

The legal name of this Institution is MINISTRY OF ECONOMY AND FINANCE, which was created by Law No. 97 of December 21, 1998, promulgated in Official Gazette 23,698 of December 23, 1998. Law No. 97 (December 21, 1998), which created the Ministry of Economy and Finance, dictates other provisions THE LEGISLATIVE ASSEMBLY DECREES:

Article 1. Creates the Ministry of Economy and Finance from the fusion of the Ministries of Finance and Treasury and Planning and Economic Policy, which will be in charge of everything related to the formulation of initiatives relating to economic policy; the programming of public investments and social strategy; the design and implementation of the general guidelines and the specific tasks of the Government on Finance and National Treasury; the elaboration, execution and control of the State's general budget; the Public Financing and the modernization of the State, as well as the elaboration and execution of the Financial Programming of the State.

Article 2. The Ministry of Economy will have the following functions:

In terms of Economy, Public Investment and Social Development:

Design, regulate and coordinate, with the collaboration of the other units of the State and in accordance with the orientation of the Executive Body, proposals for short, medium and long-term economic public policies, as well as the social strategy in accordance with guidelines issued by the Social Cabinet, and programming public investments;

Analyze and evaluate the performance of the economy, and report on a quarterly basis, to the Executive Body and the society in general, such results;

Develop forecasts on economic growth and other social and fiscal macro-economic variables;

Investigate and evaluate events or special conditions of internal or external origin, in order to determine their impact on the national economy;

Advise and make recommendations to the Executive Body and to the institutions of the State about issues related with national development;

Research and conduct studies and diagnoses aimed at the formulation of integral development policies;

Represent the country before multilateral credit agencies and act in its capacity as national counterpart before them.

In budgetary matters:

Direct the budgetary management of the public sector, which includes the formulation of guidelines to guide public institutions in the preparation and examination of their preliminary budget drafts, the preparation or formulation of the State's preliminary draft of the General Budget so that it is considered and approved by the Cabinet Council, as well as the periodic allocation, registration, monitoring and appraisal of the implementation of the State's General Budget, its closure and annual settlement. Also, exercise the administration and management of public expenditure;

Submit to the Executive Body a expenditures control plan, when at any time of the year it reasonably considers that the total revenues available may be lower than the expenditures authorized in the State's General Budget. This plan will be approved through executive order. Submit to the Executive Body an expenditures reduction plan, when at any time of the year the effectively collected revenues are lower than those budgeted and there is no provision to solve such a condition. This plan will be submitted for the approval of the Cabinet Council and the Commission of the State's General Budget;

Present, to the Executive Body and to the Budget Commission of the Legislative Assembly, a quarterly report on the budgetary execution and an annual report on the situation of Public Finances.

In public finances matters:

Direct the financial administration of the State;

Develop and periodically update the financial programming of the State, of short, medium and long term, which will be the basis for the formulation of the preliminary draft of the State's General Budget and for the control of financial management;

Recognize, collect and oversee all taxes established by law, to meet expenditures required by the public administration, with the exception of those which have been ascribed or attributed expressly to other ministries or autonomous or semi-autonomous government entities;

Prevent, investigate and penalize frauds and infringements of the fiscal laws of the Republic;

Privatively manage, negotiate, and administrate the internal and external complementary financing, necessary for the implementation of the State's General Budget;

Keep integrated government accounting and prepare the consolidated financial statements of the public sector, which, once audited by the Comptroller General of the Republic, shall constitute the official source on the financial situation of the public sector.

With prior authorization of the Cabinet Council, propose and issue, place or grant custody, recover and keep track of the State's securities, in national and international financial markets; as well as act in the secondary market, in order to obtain the best conditions for the referred securities. The Minister of Economy and Finance is authorized to organize the system of placement of securities and to define the standards and procedures for that placement in accordance with the best interests of the State;

Without prejudice to the authority conferred by the Political Commission to the Comptroller General of the Republic, establish and implement effective mechanisms for the recovery of credits in favor of the State;

Recognize, sort, and instruct the payment of all expenditures required by the administration, of the non-financial public sector businesses, referred to in the State's General Budget;

Instruct Banco Nacional de Panamá on policy related to the management and investment of surplus funds from the National Treasury;

Follow up on the actions of financial supervision entities, such as the superintendence of banks, the stock and capital markets, insurance, reinsurance, management of pension funds and others; request and receive information from the financial supervision entities, in the form and with the periodicity that the Ministry of Economy and Finance determines, in order to follow-up on the situation of the respective industries and request reasoned explanations about the decisions of the boards of directors of such financial supervision entities. The Minister of Economy and Finance may attend the sessions of the boards of directors of the financial supervision entities, with the right to speak, and may designate in his/her replacement, one of the Vice Ministers. The officials of the Ministry of Economy and Finance that attend these matters, will be subject to the standards and sanctions concerning the confidentiality established by the law;

With prior authorization from the Cabinet Council and the Legislative Assembly, it can request the minting of legal tender metallic coins;

Coordinate and manage the administration of the financial resources of the public sector, in order to ensure its optimum performance, as well as the liquidity of the National Treasure. Banco Nacional de Panamá, the Caja de Ahorros (Savings Bank), the Panama Canal Authority and the Caja de Seguro Social (Social Security) are excluded from the scope of this provision.

Privatively, establish principles and rules concerning the management of the financial resources of the public sector referred to in the preceding paragraph.

In public administration matters:

Prepare, direct and evaluate the program of external technical cooperation and arrange for its obtaining before other countries and before international agencies and non-governmental organizations of cooperation;

Privatively manage the resources of the Preinvestment Fund that the Government assigns for the realization of preinvestment studies, being these funds from the regular budget, donations or additional credits. The preinvestment studies must have the favorable technical economic approval of the Ministry of Economy and Finance through the Preinvestment fund, in the form that its regulation determines;

Manage, conserve, and monitor all goods that belong to the Republic, with the exception of those goods whose administration is expressly attributed to other ministries or entities of the decentralized sector;

Guide and execute plans relating to the policy and the administrative organization of the public sector and to its function and efficient management, and provide advice on the matter to the other institutions of the public sector;

Establish, in coordination with the other institutions of the public sector, the policy regarding the administration of the human resources to its service, as well as training programs to improve the public servant;

Any other matters expressly attributed under Law, Cabinet Decree or Executive Decree.

Article 3. For the best performance of the functions of the Ministry of Economy and Finance, referred to in article 2 of this law, the Executive Body shall be able to create directions or administrative units needed for this purpose. Moreover, the Minister of Economy and Finance will have the authority to designate the directors and heads of the different administrative units of the Ministry, who will have command and jurisdiction in their areas of competency, in a national or regional level according to the case. However, the directorates and current units of the fused Ministries will remain with all their functions, privileges and powers, until the Executive Body makes any changes it deems relevant.

Article 4. The directorate of the Ministry of Economy and Finance will be headed by the Minister of Economy and Finance, who is the top Chief of the branch and is responsible before the President of the Republic for the performance of his/her powers, and by two Vice Ministers, one of Finance and the other of Economy, who will collaborate directly with the Minister in the exercise of their functions and shall assume the powers and responsibilities which are designated to them by law and the ones that may be given or delegated by the Minister.

Article 5. Vice Ministers are responsible for the following functions, according to the branch:

Sign with the Minister the relevant resolutions;

Act on behalf of the Ministry by delegation of functions, as established in this law;

The other powers prescribed by the law, the regulations and the Minister.

Article 6. The Minister may delegate the exercise of his/her functions or powers to the Vice Ministers, the Directors or other public servers of the Ministry, except in the cases where it is expressly prohibited by the Political Constitution and the Law.

Article 7. The delegation of functions is revocable at any time by the Minister. The delegated functions must not be delegated in any case, and the delegate will adopt the decisions, expressing that he/she does it by delegation. Failure to comply with this requirement leads to the annulment of the proceedings by the delegate.

Article 8. The Ministry of Economy and Finance and its respective administrative units, including the entities attached to it, will be invested of summary jurisdiction for the collection of any tribute, fine or credit, caused because of its functions.

Article 9. The staff of the Ministry of Economy and Finance, in exercise of the supervision functions to their charge, will have the powers that ensure the compliance with the legal and regulatory provisions that regulate its activity.

Article 10. The actions of the supervision staff of the Ministry of Economy and Finance, in the exercise of their functions, make public faith, until proven otherwise.

Article 11. The Ministry of Economy and Finance and the Office of the Comptroller General will share all the fiscal, budgetary, financial and statistical information of the public sector, including that which is processed through the Financial Administration System of Panama (SIAFPA), so that these institutions can meet the mission entrusted by the Political Constitution.

Article 12. All the staff from the Ministries of Finance and Treasury and of Planning and Economic Policies, as well as their respective budgets are assigned to the Ministry of Economy and Finance. The referred staff will have the obligations and powers that they currently have and those that are allocated to them by law, the regulations, or the Minister.

Article 13. The control of the special programs of social development, which took place through the Directorate of Planning and Regional Coordination, is assigned to the Ministry of the Presidency.

Article 14. Any rule or legal provision that makes reference to the Ministry of Finance and Treasury or the Ministry of Planning and Economic Policy, must be understood as referring to the Ministry of Economy and Finance.

Article 15. Paragraph 2 of the First Article of the Cabinet Decree 256 of 1970, amended by law 13 of 1980, is amended as follows:

Paragraph 2. All the operations approved by the Committee of Directors of the Preinvestment Fund, whose amount exceeds the sum of two hundred fifty thousand dollars (USD 250,000.00), up to an amount of two million dollars (USD 2,000,000.00) must have the approval of the National Economic Council.

Article 16. Article Three of the Cabinet Decree 256 of 1970, amended by law 13 of 1980, is amended as follows:

Article Three: The Preinvestment Fund will be managed by a Directive Committee composed of the Vice Minister of Economy, who will act as Chairman; the Vice Minister of Commerce and Industries, who will act as Vice President and the Vice Minister of Public Works. The Preinvestment Fund will have an Executive Secretariat attached to the Vice Ministry of Economy.

Article 17. In matters within their competence, the National Economic Council may act as consultative body of the Ministry of Economy and Finance, when requested by the appropriate minister.

Article 18. Paragraph 1 of Article 11 of Law 32 of 1984 is amended as follows:

Article 11. For the compliance of its mission, the Comptroller General of the Republic shall exercise the following powers:

Will keep the national accounts, including those related to internal and external debts and will supervise the accounting of the public sector.

Article 19. Article 72 of the Law 32 of 1984 is amended as follows:

Article 72. The Comptroller General of the Republic shall ensure the execution of the State's General Budget is performed according to the respective legal and constitutional standards.

Article 20. Article 19 of Decree Law 9 of 1998 is amended as follows:

Article 19. BANKING REGULATION AND SUPERVISION RATE. The Banking Regulation and Supervision Rate is created in favor of the Superintendence of Banks. The banks will be subject to the annual payment of the rate according to the following tariff.

Banks with general license. Thirty thousand dollars (USD 30,000.00) plus a sum equivalent to thirty-five dollars (USD 35.00) per each million dollars (USD 1,000,000.00) or fraction of total assets; the latter amounts up to a maximum amount of one hundred thousand dollars (USD 100,000.00);

Banks with international license. Fifteen thousand dollars (USD 15,000.00);

Banks with representation license. Five thousand dollars (USD 5,000.00). The amount of the rate shall strictly relate to costs which must be incurred by the Superintendence of Banks to carry out its functions in a rational and efficient way according to its budget. With such purpose, the Superintendence may, to its discretion, increase or reduce the amount of the applicable rate. However, if at the end of a budgetary exercise there are balances from the payment of the rate, the Superintendent will transfer such balances to a special account, which must be destined to the coverage of the corresponding expenses of subsequent exercises. If there are balances during two consecutive budget periods, the Superintendence must reduce

the rate in the form that it deems pertinent, so that the subsequent periods do not cause these balances.

Article 21. The Article 73-A is added to the Decree Law 9 of 1998 as follows:

Article 73-A. The loans or credit facilities, properly guaranteed by the pledge of deposits in the bank up to the amount of the warranty, are excluded from the provisions of this chapter.

Article 22. Upon this Law going into effect, those provisions relating to the organizational structure of the entities, directorates and departments of the Ministries of Finance and Treasury and of Planning and Economic Policy, that under this Law, integrate the Ministry of Economy and Finance, will be repealed, and are indicated as follows:

Law 16 of 1973, Decree 115 of 1941, Decree 779 of 1946, Decree 58 of 1982, Law 63 of 1973, Law 16 of 1979, Law 8 of 1964, Decree Law 1 of 1998 and Decree 6 of 1997. In addition, this law amends Paragraph 1 of Article 11 and Article 72 of the Law 32 of 1984; the Paragraph 2 of the First Article and the Article Three of the Cabinet Decree 256 of 1970 modified by the Cabinet Decree 345 of 1970, by the Law 19 of 1973, the Law 89 of 1974 and by the Law 13 of 1980, and the Article 19 of the Decree Law 9 of 1998; adds the Article 73-A to the Decree Law 9 of 1998 and repeals any provisions contrary to it. Those provisions that rule the functioning of the entities, directorates and departments mentioned above are excepted.

Article 23. This law shall enter in force in a maximum term of twelve months, starting from its promulgation. If the Executive Body considers that the transition period has been completed before the deadline, this law shall become effective when this Body establishes so by executive order.

To be Published and Enforced

Approved in third debate, in the Justo Arosemena Palace, Panama City, at 2 days of the month of December of nineteen ninety-eight.

The President (a.i)

JUAN MANUEL PERALTA RIOS

The Secretary General

HARLEY J. MITCHELL D.

NATIONAL EXECUTIVE BODY - PRESIDENCY OF THE REPUBLIC OF PANAMA, REPUBLIC OF PANAMA, DECEMBER 21, 1998.

ERNESTO PEREZ BALLADARES

President of the Republic

GUILLERMO O. CHAPMAN

Minister of Planning and Economic Policy.