

TRANSLATION

REPUBLIC OF PANAMA

MINISTRY OF ECONOMY AND FINANCE

EXECUTIVE DECREE 81 dated 18 March 2016

**That amends Executive Decree 29 dated 8 August 1996,
which regulates Law 4 dated 17 May 1994 establishing
the Preferential Interest Rate Regime for the agriculture sector**

THE PRESIDENT OF THE REPUBLIC
in use of his legal and constitutional powers,

WHEREAS:

Law 15 dated 21 April 2015 amended Articles of Law 4 dated 17 May 1994 establishing the Preferential Interest Rate Regime for the Agriculture Sector and adopting other provisions;

Executive Decree 29 dated 8 August 1996 regulated Law 7 dated 17 May 1994 establishing the Preferential Interest Rate Regime for the Agriculture Sector and adopting other provisions;

Due to these amendments, it was imperative to update Executive Decree 29 dated 8 August 1996, adjusting it to the new legal standards;

According to the provisions of Paragraph 14 of Article 184 of the Political Constitution of the Republic of Panama, the President of the Republic, along with the relevant Minister, is authorized to regulate Laws requiring it for better compliance, but without deviating from their text or their spirit,

DECREES:

Article 1. Article 2 of Executive Decree 29 dated 8 August 1996 shall read:

Article 2: The Commission called the FECI Commission, composed of the Minister of Economy and Finance, the Minister of Agriculture and the Superintendent of Banks, will appoint the officers authorized to sign on the FECI official account.

Article 2. Article 6 of Executive Decree 29 dated 8 August 1996 shall read:

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Article 6: The preferential interest rates are the result of the application of a discount to the agreed interest rate. The interest rate discount provided by Law 4 dated 17 May 1994 is established solely and exclusively for domestic loans granted for the following activities, only for the purposes indicated below, and only so long as they meet the requirements listed below:

I. Activities

1. Agriculture
2. Livestock
 - a. Cattle
 - a.1. breeding
 - a.2. meat
 - a.3. milk
 - b. Swine
 - c. Sheep
 - d. Goats
3. Poultry farming
4. Fish farming
5. Forestry
6. Beekeeping
7. The collection of salt
8. Agro industry exporting non-traditional products
9. Non-commercial fishing

II. Purposes:

1. Purchase of products:
 - a. Capital assets
 - b. Manpower
 - c. Raw materials
 - d. Other
2. Planting and farming

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3. Improvement of production facilities
4. Purchase of animals
5. Purchase of land exclusively for the activities referred to above and land preparation and management for the performance of these activities.

III. Requirements:

1. The maximum amount per loan, line item and production cycle must not exceed five hundred thousand balboas (B/.500,000.00).

This limit does not apply to loans granted to agriculture production associations.

In case of lines of credit contracts, the amount used by the borrower will be considered the amount of the loan, regardless of the maximum amount authorized in the contract.

2. The loan beneficiary must be an individual or legal entity acting as an agricultural producer.

PROVISO 1: Loans granted to the Banco de Desarrollo Agropecuario (Agricultural Development Bank) and to the Ministry of Agriculture (MIDA, for its acronym in Spanish) by banks and finance companies shall also be entitled to the interest rate discount established by Law 4 of 1994.

PROVISO 2: A loan that qualifies for the preferential interest rate does not lose this qualification when being refinanced.

PROVISO 3: A loan that qualifies for the preferential interest rate does not lose its qualification because of the borrower's delinquency, as long as it is due to circumstances beyond his control. However, the discount compensation and reimbursement are all suspended during the period in which interest payments are past due.

PROVISO 4: The production and marketing cycles listed below are applicable to the following products:

1. Agricultural product:	Cycle
Radishes	1 month
Cabbage	4 months
Red kidney beans	4 months
Chives	4 months

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Lettuce	4 months
Celery	4 months
Tomatoes	5 months
Watermelon	5 months
Sorghum	5 months
Melon	5 months
Pumpkins	5 months
Corn	5 months
Rice	6 months
Peppers	6 months
Potatoes	6 months
Onions	6 months
Other vegetables	6 months
Non-perennial agricultural products	6 months
Bananas	10 months
Plantain	10 months
2. Forestry:	
a. Vegetable stakes and trellises	1 year
b. Wood	2 - 4 years
c. Timber	15 years
3. Livestock:	
Swine (fattening)	6 months
Cattle (fattening)	Up to 3 years
(breeding and milk)	Up to 15 years
4. Poultry:	
Poultry (incubation)	4 weeks after being laid
(fattening)	7 weeks
(breeding/laying)	52 – 56 weeks
5. Fish farming	8 months
6. For all other cases	One (1) year

Article 3. Article 26 of Executive Decree 29 dated 8 August 1996 shall read:

Article 26: Of the income received from the one percent (1%) withholding on domestic personal and commercial loans granted on or after 24 April 2015, the Superintendency of Banks of Panama (SBP) will periodically remit 50% to the National Treasury, 12.5% to the Ministry of Agriculture, 12.5% to the Banco de Desarrollo Agropecuario and 5% to the Institute of Agricultural Insurance, pursuant to Law 15 dated 21 April 2015. The remaining 20% will be destined to the Special Interest Compensation Fund that the Superintendency of Banks of Panama will administer.

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The remittance will be made by wire transfer to the account specified by each of the entities for this purpose, within thirty (30) days after the receipt of the funds.

Article 4. Article 27 of Executive Decree 29 dated 8 August 1996 shall read:

ARTICLE 27: In the case of reimbursements due to the claims referred to in Article 20, 50% of the reimbursement will be charged to the income of the National Treasury, 12.5% to the Ministry of Agriculture, 12.5% to the Banco de Desarrollo Agropecuario, and 5% to the Institute of Agricultural Insurance, requiring the necessary mechanisms and/or reserves for that purpose to be established. This payment will be made by wire transfer to the FECI account.

Article 5. Paragraph D of Article 28 of Executive Decree 29 dated 8 August 1996 shall read:

ARTICLE 28: The following definitions will apply for the purposes of this Decree and all other provisions for the execution of Law 4 dated 17 May 1994:

A. ...

...

D. **PERSONAL AND COMMERCIAL LOANS:** Loans destined to sectors other than the agricultural, industrial, housing, non-profit organizations, and the public sector.

Loans granted to the tourism industry will not be considered personal or commercial loans and therefore will not be subject to the withholding established by Law 4 of 1994, as amended, as long as the borrowers are properly registered in the National Registry of Tourism of the Panamanian Tourism Authority.

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Article 6. This Executive Decree amends articles 2, 6, 26, 27, and paragraph D of article 28 of Executive Decree 29 dated 8 August 1996.

Article 7. This Executive Decree shall become effective the day following its promulgation.

LEGAL GROUNDS: Paragraph 14 of Article 184 of the Political Constitution of the Republic of Panama, Law 4 dated 17 May 1994, amended by Law 15 dated 21 April 2015.

Given in the city of Panama on the eighteenth (18th) day of March, two thousand sixteen (2016).

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FOR COMMUNICATION AND ENFORCEMENT.

(signed)
JUAN CARLOS VARELA RODRIGUEZ
President of the Republic

(signed)
DULCIDIO DE LA GUARDIA
Minister of Economy and Finance