Panama

Last updated: October 2016

Forest Management

Management Overview

According to the FAO (2015), of Panama's 7.4 million hectares (ha) of land area, 4.6 million ha are covered with forests[37, 38] (about 62%).[39] Panama's primary[40] and secondary forests are among the biologically richest tropical forests worldwide due to the country's topographic and climatic diversity. These forests form part of the Mesoamerican Biological Corridor and are particularly important for migrating bird species between North and South America[41]. Panama's Darien region, which borders with Colombia, contains over 41% of the country's mature natural forests[42]. This area is not only one of the most biologically diverse regions on Earth, but also home to several indigenous groups[43]. The majority of Panama's timber production originates east of Panama City in the Darien region.[44]

Plantations are mainly made up of introduced tree species: teak (*Tectona grandis*), pine (*Pinus caribaea*), Cedro Espino (*Bombacopis quinata*), Amarillo (*Terminalia amazonia*), Almendro (*Dipteryx panamensis*) and laurel (*Cordia Alliodora*) which is planted to shade cacao.[45]

Deforestation is caused by urbanization, cattle ranching and agro-industrial development, but also by unregulated shifting cultivation and, in already degraded forest areas, by poor logging practices.[46] In the most recent FAO Global Forest Resources Assessment it was decided to not include some statistics for Panama, including deforestation as there was a lack of consistent data over the time period requested (according to Panama's country profile, work is ongoing to produce this data for future reports).[47] Estimates from the ITTO report indicate that on average, Panama lost an estimated 42 000 hectares of forest per year in the 1990s (1.18% per year). In 2008, La Autoridad Nacional del Ambiente de Panamá (ANAM Panama's national environmental authority)[48] estimated the deforestation rate of natural forests between 2000 and 2008 at about 27 800 hectares (0.96%) annually, significantly less than in the previous decade.[49] Deforestation rates post 2008 are not available.

Transparency

Transparency in Panama's forest sector remains a challenge. Civil society's ability to hold forest authorities and the private sector accountable or to fully participate in the management of forest resources is hampered by several constraints[20], including voids and inconsistency in official data, limited public access to information, legal inconsistencies and absence of clarity, lack of enforcement and implementation of laws, reign of impunity, and weak institutional capacity.[21]

The Transparency International's (TI) Corruption Perceptions Index (CPI) measures perceived levels of public-sector corruption, on a scale of 0-100 (0 = 100% corruption and 100 = no corruption). For 2015 Panama scored 39/100 on the corruption perception index[22], which indicates a high level of corruption in the country. It ranked 72 out of 167 countries assessed in 2015. This was an improvement from 2014, when Panama ranked 94 out of 175 countries.

The results of the CPI are supported by the World Bank's set of Worldwide Governance Indicators (WGI) for all world economies. These indicators are important barometer in terms of risk assessment. The WGI country reports are based on six aggregate governance indicators: Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption. Countries are ranked (percentile rank model) for each of the six governance indicators on a scale from 0 to 100 where 0 corresponds to lowest rank and 100 corresponds to highest rank (better governance).

In 2014, Panama scored 63 in Voice and Accountability; 51 in Political Stability and Absence of Violence; 63 in Government Effectiveness; 65 in Regulatory Quality; 55 in Rule of Law; and 46 in Control of Corruption[23]. These figures are all indications that governance in Panama still needs improvement.

Laws and Regulations

Forestry Laws

Panama has a number of laws and regulations pertaining to forest management, wood harvesting, processing and trade.

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Note: In 2015 the National Environmental Authority (ANAM) was renamed the Ministry of Environment. According to Law no. 8 (2015) any laws that are still being implemented should continue to refer to/use ANAM and not Ministry of Environment. Therefore, throughout this profile both of these names may be used. For more information, please refer to the legality section of this profile.

The National Forestry Development Plan (2008) is a sustainable forest model that is due to come to an end in 2033. The plan is divided into three lines of work: An ecosystem restoration program; forest stewardship program and training, research and dissemination program. The program promotes agroforestry and silvo-pastoral systems for food production, but also promotes closer coordination between responsible institutions in order to prevent the undermining of forest resources.

The Forestry Act - Law 1 of 1994 - Panama's first specific forest law (Law 1/94) was passed in 1994, replacing Law 39/1966, with the aim of conserving and managing forest resources sustainably. It emphasized logging and reforestation and established the National Fund for Forest Development and Protection (Fondo de Protección y Desarrollo Forestal – FONDEFOR) to assist in forest promotion, protection, management, supervision, control and research, and extension. By mid-2010, however, the fund was still not functioning, and all forest-related taxes were going to general revenue.

Law No. 8 (2015) amends part of Forestry Law No 1. It created the Ministry of Environment as the governing body of the State in the protection, conservation and restoration of the environment and sustainable use of natural resources to ensure compliance and enforcement of laws, regulations

and the National Environment Policy. The Ministry is responsible for public consultations and developing mechanisms for coordination and implementation of policy. Technical and administration actions will be carried out at the local level by regional directors.

Article 4 of Law No. 8 sets out that as part of the budget of the Ministry of Environment, income will be created for environmental funds, most notably the Fund for Forest Protection and Development (Fondo de Protección y Desarrollo Forestal – FONDEFOR) which was established by Law No. 1, Article 68 (1994). Article 71 of Law No. 8 states the funds for FONDEFOR will be obtained through the form of permits; inspection fees for technical service; forest transport and processing; revenue from fines; revenue resulting from the sale of seeds, plants, wood and other forest products.

Article 77 of Law No. 8 clarifies that the Ministry of Environment used to be known as the National Environmental Authority (ANAM) and any earlier laws that are still being implemented many not refer to the Ministry by name but rather the previous title of National Environmental Authority or ANAM. This also applies to general manager/deputy manager and the Minister of Environment/Deputy Minister of Environment. Article 78 confirms that the spirit and letter of administrative acts is recognized, therefore if people began proceedings before Law No. 8, they continued following the application they started with based on the laws and regulations before Law No. 8 came into force.

Law No. 8 makes revision to several other laws with a view to incorporate, among other things, forest management planning, forest certification, forest auditing (building on Resolution No. 769 (2008) which mandated the environment authorities to execute random checks to verify compliance), direct and indirect incentives for natural and planted forests, the demarcation of the public forested lands and the participation of stakeholders.

Article 68 of Law 41 (1998), the General Law on the Environment (Ley General del Ambiente, 41/98) stated that the creation of private nature reserves (particularly those acting as part of a 'buffer' zone) will be encouraged through incentives and market mechanisms, although there are no details regarding these incentives. Article 70 of Law No. 8 confirms the Ministry's plans to draw up concession services and management plans for protected areas, and aims to have procedures in place by March 2016 (12 months after the law was published).

In the event of illegal logging, i.e. without authorization of ANAM, a company or individual shall be punished in accordance with Articles 95 and 100 of the 1994 Forest Law No. 1 as follows:

- Confiscation of wood, tools, machinery, equipment and materials used directly in the commission of the offense
- Penalty up to fifty thousand dollars ($ 50,000.00 US).
- Imprisonment of six (6) months to five (5) years, depending on the extent of damage caused.

Law 24/1992 - Created incentives for reforestation and Article 43 of Law 1/94 further states that all private forest land covered by forests, either natural or planted, is exempt from national taxes, provided that the landowner is registered in the Forest Registry (Registro Forestal) and a certificate of ownership has been issued. According to some commentators, although these incentives are primarily aimed at enterprises, associations, community organizations and cooperatives, only commercial enterprises have benefited from the incentives so far. Problems relate to tax evasion, the over-stating of costs, and a failure to maintain plantations over time.

The General Law on the Environment (Ley General de Ambiente, 41/98) establishes the basic

principles and norms for the protection, conservation and restoration of the environment and promotes the sustainable use of natural resources. It governs the administration of the environment and integrated social and economic objectives, and recognizes the right of Indigenous communities to manage forests in the reservations, known as comarcas (Article 98). It has been updated since, in 2004 and 2010. The most significant change for forestry was in 2010 with the decision that projects, works and activities which will not cause significant impact to humans may use Environmental Practices guides (Guía de Buenas Prácticas Ambientales[24]) instead of an Environmental Impact Study (EIA). These types of projects previously completed a 'Category one' EIA, which demonstrated there was no significant impact to humans. Categories two and three suggest there would be significant impact and there would be significant impact and additional management plans required respectively.[25] The guides are produced by the developer of a project and explain the prevention, mitigation, correction and/or compensation actions that the project will implement to promote protection of the environment and they must go through a public consultation process before being approved by ANAM (now the Ministry of Environment).[26]

Executive Decree No. 37 (2009) - Approves the principles and guidelines of Panama's forest policy. It states that it is the duty of the State to incorporate the tools and mechanisms to strengthen the technical and administrative capacity necessary for forest management and promote forest protection. Likewise, among its strategic objectives, it promotes sustainable forestry management.

Executive Decree 43 of July 7, 2004 - *search using date information for PDF link* - regulates commercial procedures pertaining to CITES species. The National Environment Council is the highest administrative body in charge of promoting and approving environmental policy, plans and environmental programs. Through the Department of National Management Service Protected Areas and Wildlife, it must define the requirements, grant authorizations and monitor compliance with concessions and management services, in addition to research permits, export and collection related to wild flora and fauna. The administrator of the National Environmental Authority (ANAM) has the authority to impose fines up to the amount of 10,000.00 Panamanian Balboa (approximately $10,000 USD).

Law 5 of 2005 (*search using date information for PDF link*) - Crime against the Environment (Ley sobre Delito contra el Medio Ambiente) sets out penalties for environmental crimes, such as illegal logging.

Resolution No. AG.0051-2008 of January 22, 2008 - Regulates the management of endangered species of fauna and flora.

Executive Decree No. 83 of July 10, 2008 - Regulates the export of timber from natural forest or timber extracted from flooded valleys that are now reservoirs. This decree prohibits the export of timber logs, industrial round wood, or sawn wood, or planed timber of any species from natural forests. Wood from water reservoirs should be subjected to a drying process and a degree of transformation of at least four sides or faces, whose dimensions do not exceed 50 inches on its sides.

The Collective Lands Law (Ley 72 sobre Tierras Colectivas, 2008) - Establishes a procedure for the awarding of collective ownership of lands traditionally occupied by Indigenous people and communities that are not within the comarcas.

Resolution No. 244 (2011) Allows for wood from natural forests to be registered with one marquilla (label) in the presence of ANAM for legal mobilization within the country.

Processing/Manufacturing Laws

All exported timber or wood products are considered by the Ministry of Commerce and Industry as a "Special Process" and therefore require certain specific processing procedures.

A special process contains three distinctions[27]:

- Wood from Natural Forests - prohibited to export round wood, logs, stumps or blocks. Wood should undergo a process of transformation in order for the product to become suitable for exportation from the country.
- Wood from Plantations - does not require a process of transformation and can be exported in roll or block form.
- CITES Species - if it is a species that is on the CITES list, it must have the approval of the National Directorate of Wildlife and Protected Areas of ANAM for exportation.

Resolution No. 204 - Measures regulating logging on to national levels (June, 2015) provisionally suspended the granting of special logging permits nationwide for a term not exceeding one year, and calls all key forest stakeholders to a dialogue to determine the processes to achieve a legal logging and forest governance.

Transport Laws

According to the Forestry Act - Law 1 of 1994, Articles 52, 53 and 54, the Ministry of Commerce and Industry and / or municipal authorities, together with the ANAM, will authorize the establishment of new forest product and byproduct processing plants. Industries or companies processing forest products and byproducts are required to submit annually requested statistics and information to the State. ANAM officials may verify this information. The owners of establishments may only purchase and receive forest products and sub-products that have extraction and transport guides authorized by ANAM. Otherwise if such goods are seized by ANAM they shall incur criminal liability.

Resolution No 02 – 98 of January 22 of 1998 (*search using date information for PDF link*) states that the transportation permit is a service provided by the ANAM to those natural or legal persons that move forest products either by land or by sea. This permit authorizes a certain amount of wood or wood products to be transported within the country to the point of its final destination for exports. The Transportation Permit is one of the tools used by the authorities to combat the trade in illegal timber, as it should cover all products being transported. The authorities at the checkpoints are allowed to retain any products being transported that are not identified in the permit. In addition, each load of timber or timber products being transported within the territory must specify the harvesting permit number. The Transport Permit must be processed in person in the ANAM regional office closest to where the wood was derived or transformed. The Permit procedure takes between 1-2 days to process and is valid for 2 days if it is land transport (5 days if waterborne transport). In the case of a CITES species, a special permit is required from the ANAM headquarters in Panama City.

One of the main problems identified with the transport permit process is that they are granted on a discretionary basis (without required inspections) and could authorize overestimated volumes and species not found in the permit's harvest area.[29]

In 2014, Panama's National Environmental Authority passed Resolution AG-0602, creating a

special process for the issuing of harvesting and transport permits for *Dalbergia rotusa* and *Dalbergia darienensis*.[30] Permits will no longer be issued by regional offices; a special committee will oversee the permitting process, and no new permits will be issued 30 days after the implementation of this resolution. Only plantations that are formally enrolled in ANAM will be issued new permits.

Tax Laws

The National Environmental Authority (ANAM) and the municipalities set the fees and taxes charged by the State for forest use. These taxes and fees were set in Resolution 01-98 (1998)[31] as:

- Fee for the verification of the forestry inventory: US$ 0.15 per hectare
- Fee for technical service: US$ 10.00 to US$ 15.00 per cubic meter
- Fee for transport permit: US$ 1.00 per cubic meter ($2.00 for renewal)
- Fee for use of land: US$ 2.00 per hectare
- Fee for annual verification of the Management Plan: US$ 300.00 per concession
- Municipal Tax: US$ 2.50 to US$ 6.00 per tree (depends on species)
- Export Tax: 1% of FOB

In 1992 the government created the Reforestation Law Incentives (Law No. 24) in order to encourage private sector investment in reforestation and promote the development of production and forestry reforestation exempting companies from paying taxes. Due to certain weaknesses in the implementation of this law, it was amended in 2005 (Reforestation Law Incentives (Law No.6 / 2005) and some of those tax incentives were eliminated. The main tax incentives under Law No. 6 are:

- Total exemption from the payment of income tax on earnings derived from the commercialization of products extracted from forest plantations up to their final cut, which are established within a period of 13 years starting on the day Law No. 6 was enacted (February 2nd 2005), as long as the owners of these plantations are registered in the Forest Registry of the National Environmental Authority;
- Total exemption from import duties, taxes, levies, or any other charges on the importation of machinery and agricultural equipment, spare parts, tools, agrochemicals, seeds and any other element necessary for the exclusive use of reforestation activities;
- Total exemption from the payment of property tax and property transfer tax, as long as the real estates under reforestation use more than 75% of their land for this purpose or have a minimum of 200 hectares under reforestation.

Law No. 6 also states that if tax-fees due have not been paid, either for extraction or processing of wood, the company or individual shall receive a fine equal to twice the value of the unreported timber, or payment of omitted taxes.

Tax-Fee related regulations (in Spanish) (*search using date information for PDF lin*k)

- Resolution 01-98: Defines service fees for the services necessary for the management of forest resources
- Resolution AG 0374 2004: Modifies article 3 of the first chapter of Resolution 01-98

- Resolution AG 66 2006: Reclassifying of commercial and potentially commercial timber

Trade Laws

In Panama the exporter must prepare the following documents:[28]

1. Basic Business Documents:
    1. Sworn Commercial invoice
    2. Packing List
2. Transport documents
    1. Transportation Permit
    2. Waybill (terrestrial), Air Waybill (air), Bill of Lading (marine)
3. Specific Certificates
    1. Phytosanitary certificate
        1. Certificate of Fumigation or
        2. Evidence of heat treatment (HT)
    2. CITES Permit (for listed species)
    3. Other (quality certificate)
4. Export Documents
    1. Export Declaration (Customs Form)
    2. Certificate of Origin
    3. Animal Health Phyto License
    4. Export Permit

Panama is a member of various international and regional trade related organizations such as: International Tropical Timber Organization (ITTO) and the World Trade Organization (WTO). Panama has also developed a set of bilateral trade agreements with some countries including Canada, the United States, China (Taiwan) and Singapore. Panama has signed several international conventions such as CITES (1977), International Tropical Timber Agreement (ITTA, 1994), Convention on Biological Diversity (CBD, 1995) and Convention for the Conservations of Biodiversity and Protection of Wildlife and Priority Protected Areas in Central America (1995).

CITES

The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) is an international agreement among governments whose purpose is to ensure that international trade in wild animal and plant species does not threaten the survival of these species. As of November 2015, a total of 181 countries have agreed to the CITES regulations, which is a legally binding agreement. It is up to each Party of CITES to draft its own domestic legislation in order to comply with its CITES obligations.[32]

Panama signed the CITES Convention in 1977.[33] As of February 2016, there are seven CITES timber species listed in Panama, of which six are listed on Appendix II and one on Appendix III. There are no Appendix I species. *Caryocar costaricense*, an Appendix II species (commonly known

as Ajillo or Plomillo) that struggles to regenerate, is found in Darien and San Blas. While the exploitation of the species is considered to be high, opinions differ on if the timber trade is threatening the species or whether it is due to the lack of habitat.

Dalbergia retusa (known as Nicaraguan Rosewood or cocobolo) is listed on Appendix II. *Dalbergia darienensis* was listed on Appendix III, however at the COP17 in October 2016, a decision was made to list all timber species under the genus Dalbergia in Appendix II.[34]

Swietenia humilis and *Swietenia macrophylla* are both 'genuine' Mahogany species that are listed on Appendix II. Mahogany is considered commercially important for its beauty and durability, and is often used as furniture.

Two species that are listed as Appendix II are *Guaiacum officinale* and *Guaiacum sanctum* which are sources of the timber Lignum Vitae which is also known as Guayacan or 'Pockholz' in Europe. The timber is required for its strength, toughness and density. Due to the rise in modern materials such as polymers that can replace Lignum Vitae timber, the demand for these species is declining.

At the COP15, two species were added to the CITES Appendix III, *Cedrela odorata* (by Brazil / Bolivia / Guatemala / Colombia / Peru) and C*edrela fissilis* (by Brazil and Bolivia). As a result these species must be accompanied by a CITES certificate stating the original source of the timber.

The Global Forest & Trade Network (GFTN) project in Panama also mentions three other species that they consider high risk either because they are listed in CITES or in the IUCN red list: *Peltogyne purpurea*, *Prioria copaifera*, and *Vitex cooperi*.[35]

Panama's National Environmental Authority passed Resolution AG-0602 in 2014, which created a specific process for the issuing of harvesting and transport permits for *Dalbergia retusa* and *Dalbergia darienensis*. Permits are no longer issued by regional offices; a special committee will oversee the permitting process, and no new permits were to be issued 30 days after the implementation of this resolution. Only plantations that are formally enrolled in ANAM will be issued new permits.[36]

A contact list of Panama CITES officials, including Management and Scientific Authorities can be found here.

Forest Resources

Commercially important species[50]

Most commonly harvested species in Panama are: *Carapa guianensis* (tangare), *Prioria copaifera* (cativo), *Tabebuia rosea* (oak), *Calophyllum brasiliense* (maria), *Copaifera aromatica* (cabimo), *Dalbergia retusa* (cocobolo), *Ocotea spp* (bambito) and *Swietenia macrophylla* (caoba). Other species that have grown popular also include *Miroxylon balsamum* (bálsamo), *Platymiscium pinnatum* (quira), *Hieronyma alchorneoides* (zapatero), *Puteria spp* (platano), *Gyranthera darinensis* (cucharo) and *Astronium graveolens* (zorro).[51]

The main exported timber is a planted species, *Tectona grandi*s (teak), but a significant quantity of *Pinus caribaea* (Pino caribe) is also exported. These two species account for 82% of the planted area.[52]

Primary forest products include 5 to 10-year-old plantation teak logs/ blocks (from thinnings), sawn timber from coniferous plantations (mainly *Pinus caribaea*), tropical wood flooring and decking (balsam, ipe), and pulp and paper (mainly eucalyptus).[53]

Forest Products

Several industry associations, NGOs, civil society, and government agencies profiles work on forest related issues in Panama. Their profile and contacts are found here.

Production Status

The Panamanian National Reforestation Association (ANARAP) is a nonprofit apolitical group, formed with the aim of promoting reforestation programs in the country to ensure a sustained supply of forest products.

The Union of Industrialists of Panama (Sindicato Industriales Panama, SIP), founded in 1945, is the umbrella institution that represents and defends the interests of the domestic industry. It serves as an agency of communication, information and education among its members by facilitating the orientation of the Panamanian industry in the changing world of today and improves their competitive advantages.

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Government Ministries

According to the Forestry Act - Law 1 of 1994, Articles 52, 53 and 54, the Ministry of Commerce and Industry and / or municipal authorities, together with the ANAM, will authorize the establishment of new forest product and byproduct processing plants. Industries or companies processing forest products and byproducts are required to submit annually requested statistics and information to the State. ANAM officials may verify this information. The owners of establishments may only purchase and receive forest products and sub-products that have extraction and transport guides authorized by ANAM. Otherwise if such goods are seized by ANAM they shall incur criminal liability.

Resolution No 02 – 98 of January 22 of 1998 (*search using date information for PDF link*) states that the transportation permit is a service provided by the ANAM to those natural or legal persons that move forest products either by land or by sea. This permit authorizes a certain amount of wood or wood products to be transported within the country to the point of its final destination for exports. The Transportation Permit is one of the tools used by the authorities to combat the trade in illegal timber, as it should cover all products being transported. The authorities at the checkpoints are allowed to retain any products being transported that are not identified in the permit. In addition, each load of timber or timber products being transported within the territory must specify the harvesting permit number. The Transport Permit must be processed in person in the ANAM regional office closest to where the wood was derived or transformed. The Permit procedure takes between 1-2 days to process and is valid for 2 days if it is land transport (5 days if waterborne transport). In the case of a CITES species, a special permit is required from the ANAM headquarters in Panama City.

One of the main problems identified with the transport permit process is that they are granted on a discretionary basis (without required inspections) and could authorize overestimated volumes and species not found in the permit's harvest area.[29]

In 2014, Panama's National Environmental Authority passed Resolution AG-0602, creating a

special process for the issuing of harvesting and transport permits for *Dalbergia rotusa* and *Dalbergia darienensis*.[30] Permits will no longer be issued by regional offices; a special committee will oversee the permitting process, and no new permits will be issued 30 days after the implementation of this resolution. Only plantations that are formally enrolled in ANAM will be issued new permits.

Civil Society Organizations

In Panama the exporter must prepare the following documents:[28]

1. Basic Business Documents:
    1. Sworn Commercial invoice
    2. Packing List
2. Transport documents
    1. Transportation Permit
    2. Waybill (terrestrial), Air Waybill (air), Bill of Lading (marine)
3. Specific Certificates
    1. Phytosanitary certificate
        1. Certificate of Fumigation or
        2. Evidence of heat treatment (HT)
    2. CITES Permit (for listed species)
    3. Other (quality certificate)
4. Export Documents
    1. Export Declaration (Customs Form)
    2. Certificate of Origin
    3. Animal Health Phyto License
    4. Export Permit

Panama is a member of various international and regional trade related organizations such as: International Tropical Timber Organization (ITTO) and the World Trade Organization (WTO). Panama has also developed a set of bilateral trade agreements with some countries including Canada, the United States, China (Taiwan) and Singapore. Panama has signed several international conventions such as CITES (1977), International Tropical Timber Agreement (ITTA, 1994), Convention on Biological Diversity (CBD, 1995) and Convention for the Conservations of Biodiversity and Protection of Wildlife and Priority Protected Areas in Central America (1995).

Tools and Resources

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