved ones, representing investments of more than B/. 12.2 million. *L&E*

MEF PROMOTES FOREIGN TRADE TECHNOLOGY PORTAL TO INCREASE PANAMA'S LOGISTICS HUB

Source: MEF

The Ministry of Economy and Finance (MEF), as rector of tax policy, promotes the use of a computer system that allows the management of the Import Tariff of the Republic of Panama, in an agile, safe and easy way through a platform computer called PORTCEL.

PORTCEL is an advanced technological system, pioneer in the region, to facilitate the integration of documentation, information and traceability of goods and vehicles, managed by a suitable organization, exclusively dedicated to the mission of maximizing the competitiveness of the Logistics Hub of Panama.

This system seeks government interoperability in matters of foreign trade and logistics, allowing transparency and broadening access to the current National Import Tariff issued by the MEF for both public users and private entities, thus strengthening the country's trade policy, establishing a single point of data redistribution, with a view to eliminating the reintroduction of data throughout foreign trade processes in government entities, such as the National Customs Authority (ANA), the Ministry of Agricultural Development (MIDA) and the Panamanian Agency of Food (APA), among others.

The vision of business processes that PORTCEL supports is based on the anticipated reception of the pertinent data; the establishment of a single data redistribution point, with a view to eliminating data re-

entry throughout foreign trade processes; paperless procedures in more than 90%; advance analysis of received data on cargo; advance compliance with the corresponding formalities, based on the analysis of the information; traceability from beginning to end (end-to-end) for merchandise entering the national territory; elimination of on-site cash in 90% or more of situations through the introduction of digital payment options.

The current economic environment (of low growth or even "negative growth") increases the need for improvements in the Logistics Hub of Panama, if it is to preserve its primacy in the region and take advantage of the expanded canal.

One way to achieve the above is through increased efficiency through application of technological solutions with a view to enabling traceability, speed and visibility of merchandise, aspects necessary for Panama to fulfill its vision of "Port with terminals in two oceans or Bi-Ocean port" where transshipment and transit of goods is an agile process, without setbacks and with the highest degree of visibility and traceability.

This vision was captured in the National Logistics Strategy (ELN) and one of its prerequisites was the increase in the competitiveness of the logistics center through the intensive use of new technologies to enable the optimization of current controls and the agile flow of data. *L&E*

WORLD ECONOMY

REGIONAL ECONOMIC UPDATES, OCTOBER 2022

Source: World Bank

The East Asia and Pacific region maintains growth and moderates inflation, but the future poses risks

The growth of most developing countries in East Asia and the Pacific recovered in 2022 from the effects of COVID-19, while China lost momentum as it maintained measures aimed at containing the virus, according to a report. World Bank report.

Going forward, the performance of the region's economy as a whole could be compromised by slowing global demand, mounting debt, and resorting to short-term economic solutions to hedge against rising food and fuel prices.

In developing countries in East Asia and the Pacific excluding China, growth is expected to accelerate from 2.6% in 2021 to 5.3% in 2022. According to projections, China, which had spearheading the region's recovery, will see growth of 2.8% in 2022, which represents a sharp slowdown from the 8.1% seen in 2021. The region as a whole is forecast to slow down from 7, 2% in 2021 to 3.2% in 2022, to then reach 4.6% next year, the report indicates.

African governments urgently need to restore macroeconomic stability and protect the poor in a context of slow growth and high inflation

Global headwinds are slowing Africa's economic growth as countries continue to struggle with rising inflation, hampering progress in reducing poverty. The risk of stagflation comes at a time when high interest rates and debt are forcing African governments to make difficult decisions to try to protect people's jobs and purchasing power, and development gains.

According to the most recent edition of a semi-annual analysis of the short-term macroeconomic outlook for the region, sub-Saharan Africa's economic growth is projected to slow from 4.1% in 2021 to 3.3% in 2022, representing a 0.3 percentage point downward revision from April forecast, mainly as a result of slowing global growth, including reduced demand for African commodities by China.

Russia's invasion of Ukraine impedes post-pandemic economic recovery in emerging Europe and Central Asia

The ongoing war in Ukraine has cast a shadow over prospects for a post-pandemic economic recovery for emerging and developing economies in the Europe and Central Asia region, according to the World Bank's economic update on the region.

Economic activity will remain deeply depressed over the next year, with a minimum growth of 0.3%

expected in 2023, in a context in which energy price shocks continue to affect the region. So far, however, it has weathered the storm of the Russian invasion of Ukraine better than had been forecast. Regional output is now forecast to contract 0.2% this year, reflecting stronger-than-expected growth in some of the region's largest economies and the cautious expansion of crisis-era stimulus programs. pandemic carried out by some governments.

Social and infrastructure investments can drive growth and shared prosperity in Latin America and the Caribbean

The economies of Latin America and the Caribbean have recovered their pre-pandemic levels and the region has regained a certain sense of normality, although the economy must reactivate to avoid a new cycle of low growth. Social and infrastructure investments can become key drivers of growth and shared prosperity, according to the World Bank report "New Approaches to Closing the Fiscal Gap."

Regional GDP is estimated to grow 3.0 percent in 2022, a higher rate than previously forecast due to rising commodity prices.*L&E*



FISCAL POLICY CAN HELP PEOPLE OVERCOME THE COST OF LIVING CRISIS

Source: IMF

Vitor Gaspar,
Raphael Lam,
Paolo Mauro,
Roberto Piazza

Governments face difficult trade-offs in a context of soaring food and energy prices. Economic authorities must protect low-income families from significant losses in real income and guarantee their access to food and energy. But they must also reduce the vulnerabilities stemming from large public debts and, in response to high inflation, they must maintain a restrictive fiscal stance so that fiscal and monetary policy do not work towards conflicting objectives.

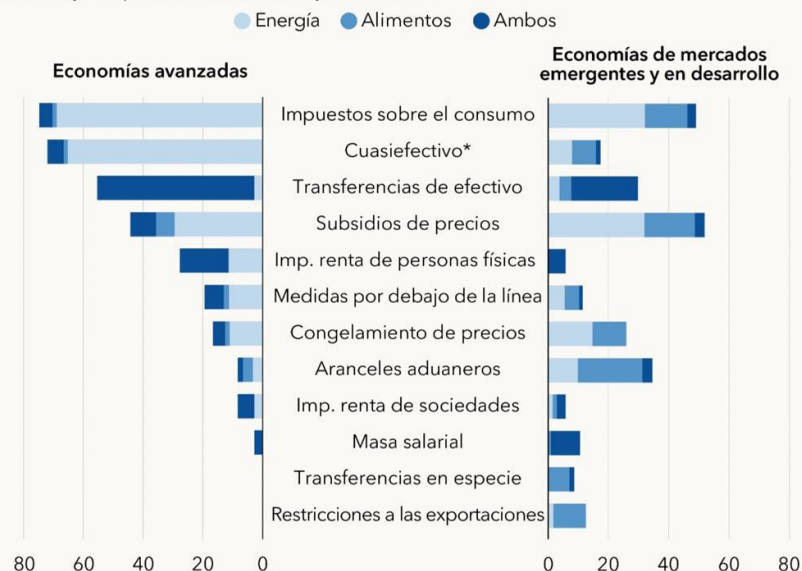
Food prices have risen by half since 2019, and supply disruptions persist in food and energy markets.

Price increases put the living standards of people everywhere at risk, forcing governments to adopt various fiscal measures, including price subsidies, tax cuts and cash transfers. We estimate that, in addition to pre-existing subsidies, the median fiscal cost of these measures is equivalent to 0.6% of national gross domestic product in countries with available estimates.

Most governments are facing new pressures on public finances, which were already strained by the pandemic. Rising inflation, weakening currencies and rising interest rates have led to widening spreads

Respuestas al aumento de los precios de la energía y los alimentos

Los países han tomado múltiples medidas para mitigar el impacto de los precios en la población, siendo algunas más eficaces que otras. (porcentaje de países encuestados a julio de 2022)



Fuente: Estimaciones del personal técnico del FMI.
Nota: Con base en una encuesta del FMI de 174 países sobre las medidas adoptadas entre enero y junio de 2022 en respuesta al aumento de los precios de la energía y de los alimentos. Las barras apiladas muestran el desglose de las medidas totales en cada categoría.
*Cupones o descuentos.

in many countries and higher financial charges in the future. Global public debt is projected to remain at a high level of 91% of GDP in 2022 after reaching an all-time high in 2020 and remaining about 7.5 percentage points above pre-pandemic levels. Low-income countries are particularly vulnerable: nearly 60% of poorest economies are in debt distress or at high risk of becoming so.

In the latest edition of the Fiscal Monitor report, we analyze how the authorities can address these dilemmas and thus help the population to overcome the current crisis and better face the challenges of the future.

Food and energy response

In view of the high levels of indebtedness and the growing costs of financing, the authorities must give priority to targeted support for the most vulnerable through social protection networks. In some countries this could include discounts on utility bills (for basic use) for vulnerable low- and middle-income families. It is essential that energy prices can be adjusted in order to preserve the broader incentives that seek to reduce energy use and increase supply. In view of persistent supply shocks and widespread inflation, governments should not try to limit price increases through controls, subsidies or tax cuts. Such measures would cost budgets heavily and are ineffective in the long run. Global efforts in humanitarian assistance and emergency financing must be redoubled for many low-income countries with limited resources.

In a period of high inflation, policies to combat food and energy shortages should not exacerbate aggregate demand. Demand pressures force central banks to raise interest rates even higher, making it more expensive to service public debt. A tighter fiscal policy stance sends a clear signal that the authorities have closed ranks in their fight against inflation.

Foster economic resilience

Our report emphasizes that, over time, governments must build resilience against a series of adverse shocks. The pandemic and the global financial crisis, as well as natural disasters in certain countries and other

adverse events, have shown that governments must be prepared for eventualities. Building fiscal buffers gradually in normal times would allow governments to respond quickly and flexibly to adversities.

Several fiscal tools that have been useful during the pandemic may become part of a more permanent toolkit, depending on the capacity of countries and the fiscal space available. For example, during the pandemic, job retention mechanisms made it possible to compensate for more than 40% of the loss of individual income in the European Union. Exceptional fiscal support measures for companies can prevent widespread bankruptcies. But this support should be reserved for severe crises, as it exposes governments to significant fiscal risks.

More generally, social safety nets help people out of unemployment, illness or poverty, and make them more resilient to various negative shocks. The scope of these systems can be rapidly expanded and focused with the help of digital technology.

In the last 15 years we have witnessed how the great world crises have given rise to innovative and forceful fiscal responses in a context of greater indebtedness and room for maneuver in restrictive monetary policies. Countries should rethink the role of fiscal policy in a shock-prone era—that is, how fiscal policy can best protect against losses during crises and build resilience—and learn from experiences in other parts of the world. *L&E*



NACIONES UNIDAS

CEPAL

NEW ECONOMIC PROJECTIONS FOR LATIN AMERICA AND THE CARIBBEAN 2022-2023

Source: ECLAC

The Economic Commission for Latin America and the Caribbean (ECLAC) reported today through a press release that growth of 3.2% is expected for 2022, higher than that indicated last August, but for next year the agency expects that the slowdown is accentuated in Latin America and the Caribbean, with growth of 1.4% in 2023, in a situation subject to important restrictions, both external and domestic.

The war between Russia and Ukraine negatively affected global growth -and with it the external demand that the region faced this year- along with accentuating inflationary pressures, volatility and financial costs. The greater aversion to risk, together with the more restrictive monetary policy by the main central banks of the world, harmed capital flows to emerging markets, including Latin America, in addition to propitiating depreciation of local currencies and making it more onerous to obtaining financing for the countries of the region.

According to ECLAC, in 2023 the countries of the region will once again face an unfavorable international context, in which a slowdown in both growth and global trade, higher interest rates and less global liquidity are expected.

Domestically, the countries of the region will again face a complex environment for fiscal and monetary

policy in 2023. In the monetary area, the increase in inflation led central banks, as in most of the world, to increase interest rates in some cases substantially and to reduce the growth of monetary aggregates. Although this process is expected to come to an end in 2023 -to the extent that inflation expectations are anchored in the countries-, the effects of this restrictive policy on private consumption and investment will be present during 2023.

In the fiscal area, public debt levels will remain high in a large number of countries. In a context of high demands for public spending, measures will be required to strengthen fiscal sustainability and expand fiscal space by strengthening public revenues.

All the subregions would show lower growth next year, according to the new ECLAC projections. South America will grow by 1.2% in 2023 (3.4% in 2022), the group made up of Central America and Mexico will grow by 1.7% (compared to 2.5% in 2022) and the Caribbean it will grow by 3.1%, not including Guyana (compared to 4.3% in 2022).

In South America, some countries are particularly affected by the low dynamism of China, which is an important market for their goods exports. Such is the case, for example, of Chile, Brazil, Peru and Uruguay, which allocate more than 30% of their merchandise

exports to China (40% for Chile). South America will also be affected by the drop in the prices of basic products and by the restrictions on the space that public policy has to support activity. High inflation has impacted real income and the effects on private consumption have already been observed in some countries as of the second half of this year, ECLAC warns.

For the economies of Central America and Mexico, the low dynamism of the United States, the main trading partner and main source of remittances for their countries, would affect both the external sector and private consumption. In this case, however, the lower prices of basic goods would act in favor insofar as several of them are net importers of food and energy. Finally, in the Caribbean economies, inflation has impacted not only real income and thus consumption, but also production costs with a negative impact on the competitiveness of exports of both goods and tourism, the Commission notes.

The economies that will expand the most this year 2022, in Central America are: Panama (7.4%), Dominican Republic (5.1%) and Guatemala (3.7%), Costa Rica, Honduras and Nicaragua, (with growth prospects of 3.5%), El Salvador (2.5%), Cuba (2.0%), Mexico (1.9%); however, Haiti will fall -1.5%.

It is expected that by 2023, the growth of the economies will slow down in all the countries of the region Dominican Republic (4.7%), Panama (4.2%), Guatemala and Honduras (3.3%), Costa Rica (2.8%), Nicaragua (2.1%), El Salvador (1.9%), Cuba (1.8%), Mexico (1.1%) and Haiti (0.0%).*L&E*

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THE END OF THE WORLD VAULT

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Built at a depth of 130 meters on the Svalbard islands, the underground warehouse holds more than a million seeds from all over the world.

Agriculture was the seed of what we are today. Thanks to the cultivation of the land, we stopped being nomads to become sedentary, from hunter-gatherers to food producers. A balance that climate change and its secondary effects threaten to destroy. For this reason, in 2008, the World Seed Bank was built on the Svalbard Islands (Norway). Also known as the 'doomsday vault', this apocalyptic building in the middle of the ice functions as a huge repository in which more than a million seed samples from around the world are kept.



In 1984 the Nordic Gene Bank was opened with seeds from Scandinavian plants preserved in a disused mine. Due to the uncertainty about what would happen to the genetic resources, it was not possible for the bank to be international. With the entry into force of the International Treaty on Plant Genetic Resources for Food and Agriculture in 2004 it finally became possible. Norway took the initiative to build the bank at a cost of approximately \$9 million.

Why was it built in Svalbard?

Svalbard is an island north of Norway 1000 kilometers - a thousand km from where? Svalbard was chosen primarily because it is a safe place; in fact, it is considered a demilitarized and environmentally protected zone, with good infrastructure and efficient transport and distribution routines, with one of the northernmost airports in the world. And, furthermore,

How did the project come about?

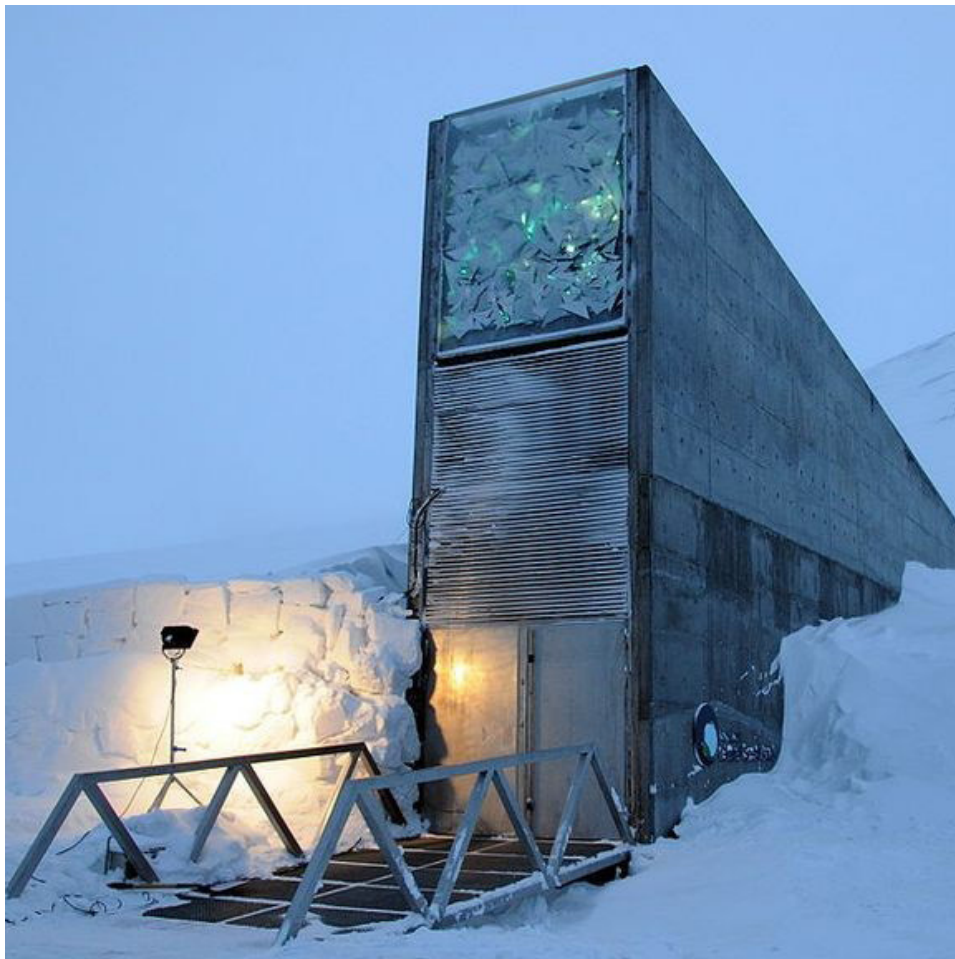
because it has “permafrost”, which is the permanently frozen layer of soil that facilitates the conservation of low temperatures.

Storage capacity and maintenance conditions

The vault is built inside the mountain at a depth of 130 meters and 130 meters above sea level, which guarantees that the ground is dry. The chamber is built to withstand volcanic eruptions, earthquakes of up to 10 degrees on the Richter scale and solar radiation, and in the event of an electrical failure, the permafrost would act as a natural coolant. The installation only

reveals the entrance, a concrete rectangle embedded between the snow and the rock that seems to be a portal to another world. The vault has an artificial temperature of 18 degrees below zero, but in the event of a power cut, the natural temperature is between 3 and 5 degrees below zero, which would allow the seeds to continue to be frozen. The vault has the capacity to house 4.5 million different seeds.

However, in 2017 the Norwegian Minister of Agriculture reported that the thawing of the permafrost is causing damage to the structure and the water can filter through, destroying the seeds. *L&E*





NEUROSIS: PHOBIAS AND OBSESSIONS

Claudia Cubas - Psychologist
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Neuroses are a group of psychopathological conditions made up of a wide range of symptoms and character traits that reveal the presence of unconscious desires and conflicts. Although the symptoms and personality characteristics that make up neurotic disorders seem enigmatic, their deep and detailed study reveals intimate aspects of human beings.

In everyday life, the term neurotic is used to refer to people who show constant problems in interpersonal relationships and have difficulty tolerating common problems. We call neurotics those who have disproportionate emotional reactions, are irritable, have constant worries about their health, and have difficulty thriving.

Obsessions and phobias are separate neuroses, with a special mechanism and etiology that in a certain number of cases I have been able to discover; mechanism and etiology that they hope to rediscover in a large number of new cases.

For better delimitation of the subject, we set aside a certain class of intense obsessions, which are nothing more than memories, unaltered images of important events. These obsessions and these phobias, which we could describe as traumatic, are linked to the symptoms of hysteria.

Once this group has been separated, it is necessary to distinguish two others: a) One's own obsessions; and b) phobias. Their essential difference is the following: in every obsession there are two elements: 1st. An idea that is imposed on the patient. 2nd. An associated emotional state. Now, in phobias, this emotional state is always anguish, while in one's own obsessions it can also be any other, such as doubt, remorse or anger. First of all, I will try to explain the truly unique psychological mechanism of one's own obsessions, very different from that of phobias.

Freud defined three types of neurosis: hysterical, phobic or anxiety, and obsessive, each with a psychic

functioning, character traits and specific symptoms.

The hysterical character in women is usually manifested through the desire to generate visual and emotional impact. Hysterical women may dress up conspicuously, have dramatic or theatrical reactions, and seem unable to control their desires and feelings. In men, the hysterical character is manifested by attitudes of superficiality, difficulties in achieving aspirations, infidelity, secret relationships.

The phobic character is expressed in generalized attitudes of fear and insecurity that translate into inhibitions and difficulties in achieving goals. People with these kinds of personality traits have a hard time taking risks or taking trips. They are usually accompanied by relatives and may show difficulties in breaking routines. People with a phobic character restrict their activities to avoid everyday difficulties. In other words, they displace the fears generated by their own unconscious impulses into the eventualities of daily life. A woman preferred to organize all family meals in her house to avoid going out to restaurants, because she risked being mugged or intoxicated.

In anxiety neuroses, it is common to find phobias (disproportionate and illogical fears in specific situations) and avoidance behaviors that aim not to expose themselves to the object that symbolizes their unconscious fears. People who are afraid of flying or riding in an elevator may turn down job opportunities so they don't have to deal with situations that upset them.

That is to say, essential difference between obsessions and phobias is that in the obsession there are always two things: an idea that is imposed on the patient and an associated emotional state. In phobias, that associated emotional state is always anguish, while in obsessions it can be anxiety, doubt, remorse, anger. The emotional state is the main thing, since it remains unchanged while the associated idea varies. *L&E*

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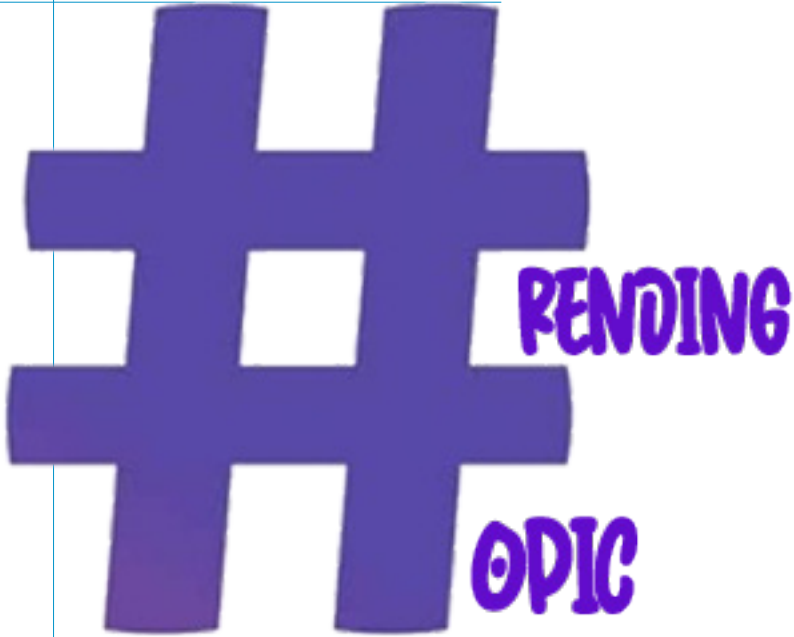
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THE FIFA SOCCER WORLD CUP QATAR 2022

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Every four years the world of sports wakes up and flaunts the classified soccer teams, a great celebration worldwide, you feel emotion, joy and camaraderie, however, this year the World Cup has been clouded with many events both external as well as internal.

From the policies of tolerance imposed in the countries where the World Cup will be held, several controversial issues regarding the construction of the stadiums, the choice by FIFA of the Headquarters, including the album of figurines was not to such a liking, these are some of the internal issues.

As for the external issues that we can mention, the repeated issue of COVID-19 that delayed the start of it, the growing tension between some European and Asian countries that is being experienced, the migratory situations that several countries around the world are suffering (it does not exempt Panama or Latin America), they have relegated this new edition of the World Cup to a third level.

Perhaps the decrease in excitement is due a lot to the dates scheduled to start the games; the dates always oscillated between January and November, and this was due to the high temperatures that, due to the hot arid climate, could affect the players and the assistants, this regardless of the fact that the stadiums had all been conditioned for the weather, that is why Finally, the dates are chosen between November 20 and December 18, an unusual season for most of the participating countries (since it usually occurs between June-July).



The corruption scandal hasn't been much help either, the so-called FIFA Gate; investigation that totally discredits seriousness of the Federation, among the charges the charges that were

accused included bribery, fraud and money laundering.

Regarding the human rights situation, FIFA has ruled on the matter on the death toll provided by an English media outlet, which claimed that 6,500 people died in the construction of the stadiums and that the exposed conditions were not optimal. , same information was denied and FIFA has notified that there are three deceased workers; the Organizing Committee has pointed out that these deaths "were registered as deaths not related to work."

On the other hand, there are the numerous international organizations that have recalled the country's record of repression towards the LGTBI collective; There are already several sanctions and warnings from the World Cup headquarters about the behavior that should be had while in the country.

Eventheconcernliesonthe part of Amnesty International who affirm that women continue to be the object of "discrimination in law and in practice" in the country".

Certainly this new edition of the World Cup is one of the most controversial; what the union and a worldwide party meant for a month or a couple of weeks is not what was expected like other times. The irony of all this is that this particular venue was partly taken into consideration for the inclusion of more countries worldwide in the field of sport. Let's hope that in the coming weeks the world will catch a bit of this little joy, but without being blind to the world reality. *L&E*



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Agenda Cultural

Por: Mariela de Sanjur
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Patriotic Parades:

November 3 and 4.

- **Route 1:** will start at Calle 50 from the Intelligent building and will end at the old Bladex bank.
- **Route 2:** will start at Plaza 5 de Mayo, pass by Astoria restaurant, then turn in front of Mercado San Felipe Neri, to take Balboa avenue and it is estimated to end at Calle 30.

THEATER

- Pacific Theater: tickets in panatickets.com and <https://teatropacific.net>
 - o The ghost of the clock until November 13.
- La Plaza Theater: tickets 6258-3964 and panatickets.com
 - o Couple in Rule from November 8 to 27.
 - o Hanzel and Gretel on November 13 and 13.
- Aba Theater: tickets 6615-2444.
 - o Family like mine or on GOOGLE from October 13 to November 27.
 - o Moana from November 5 to 20.
- Anita Villalaz Theater: boletos tutiquete.com
 - o Panama Fado Festival 2022 on November 16, Concert: Buba Espinho.
- Atlapa:
 - o Beyond Van Gogh in Las Islas until November 19.
- Anayansi Theater - Atlapa:
 - o Ballet Academy Gala 2022 / By Maruja Herrera on Sunday, November 13. Tickets panatickets.com
 - o Eros Ramazzotti 2022 / Battito Infinito Tour on November 27.
- National Theater: tickets in panatickets.com
 - o Fiddler On The Roof 2022 , A Fiddler On The Roof from November 7 to 20.
 - o Arian In Concert on November 23rd.
 - o Panama Folkloric Show of a Thousand Colors on November 26 and 27.

MUSEUMS

- Canal Museum:
 - o The Exhibition Planet or Plastic? from National Geographic Society until December 30, 2022.
- MAC: whastapp 6598-0014
 - o Magical Graphic Tropic inauguration on August 18 until January 2023.
 - o Julio Zachrisson an artist between two shores until January 2023.

SEMINARS, CONGRESSES, TALKS, COURSES AND EXPO

- The parking lot of the country / sunrise on November 3, show 12:01 a.m. at the Vasco Núñez de Balboa Convention Center. Tickets at panatickets.com
- Bread and the pirates / The musical / November 12 at the Vasco Nuñez de Balboa Hall of the Hotel El Panamá, tickets at panatickets.com
- Alberto Linero / Amar Es Ganarlo Todo on November 15 at Atlapa, Teatro La Huaca tickets at panatickets.com
- Daddy Yankee La Última Vuelta World Tour on Saturday, November 19 at the Rommel Fernández Stadium
- Bad Bunny World's Hottest Tour, Tuesday, November 22 at the Rommel Fernández.
- Morat World Tour on November 24 at Plaza Amador, tickets at panatickets.com

VARIOUS FESTIVITIES

- Nov 1 Feast of all saints.
- Nov 1: Panama National Anthem Day (Law No. 71 of November 11, 1955).
- Nov 1: Foundation of Villa de Los Santos, Province of Los Santos.
- Nov 2: Day of the Dead.
- Nov 3: Separation of Panama from Colombia.
- Nov 4: Flag Day.
- November 5: Cry of independence, Province of Colón.
- Nov 7: Day of the "Canillita".
- Nov 8: Cry of Insurrection of 1821. Cry of Soná, Province of Veraguas.
- November 10: Cry of Independence of La Villa de Los Santos.
- Nov 13: Journalist's Day.
- Nov 14: World Diabetes Day.
- Nov 18: International Children's Day.
- Nov 19: International Men's Day.
- Nov 19: World Day for the Prevention of Child Abuse.
- Nov 20: Solemnity of Christ the King.
- November 22: Santa Cecilia.
- Nov 22: International Musician's Day.
- November 24: Thanksgiving.
- Nov 25: International day against non-violence against women.
- Nov 27: Virgin of the Miraculous Medal.
- Nov 28: Foundation of the Panama Fire Department (1887).
- Nov 28: Independence of Panama from Spain. *L&T*



Alianzas alrededor del Mundo

Mitrani, Caballero, Rosso Alba, Francia, Ojam & Ruiz Moreno- ARGENTINA

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Ortiz, Sosa, Ysusi y Cía., S.C.- MÉXICO

Estudio Rubio Leguía Normand & Asociados- PERU

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Pellerano & Herrera- REPÚBLICA DOMINICANA

Alvarado & Asociados- NICARAGUA

Torres, Plaz & Araujo- VENEZUELA

Facio & Cañas- COSTA RICA

