

The contents of this document are preliminary and subject to change.

GRAY/21/1588

June 10, 2021

**Statement by Mr. von Kleist and Mr. Krahnke on Panama  
(Preliminary)  
Executive Board Meeting  
June 14, 2021**

We thank staff for the comprehensive report and Mr. Bevilaqua, Mr. Fuentes, and Mr. Maciá for their helpful Buff statement. **We agree with staff’s assessment and policy recommendations.** Given Panama’s small, (financially) open and dollarized economy and last year’s steep rise in public debt, we welcome the authorities’ commitment to fiscal consolidation in the medium term, which will be supported by the expected recovery in GDP. In this context, we support staff’s proposition to improve domestic revenue mobilization, efficiency, equity and transparency and to prioritize capital investments with high fiscal multipliers. On the external front, we welcome the large build-up of external reserves that was possible also thanks to a current account surplus in 2020. We note that the high growth of copper exports contributed to this development. *Does staff have additional insights on the projected evolution of copper production and its contribution to the current account in the medium term?*

**We strongly encourage the authorities to continue the necessary work to exit the FATF “grey-list”.** Panama’s role as a financial hub and the country’s banks’ integration into the international financial system make the financial sector particularly important to the country’s overall economic development. The current grey-listing by the FATF – due to ML/FT risks in the financial sector of Panama – represents a burden on important international correspondent banking relationships. We note that several of the measures agreed upon in the action plan have still not been completely implemented. *Could staff elaborate on the status of the implementation of the remaining items?* We reiterate that improvements in the AML/CFT regime are paramount also to the credibility of the PLL, which is a credit line in case of external shocks and not a safeguard against delayed financial sector reforms. *In light of the upcoming PLL review, we would welcome further comments by staff on the possibility of including reforms in this area as additional conditionality in the*

*PLL arrangement, with a view to exit the grey-list as soon as possible. In this context, it would also be informative to know what steps the authorities are taking to remove Panama from the EU list of non-cooperative jurisdictions for tax purposes.*