

LAW 32

June 26th, 2009

**That modifies articles of Law 34 of 2008,
on Social Fiscal Responsibility, and sets out other provisions**

THE NATIONAL ASSEMBLY

DECREES:

Article 1 Article 11 of Law 34 of 2008 will read as follows:

Article 11. Temporary suspension of financial limits. The application of a maximum deficit limit of the Non-Financial Public Sector with respect to the nominal Gross Domestic Product measured at the end of the fiscal year, as well as other financial limits and prohibitions referred to in this chapter, may be temporarily suspended through a waiver approved by the National Assembly, in the event any of the following situations occur:

1. In case of a national emergency declared by the Cabinet Council.
2. When Panama's economy has a real GDP growth rate of 1% or less during two consecutive quarters, based on the figures published by the National Institute of Statistics and Census of the Office of the Comptroller General of the Republic.
3. When the world economy is growing during two consecutive quarters at a real rate of 1% or less or the real average growth during two quarters of said economy is 1% or less based on indicators and parameters established by the regulation of this law; when the average growth of the Panamanian economy is 5% or less, during six consecutive months, measured by the variation of one month with respect to the same month of the previous year of the original series, of the Monthly Index of Economic Activity. This Index is drafted each month by the National Institute of Statistics and Census of the Office of the Comptroller General of the Republic.

The Cabinet Council, through the Minister of Economy and Finance, shall request the waiver mentioned in this article through a substantiated report that has the favorable opinion of the Office of the Comptroller General of the Republic. The waiver shall be agreed by the Plenary of the National Assembly, by means of a resolution approved by an absolute majority, proposed by the Public Finance, Planning and Economic Policy Commission.

Within the following three calendar months of lifting the Non-Financial Public Sector's maximum deficit limit, the Executive Body shall submit to the National Assembly a revised

financial program that reflects and substantiates the adjustment schedule that allows for the return to the financial limit as established in this Law, within the time frame proposed in said schedule.

In addition, at the end of the adjustment schedule, it will present a schedule for reaching the target of reducing the net debt with respect to the nominal Gross Domestic Product when the target established in the Law cannot be achieved, in which case the term to comply will be extended by the same number of years the adjustment program lasts.

When the application of the maximum deficit limit referred to in this article is dispensed based on the situations provided for in paragraphs 1 and 2, the return to the financial limit shall be made according to the following adjustment schedule:

Years of the schedule	First year (Year in which waiver is requested)	Second year	Third year	Fourth year
Maximum deficit limit	3%	2%	1.5%	1%

If the maximum deficit limit is not reached in the year in which the waiver is requested, the difference may be added to the deficit limit foreseen in the schedule for the second year, without exceeding the 3% annual deficit, as the maximum limit.

When the application of the maximum deficit limit referred to in this article is dispensed based on the situation provided for in Section 3, the return to the financial limit shall be made according to the following adjustment schedule:

Years of the schedule	First year (Year in which waiver is requested)	Second year	Third year	Fourth year
Maximum deficit limit	2.5%	2%	1.5%	1%

If, in the year in which the waiver is requested, the maximum deficit limit is not reached, the difference may be added to the deficit limit foreseen in the second year's schedule, without exceeding the maximum annual deficit of 2.5%.

If during the execution of an adjustment schedule, the conditions that initially substantiated it occur once again, or if other conditions provided for in this article are presented, the Executive Branch shall have the option of requesting a new suspension of the maximum

fiscal deficit limit. The original adjustment schedule will be interrupted and a new schedule will begin with the maximum deficit limits corresponding to the situation invoked. The limits to the different adjustment programs may not be accrued under any circumstance.

Article 2. Article 30 of Law 34 of 2008 reads as follows:

Article 30. Regulation. This Law shall be regulated by the Executive Body.

Article 3 (transitional). Taking into account that at the time of the entry into force of this Law, the situations provided for in Section 3 of Article 11 of Law 34 of 2008 have occurred, as amended by this Law, the maximum deficit limit established for the Non-Financial Public Sector referred to in Article 10 of Law 34 of 2008, for fiscal years 2009-2012, will be:

Years	2009	2010	2011	2012
Maximum deficit limit	2.5%	2%	1.5%	1%

If the maximum deficit limit is not reached in 2009, the difference can be added to the deficit limit foreseen in the 2010 schedule, without exceeding a 2.5% annual deficit as the maximum limit.

The Executive Branch will present a schedule to the National Assembly for meeting the net debt reduction targets with respect to the Nominal Gross Domestic Product, provided for in Article 12 of Law 34 of 2008, extending the deadline to reach the target until December 31st, 2017.

Article 4. Article 217-D of Law 49 of 1984, amended by Law 28 of 2009, is amended as follows:

Article 217-D. The following rules will be observed for examining the General Treasury Account:

1. On the agreed date, the Minister of Economy and Finance will personally present the General Treasury Account.
2. After the Minister's intervention, the President of the Assembly shall order the General Secretary to submit the documents presented to the Public Finance, Planning and Economic Policy Committee, as well as to each of the Deputies.
3. In a term that shall not exceed ten working days, the Commission shall render a report with its recommendations and the proposed resolution.
4. The Comptroller General of the Republic shall assist the National Assembly in the examination of the General Treasury Account.

5. The Minister of Economy and Finance will attend the meetings of the Public Finance, Planning and Economic Policy Committee and the respective plenary sessions to substantiate his report and respond to any queries from the Deputies.
6. The report of the Public Treasury, Planning and Economic Policy Committee will be placed in the Agenda under item three and will be discussed in a plenary session as follows:
 - a. Reading of the report and draft resolution.
 - b. Substantiation by the President of the Public Finance, Planning and Economic Policy Commission.
 - c. Substantiation of the General Treasury Account by the Minister of Economy and Finance.
 - d. The Deputies, after previously requesting the floor, can make comments on the report and the resolution presented and ask questions or request clarifications they deem necessary to the Minister of Economy and Finance, limiting themselves to formulating them as clearly and concisely as possible.
 - e. Each Deputy is allowed to speak for a maximum of thirty minutes, in a single intervention.
 - f. Once the list of speakers has concluded, the President of the Assembly shall put to the vote the resolution attached to the report.
 - g. The approval of the resolution by the Plenary will require the vote of the absolute majority.

Article 5. This Law amends Articles 11 and 30 of Law 34 of June 5th, 2000 and Article 217-D of Law 49 of December 4th, 1984, added by Law 28 of June 3rd, 2009.

Article 6. This Law shall take effect the day after its promulgation.

TO BE PUBLISHED AND ENFORCED

Draft Bill 518 of 2009 approved in third debate in the Justo Arosemena Palace, Panama City, on the 23rd day of June of the year two thousand and nine.

President
Raul E. Rodríguez Arauz
Secretary-General
Carlos José Smith

NATIONAL EXECUTIVE BRANCH PRESIDENCY OF THE REPUBLIC.

PANAMA, REPUBLIC OF PANAMA. June 26th, 2009.

MARTIN TORRIJOS ESPINO
President of the Republic

HECTOR E. ALEXANDER H.
Minister of Economy and Finance