

# Panama

## Evaluation of Progress in Drug Control 2005-2006

# MEM

**Multilateral Evaluation Mechanism**



**Organization of American States - OAS**  
**Inter-American Drug Abuse Control Commission - CICAD**





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**ORGANIZATION OF AMERICAN STATES (OAS)  
Inter-American Drug Abuse Control Commission (CICAD)**

**Multilateral Evaluation Mechanism (MEM)  
Governmental Expert Group (GEG)**

# **PANAMA**

**EVALUATION OF PROGRESS IN DRUG CONTROL  
2005–2006**

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- Executive Secretary of the National Commission for the Study and Prevention of Drug-related Crimes (CONAPRED).
- Secretariat of International Affairs of the Office of the Attorney General.
- University of Panama (Office of the Vice Rector for Research and Postgraduate Studies).
- Technical Judicial Police, Narcotics Division.
- Office of the Comptroller General, Vital Statistics Section.
- Traffic Directorate of Panama.
- National Directorate of Pharmaceutical Products and Drugs, Ministry of Health.
- Unit for Controlled Chemical Substances (UCQ – CONAPRED).
- Specialized Prosecutors for Drug-related Crimes.
- Ministry of the Interior and Justice.
- Financial Analysis Unit for Prevention of Money Laundering and Terrorist Financing.



## PREFACE

The Multilateral Evaluation Mechanism (MEM) is a diagnostic tool designed by all 34 member states of the Organization of American States (OAS) to periodically carry out comprehensive, multilateral evaluations of the progress of actions taken by member states and by the hemisphere as a whole, in dealing with the drug problem. The Inter-American Drug Abuse Control Commission (CICAD), an OAS specialized agency, implemented this Mechanism in 1998, pursuant to a mandate from the Second Summit of the Americas held in Santiago, Chile in 1998.

The MEM is not only an evaluation instrument, but has also become a vehicle for disseminating information on the progress achieved by individual and collective efforts of OAS member state governments, catalyzing hemispheric cooperation, promoting dialogue among member state government authorities and precisely channeling assistance to areas requiring greater attention by optimizing resources. The MEM process itself is assessed by the Intergovernmental Working Group (IWG), comprised of delegations from the 34 member states, which meets before the onset of each MEM evaluation round to review and improve all operational aspects of the mechanism, including the indicators of the evaluation questionnaire.

National evaluation reports are drafted by experts from each member state, with experts not working on their own country's report, guaranteeing the transparent multilateral nature of the MEM. Each chapter is based on countries' responses to a questionnaire of indicators covering the main thematic areas of institution building, demand reduction, supply reduction and control measures<sup>1</sup> as well as subsequent comments and updated information provided by the government-appointed coordinating entities.

This report covers the full country evaluation for the MEM Fourth Round evaluation period 2005–2006. The follow-up report on the implementation progress of recommendations assigned to Panama will be published in June 2009. All MEM reports can be accessed through the following webpage: [www.cicad.oas.org](http://www.cicad.oas.org).

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<sup>1</sup> Information for the money laundering sub-section was also taken from the Caribbean Financial Action Task Force (CFATF) Summary of the Third Mutual Evaluation Report on Anti-Money Laundering and Combating the Financing of Terrorism report, 2006.



## INTRODUCTION

Panama occupies an area of 78,200 km<sup>2</sup> with 555 km of borders (225 km with Colombia and 330 km with Costa Rica). The coastline of Panama is 2,490 km in length. The country has a population of 3,191,319 (2006), which is comprised of the following main ethnic groups: *mestizo*, white and indigenous. Its literacy rate is 92.6%. Panama is a constitutional republic, divided into nine provinces and one territory. The country has a GDP per capita (PPP<sup>2</sup>) of US\$ 7,900 (2006 est.) and an inflation rate of 2.6% (2006). Annual exports total US\$ 8.087 billion. Its main exports include: bananas, shrimp, coffee, sugar and apparel.

## I. INSTITUTIONAL STRENGTHENING

### A. National Anti-drug Strategy

Panama's National Anti-drug Strategy has been in force since May 30, 2002 and expires on May 30, 2007. The national strategy covers actions in the areas of demand reduction, supply reduction, control measures, money laundering, and control and monitoring of chemicals; it does not include development programs related to the prevention or reduction of illicit drug crops, production or trafficking of drugs, or evaluation programs.

All national agencies that comprise the National Commission for the Study and Prevention of Drug-related Crimes (CONAPRED) are involved in the approval and execution of the National Anti-Drug Strategy. The executive branch is responsible for the official launch and the Plan is implemented by all agencies in CONAPRED. Panama reports that the different entities involved in executing the strategy operate at the regional, provincial and, in some instances, municipal levels. The country currently does not have a decentralization process for national anti-drug policies.

Panama indicates that there is no State-allocated budget for financing the National Anti-drug Strategy. The strategy is financed with funds that are seized by application of Law No. 23<sup>3</sup>, civil society contributions, and international cooperation.

The following table shows the distribution of financing for projects approved by CONAPRED, according to different areas identified in the National Anti-drug Strategy:

**Budget for the National Anti-drug Strategy 2004–2006**

Area	Approved Budget (US\$)			Executed Budget(US\$)		
	2004	2005	2006	2004	2005	2006
Demand Reduction	471,907.85	376,300.29	1,088,631.13	227,302.61	134,523.43	301,454.97
Supply Reduction	—	734,560.00	1,183,050.00	—	597,105.71	146,361.15
Money laundering	—	—	5,720.00	—	—	5,520.00
Institutional Strengthening Projects and Cross-Cutting Projects	—	36,000.00	57,500.00	—	—	37,940.56

<sup>2</sup> Purchasing Power Parity

<sup>3</sup> Law No. 23 of 30 December 1986, reformed, amended and supplemented by Law No. 13 of 27 July 1994.



CONAPRED is the national authority that coordinates national anti-drug policies in Panama and was created pursuant to Law No. 23, which provides the legal foundation for this Commission.

CONAPRED is responsible for coordinating actions in the areas of demand reduction, supply reduction, control measures, drug observatory, international cooperation, and program evaluation. It covers the coordination of all activities related to prevention, treatment, rehabilitation, social reintegration and suppression of drug-related crimes. It does not, however, coordinate development programs related to the prevention or reduction of illicit crop cultivation, drug production or trafficking.

The Executive Secretariat of CONAPRED was established pursuant to Resolution No. 4 of the Office of the Attorney General as part of the government's public administration, and is administratively attached to the Office of the Attorney General.

The Office of the Attorney General coordinates CONAPRED's administrative affairs as well as funds originating from the confiscated proceeds of drug-related crimes. The amounts allocated to CONAPRED's budget in 2004, 2005, and 2006 are detailed in the following table.

**Budget of the Executive Secretariat of CONAPRED**

Fiscal Year	Proposed Budget (US\$)	Total Budget Received (US\$)
2004	US\$ 171,836.00	US\$ 175,683.00
2005	US\$ 149,287.00	US\$ 151,749.00
2006	US\$ 146,043.00	US\$ 147,262.00

Panama indicates that the budget is not adequate; the Executive Secretariat of CONAPRED requires a larger budget for human resources and adequate infrastructure, taking into account the breadth of its functions.

**CICAD recognizes that Panama has a national anti-drug strategy and a national coordinating entity. However, CICAD notes with concern that financing for implementation of the national strategy depends solely on seizures from drug-related crimes. CICAD notes that Panama's national anti-drug strategy does not include the critical area of program evaluation, and encourages the country to consider including it when the strategy is revised.**

### **RECOMMENDATION:**

1. **ALLOCATE, WITHIN THE NATIONAL BUDGET, APPROPRIATIONS TO SUPPORT SUSTAINABLE IMPLEMENTATION OF PANAMA'S NATIONAL ANTI-DRUG STRATEGY, A RECOMMENDATION REITERATED FROM THE THIRD EVALUATION ROUND, 2003–2004.**



## B. International Conventions

Panama has ratified the following Conventions:

- Inter-American Convention on Mutual Assistance in Criminal Matters, 1992. Adopted on 23 May 1992, with one reservation.<sup>4</sup>
- Inter-American Convention against Corruption, 1996 (29 March 1996).
- Inter-American Convention against Illicit Manufacturing of and Trafficking in Firearms, Ammunition, Explosives and Other Related Materials (CIFTA), 1997 (14 November 1997).
- United Nations Single Convention on Narcotic Drugs, 1961, as amended by the 1972 Protocol (25 March 1972).
- United Nations Convention on Psychotropic Substances, 1971 (21 February 1971).
- United Nations Convention on the Law of the Sea, 1982 (1 July 1996).
- United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988 (1988).
- United Nations Convention against Transnational Organized Crime, 2000 (13 December 2003), and its three Protocols:
  - Protocol against the Smuggling of Migrants by Land, Sea and Air (13 December 2003).
  - Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children (13 December 2003).
  - Protocol against the Illicit Manufacturing of and Trafficking in Firearms, Their Parts and Ammunition (5 October 2001).
- United Nations Convention against Corruption 2003 (11 December 2003).

In accordance with the conventions ratified by Panama, the country reports that on July 13, 2005 it enacted Law 19, "On prevention, control and oversight measures in connection with the production, preparation and other activities involving controlled chemical substances and precursors in Schedules I and II of the Vienna Convention of 1988", which establishes controls on the diversion of controlled chemical substances in Panama.

Panama reports that it signed bilateral cooperation agreements in 2005, as follows:

**Bilateral Cooperation Agreements 2004–2006**

YEAR	AGREEMENT TITLE	COUNTRY
2005	<b>Treaty on Mutual Legal Assistance in Criminal Matters</b> (signed in Panama on May 28, 2004 and approved by Law 1 January 7, 2005 / Official Gazette No. 25.219 of January 18, 2005)	Peru
	<b>Agreement on Mutual Legal Assistance in Criminal Matters</b> (signed in Panama on August 1, 2005 and approved by Law 45 December 7, 2005 / Official Gazette No. 25.442 of December 12, 2005)	Paraguay

<sup>4</sup> "The Republic of Panama does not consider itself bound to extend the actions of seizure or forfeiture of property envisaged under Article XV of the present Convention, to the extent that such actions violate the provisions of Article 30 of the Constitution of the Republic, which prohibits the seizure of property as a penalty".





In addition, the country specifies that in the absence of a bilateral treaty on mutual legal assistance with another country, Panama attends to requests for judicial assistance on the principle of reciprocity, so as to prevent impunity of crimes.

**CICAD recognizes that the country has ratified all international conventions on drugs that comprise the international judicial framework of the MEM, and has signed bilateral cooperation agreements with two countries during the current evaluation period. Furthermore, CICAD recognizes the enactment of Law No. 19, which seeks to control the use and handling of chemical substances that are used in the country or enter the country in transit.**

### C. National Information System

The Executive Secretariat of the National Commission for the Study and Prevention of Drug-related Crimes (CONAPRED) coordinates the Panamanian Observatory on Drugs, which organizes drug-related statistics and other drug-related information. Panama reports that the main obstacle to fulfilling this task is that the information is disseminated among the various public and private entities involved in the drug control field because it does not have an integrated information system.

Panama provides information to the Uniform Drug Supply Control Statistical System (CICDAT) of the Inter-American Drug Abuse Control Commission (CICAD). Furthermore, it reports drug-related statistics to the International Narcotics Control Board (INCB) and answers the questionnaire for the Annual Report of the United Nations Office on Drugs and Crime (UNODC). Panama has organized collections of drug-related documents.

The country reports that it disseminates and distributes information related to the drug problem, including information on prevention, treatment and rehabilitation. The country also has a help line that provides drug-related information to the general public and offers guidance to callers on this matter. The help line is a White Cross service that receives an estimated 3,600 calls each year. The country does not have a specific budget to disseminate information on the drug problem.

**CICAD recognizes that Panama has an Observatory on Drugs, but notes that the country lacks an integrated system for ready access to data and statistics on drugs, as well as a budget for disseminating drug-related information.**

### **RECOMMENDATION:**

2. ESTABLISH AN INTEGRATED DRUG DATA AND STATISTICS SYSTEM THAT FACILITATES THEIR COLLECTION, ORGANIZATION, ANALYSIS, AND DISSEMINATION THROUGH THE PANAMANIAN OBSERVATORY ON DRUGS.

## II. DEMAND REDUCTION

### A. Prevention

Panama is implementing school-based prevention programs and community-based prevention programs for adults. However, the country is not implementing community-based drug prevention programs for out-of-school youth, working children, women, indigenous groups, the workplace or incarcerated individuals. In 2004, 2005, and 2006 programs were implemented at all formal school



levels nationwide, from pre-school to secondary level. The intervention methodology was the cascade effect and each program had an implementation manual.

**School-Based Drug Prevention Programs 2004–2006**

Key Populations	Coverage / Number of Participants	Description of type of program
<p>Students ages 5–7</p> <p><i>Beneficiaries:</i> Pre-school, first and second grade students in public schools across the country</p>	<p>36%</p> <p>The program's coverage was 30,329 students out of a total of 83,836 education students in the country.</p>	<p><b>Title: <i>Join the Winners [Únete a los Ganadores].</i></b></p> <p><i>General Objective:</i> for children to learn about taking care of their bodies and develop the life skills necessary to face the threats that arise in life.</p>
<p>Students ages 8–12</p> <p><i>Beneficiaries:</i> third and fourth grade students in public and private schools in the country.</p>	<p>5.2%</p> <p>The program's coverage was 20,080 students out of a total of 385,390 primary school students.</p>	<p><b>Title: <i>Smoke hunters [Cazadores de humo]</i></b></p> <p><i>General Objective:</i> to incorporate learning content focused on tobacco use prevention at all levels of formal education.</p>
<p>Students ages 12–17</p> <p><i>Beneficiaries:</i> adolescents from 12 to 17 years of age, and lower and upper secondary school teachers.</p>	<p>14 %</p> <p>The program's coverage was 72 schools out of a total of 518 secondary schools.</p>	<p><b>Title: <i>Youth against Crime [Jóvenes contra el delito]</i></b></p> <p><i>General Objective:</i> to prevent the use of drugs, violence and crime (from schools, with the active participation of the educational community, civil society and youth groups).</p>
<p>Students ages 10–13 (5th, 6th, 7th and 8th grades), parents, teachers. "We are Winners" Program (Law 57, National Drug Education Program).</p> <p><i>Beneficiaries:</i> students in 5th, 6th, 7th and 8th grades in public and private schools across the country. Parents, teachers of 5th, 6th, 7th and 8th grade students.</p>	<p>1,490 teachers</p>	<p><b>Title: <i>We are Winners [Somos Triunfadores]</i></b></p> <p><i>General Objective:</i> offer students knowledge so that they can develop healthy lifestyles and personal and social skills to face the dangers that commonly occur in their age group and environment.</p>

**Community-based drug prevention programs for adults 2004–2006**

Key population	Number of Participants	Description a type of program
<p>Community-based programs for adults</p> <p>Parent population at the education centers where prevention programs are implemented.</p>	<p>5,867</p> <p>Parents of participant families</p>	<p><b>Title: <i>Families United in Prevention [Familias unidas en la Prevención]</i></b></p> <p><i>General Objective:</i> provide training to parents and guardians in interpersonal strategies and techniques that will encourage childhood development.</p>



During the years 2004, 2005, and 2006, specialized training on drug abuse prevention, treatment and research was carried out through short refresher courses and in-service training:

**Short Refresher Courses on Drug Prevention and Treatment 2004–2006**

Title of short refresher or improvement courses	Subject	Participants	Number of participants		
			2004	2005	2006
• We Are All Winners	Prevention	Educators	600	1,490	—
• Minimum Standards of Treatment	Treatment	Health and Social Workers	—	45	—
• Project H90	Treatment	Social Workers and Drug Committees	4	6	7
• Prevention in the community	Prevention	Police Officers	—	—	28
• Drug Addiction Preventers	Prevention in Coclé and Panama	Teachers, parents, students	520	1,267	870
• Cycle of Conferences and Refresher Courses on Drug Use Prevention and Detection	Prevention	Educators, Police Officers, Specialists from non-governmental and governmental organizations.	—	—	75
• Refresher Workshop on Total Prevention	Prevention	Police Officers ( liaisons who implement preventive programs)	—	—	30
• Improper Drug Use Prevention Workshop	Prevention	Assisting Administrative Officers, University of Panama	85	168	115
• Total Prevention Education	Prevention	Educators	168	218	265
• Total Prevention Education	Prevention	Parents	135	167	214
<b>TOTAL</b>			<b>1,512</b>	<b>3,361</b>	<b>1,604</b>

Panama does not offer diplomas, certificates, university degrees or post-graduate MAs or doctorates in drug abuse prevention, treatment and research. Panama attended the regional training course on drug treatment in the framework of the Project “Treatment, Rehabilitation, Aftercare, and Vocational Training Network in Central America” (ADC AM/H-90) of the United Nations Office on Drugs and Crime (UNODC).

Panama believes that these training courses do not meet the national demand for professional training in prevention and treatment.

Panama performed evaluations of the “Smoke Hunters”, “Youth”, and “Life is an Adventure” substance abuse prevention programs in 2004, and assessed the processes and results in each instance. The evaluations were carried out in coordination with the Ministry of Education and CONAPRED, with financial support provided through international cooperation.



**CICAD views with satisfaction that Panama has implemented school-based drug prevention programs and community-based programs for adults. However, it also notes the absence of programs for university students, out-of-school youth, working children, women, indigenous groups, the workplace, and incarcerated individuals. CICAD notes that during the evaluation period Panama held short specialized training courses in prevention and treatment.**

### **RECOMMENDATIONS:**

3. **EXTEND THE COVERAGE OF PREVENTION PROGRAMS TARGETING PRIMARY AND SECONDARY SCHOOL STUDENTS.**
4. **DEVELOP PREVENTION PROGRAMS TARGETING OUT-OF-SCHOOL YOUTH.**

### **B. Treatment**

Panama reports that it has guidelines and regulations on standards of care for drug abuse treatment at the national, state and local levels, entitled “Standards of Operation and Care for Drug Abuse Treatment Centers,” which are mandatory according to Law No. 13.<sup>5</sup> Training workshops have been held to explain the standards to centers working in this area.

CONAPRED and the Ministry of Health are the national entities responsible for maintaining a national registry of treatment facilities and programs and the accreditation of treatment services. The country reports that the document “Standards of Operation and Care for Drug Abuse Treatment Centers” contains the methodology for accreditation of treatment centers. As part of the training phase for the “standards of care in drug abuse treatment,” Panama offered short refresher courses to the entities responsible for the application of those standards.

In Panama, there are three public programs and 52 private programs offering drug treatment modalities, based on ambulatory/out-patient services for both adults and minors of both sexes. In addition, there is one public residential/in-patient center and 17 private residential/in-patient centers, which target adults of both sexes.

**Drug Treatment Services\***

<b>Services</b>	<b>Public</b>	<b>Private</b>	<b>Geographic Coverage</b>
Network for early detection, outreach and referral of cases.	213	—	National
Detoxification	22	—	National
Treatment & rehabilitation	4	15	Provincial
Self-help groups	2	50	National

\* Panama indicates that some data are approximations given that statistics are not continuously updated.

<sup>5</sup> Law No. 13 of 27 July 1994 (Ministry of Health Decree of October 1996).



The country reports that it has treatment centers geared toward specific populations, such as women, adolescents and adolescent offenders:

- Women: one center named *Hogares Crea* (therapeutic community) with detoxification, treatment, rehabilitation and social reintegration services.
- Adolescents: the National Institute of Mental Health provides care through an out-patient program for adolescents of both sexes with drug abuse problems, with detoxification, treatment and rehabilitation services. Programs targeting adolescents, among others, are carried out by *Hogares Crea* and the Panamanian White Cross as well.
- Adolescent offenders: an NGO called the Anti-Drug Medical Education Foundation (FEMA) offers care to this group and refers them to other organizations, as appropriate.

The country indicates that, based on statistics from treatment centers, in 2005, a total of 1,217 patients were treated and 1,254 were admitted for treatment. In 2006, a total of 992 patients were treated and 1,124 were admitted for treatment. During the evaluation period there were 43 programs in operation each year. Two were initiated in 2004, while no new treatment programs were begun in 2005 or 2006.

**CICAD recognizes the country's progress in approving standards of operation and care and in developing instruments for registration and accreditation for drug abuse treatment and rehabilitation centers and treatment programs. CICAD encourages Panama to continue with its efforts to evaluate the quality of care, train staff, and conduct inspections at drug treatment centers.**

### **RECOMMENDATION:**

5. **EXTEND COVERAGE OF DRUG TREATMENT PROGRAMS TO PROVIDE ASSISTANCE TO THE POPULATION IN NEED THEREOF, A RECOMMENDATION REITERATED FROM THE THIRD EVALUATION ROUND, 2003–2004.**

### **C. Statistics on Consumption**

During the evaluation period (2005–2006), Panama did not carry out studies on the extent of drug abuse in either the general population or specific populations.

In the table below, Panama reports the findings of a study of the general population conducted in 2003 on age of first use of drugs and the link between perceived risk and trends in drug use; the results of this study were not reported during the Third Evaluation Round.



**Age of First Use of Drugs Estimate in the general population, 2003**

General Population Survey (12–65 years old) 2003	Average <sup>(1)</sup>			Medium <sup>(2)</sup>		
	Type of Drug	M	F	Total	M	F
Alcohol	16.93	19.04	17.99	17.00	18.00	18.00
Tobacco	17.11	17.83	17.40	17.00	17.00	17.00
Solvents & Inhalants	17.20	15.60	16.78	17.00	14.00	15.00
Marijuana	17.76	18.94	18.05	17.00	18.00	18.00
Basuco, or coca paste	19.67	24.24	22.34	17.00	21.00	20.00
Cocaine HCL	19.82	20.31	19.95	18.00	20.00	19.00

<sup>(1)</sup> **Weighted average:** Average age of persons of both genders. Method of calculations is as follows: Add ages of males and females and divide by the total number of persons (both genders) in the group.

<sup>(2)</sup> **Medium:** A value representing no more than 50% of the observations, and is exceeded by no more than 50% of the observations when these are ordered according to their magnitude. For example, if the ages of five children (from the youngest to the oldest) are 7, 8, 10, 15, and 16, the medium would be 10 (Note that the average would be 11.2).

**Percentage of youths that perceive drug use as harmful to their health and well-being  
Student Survey, 2003**

Category	% of those surveyed who believe that persons who carry out the following activities are at a moderate or great risk (or who think that it is quite harmful or very harmful):
Occasionally smoke cigarettes	58.8
Often smoke cigarettes	85.1
Often drink alcoholic drinks	79.5
Get drunk	79.7
Occasionally take non-prescribed tranquilizers/stimulants	63.4
Often take non-prescribed tranquilizers/stimulants	73.7
Occasionally inhale solvents	63.9
Often inhale solvents	75.8
Occasionally smoke marijuana	71.8
Often smoke marijuana	87.0
Occasionally take cocaine or crack	81.0
Often take cocaine or crack	87.4
Occasionally take ecstasy	75.5
Often take ecstasy	83.9



In 2004, 2005, and 2006, Panama had a forensic medicine register of deceased persons, which shows the association between drug use and cause of death based on the CIE-10 classification system.<sup>6</sup> However, there is no system in place to collect data on drug content or drug toxicity levels in the body associated with drug-related mortality.

**Registry of deaths that indicated drug use, 2005**

Type of drug	Male	Female	Total population
Alcohol	34	4	38
Tranquilizers, sedatives and depressants	1	1	2
Other drugs	7	2	9
All substances of abuse	42	7	49

Panama indicates that there is no estimate of drug or alcohol use by recent arrestees prior to their arrest, and no records are kept on drug- or alcohol-related accidents in the workplace.

The country reports that it has records on alcohol- and drug-related traffic accidents; it does not provide information on the percentage of traffic accidents in which alcohol and/or drugs were a contributing factor in 2004, 2005, and 2006.

Regarding guidelines, norms or regulations on prevention activities related to alcohol-related accidents, Panama has established such guidelines at a national level. These guidelines are of a voluntary nature and are implemented through the transmission of alcohol-abuse prevention messages, known as "*En este Carnaval voy seguro con el conductor designado*" ("This Carnival I'm riding safe with a designated driver"). Among the country's prevention activities, nationwide prevention campaigns have been developed in the media. These campaigns have been undertaken by the police, the media and the Traffic Directorate and are targeted at drivers of public transport and natural persons.

**CICAD recognizes that Panama has estimates on the number of drug-related deaths. However, CICAD notes that during the period under evaluation the country did not carry out studies on drug use in specific populations, and encourages the country to conduct periodic school-based studies to measure drug use.**

### **RECOMMENDATION:**

6. IMPLEMENT A STUDY TO ESTIMATE THE MAGNITUDE OF DRUG USE IN SCHOOLS.

## **III. SUPPLY REDUCTION**

### **A. Drug Production**

There is no system in place in Panama to detect or quantify the total area of illicit crops, and the country has not detected marijuana grown indoors. The country has no formal eradication program

<sup>6</sup> CIE-10: International Classification of Illnesses and Health Related Problems, Tenth Revision



for illicit marijuana crops. On the Las Perlas Archipelago, marijuana plantations covering very small areas have been identified. The Technical Judicial Police carry out joint operations with the National Maritime Service and the Air Force for the total eradication of plantations.

During the years 2004, 2005 and 2006, no illicit laboratories for organic or synthetic drugs have been detected in Panama.

**CICAD notes that, while Panama has not reported cannabis production in significant quantities, it is important for the country to continue to monitor areas susceptible to use for illicit crop cultivation.**

## B. Control of Pharmaceutical Products

The laws and regulations to control pharmaceutical products in place in Panama include the following:

- Law No. 66, which constitutes the Health Code of the country;
- Law No. 23, "Import, handling and use of controlled substances";
- Decree No. 524 (following Law No. 23, some definitions are adopted in this Decree);
- Decree No. 284, "Import and re-export of controlled substances".

In accordance with these regulations, the country indicates that controls are in place for all pharmaceutical products that contain substances listed in the international conventions. The National Directorate of Pharmaceutical Products and Drugs of the Ministry of Health is the authority responsible for coordinating activities related to pharmaceutical control.

A mechanism is in place in Panama to monitor and prevent the diversion of pharmaceutical products destined for health professionals and entities (importers, exporters, manufacturers, distributors) authorized to handle these products. This mechanism, within the commercial sector, includes the following: import/export control; licensing control; monitoring distribution; inspection; administrative sanctions; registry of licensees; and registry of quantities of pharmaceutical products sold. Within the health sector, this mechanism also includes the control areas of license control; monitoring distribution; monitoring of prescriptions; inspection; administrative sanctions; and transfer of unusual cases detected by administrative authorities to judicial authorities. The country also reports that import, export and re-export permits are issued for psychotropic substances, narcotics and chemical precursors that are going to be used in the production of medicines.

The country has a system to compile information on administrative and regulatory activities and sanctions imposed in connection with the diversion of pharmaceutical products. The data presented in the following table was obtained through this system:



**Regulatory Activities to Control Pharmaceutical Products  
2004–2006**

Regulatory Activities	2004 <sup>(1)</sup>	2005	2006
<b>Number of licenses issued to:</b>			
Manufacturers	9	7	7
Distributors	79	61	66
<b>Number of permits issued to:</b>			
Importation	502	420	315
Exportation	682	461	297
<b>Number of inspections conducted:</b>			
Pharmacists	—	88	50
Distributors	—	5	3

<sup>(1)</sup> The country indicates that no data is available concerning the inspections carried out in 2004.

No training courses for personnel in the public and private sector involved in the handling of pharmaceutical products are offered in Panama.

The country reports that no automated information management system is in place to facilitate control of pharmaceutical products, therefore it is impossible to immediately access relevant information. This is one of the main obstacles faced by national entities in the effective control of pharmaceutical products.

National laws and regulations in Panama allow for the application of penal, civil, and administrative sanctions against the diversion of pharmaceutical products. During the year 2005, six administrative sanctions were applied for the diversion of pharmaceutical products, while two were applied in 2006. During the years 2004–2006, no penal sanctions were applied for the diversion of these substances.

Panama reports one seizure of 12,606.43 pseudoephedrine pills in 2004, and one seizure of 86,520.00 pseudoephedrine pills in 2006. During 2005 there were no seizures involving pharmaceutical products.

Regarding activities pertaining to the sale and distribution of controlled pharmaceutical products or other drugs over the Internet, Panama indicates that it has not adopted legislative and/or administrative measures to control pharmaceutical product sales over the Internet. Panama reports that no activities or programs have been carried out in the country with the aim of increasing awareness among administrative, regulatory, judicial, law enforcement, postal, customs or other authorities regarding the illicit sale of pharmaceutical products and other drugs over the Internet.

**CICAD views with satisfaction that the country has regulatory standards to control, sanction, and prevent the diversion of pharmaceutical products. However, CICAD notes that Panama has not implemented an electronic data management system that would facilitate control of pharmaceutical products.**



**CICAD notes that the country does not have regulations or specific mechanisms in place to prevent and control the illicit traffic of pharmaceutical products and other drugs over the Internet.**

### **RECOMMENDATIONS:**

7. CARRY OUT TRAINING AND RESEARCH ACTIVITIES RELATED TO THE PREVENTION AND CONTROL OF ILLICIT TRAFFIC OF PHARMACEUTICAL PRODUCTS AND OTHER DRUGS VIA THE INTERNET, WHICH WILL ENABLE THE COUNTRY TO IDENTIFY ITS REGULATORY AND OPERATIVE NEEDS.
8. IMPLEMENT AN AUTOMATED SYSTEM FOR TIMELY MANAGEMENT OF INFORMATION TO FACILITATE CONTROL OF PHARMACEUTICAL PRODUCTS BY THE COMPETENT ENTITIES.

### **C. Control of Chemical Substances**

Law No. 19<sup>7</sup>, “On prevention, control and oversight measures in connection with the production, preparation and other activities involving controlled chemical substances and precursors in Schedules I and II of the Vienna Convention of 1988”, establishes controls to prevent the diversion of chemical substances subject to control in Panama. This Law includes pre-export control mechanisms for controlled chemical substances in the Colon Free Zone Project, as recommended by the MEM in the Second Evaluation Round, 2001–2002.

A mechanism is in place in Panama to monitor and prevent the diversion of controlled chemical substances used by natural and legal persons in accordance with Law 1 of January 10, 2001 and Executive Order 178 of July 12, 2001. This mechanism controls all chemical substances listed in Schedules I and II of the Vienna Convention of 1988, as well as any other substances recognized by international or domestic agreements, including lawful mixtures usable as precursors or essential chemicals in processing drugs for illicit use.

The Unit for Controlled Chemical Substances (UCQ), an interagency unit assigned to CONAPRED, is the legal entity that carries out administrative controls and investigates users of chemical precursors and controlled chemical substances. The UCQ is staffed by members of the Judicial Technical Police, the Directorate of Customs, the National Police, the National Directorate of Pharmaceutical Products and Drugs, the National Maritime Service, and from any other government agency which, in accordance with its responsibilities, should play a role in the control of chemical substances.

Training courses are offered in Panama for administrative, police and customs officers in the control of the diversion of chemical substances. The training seminars and courses for officials working in the area of chemical substance control are offered by international agencies, such as the United Nations and CICAD, as well as foreign government agencies, such as the Drug Enforcement Administration (DEA) of the USA, in conjunction with CONAPRED. These courses, according to the country, meet the demand for training in this area.

With the aim of facilitating the control of diversion of chemical substances, Panama has an automated system in place for the secure and efficient handling of information. The UCQ has a database containing all the necessary information to monitor companies that manage controlled chemical substances.

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<sup>7</sup> Law No. 19 enacted 13 June 2005.



Regulatory norms allow for the application of penal, civil and administrative sanctions for the diversion of controlled chemical substances. In 2004, two penal sanctions were applied; none were applied in 2005; and one was applied in 2006. In the 2004 and 2005, no administrative sanctions were applied, while a total of 11 were applied in 2006.

Panama reports that during the year 2005, the companies that handle controlled chemical substances were visited with the aim of explaining the procedures to follow when Law No. 19 (Chemicals Law) came into force.

Panama exports controlled chemical substances, as well as handling these substances in-transit.

**Number of Pre-export Notifications Issued 2004–2006**

Importing/ Transit Countries	2004	2005	2006
Puerto Rico	0	0	6
Nicaragua	8	1	19
Dominican Republic	13	5	3
Colombia	2	0	13
Spain	1	1	5
Costa Rica	0	0	9
El Salvador	0	0	2
<b>Total</b>	<b>24</b>	<b>7</b>	<b>57</b>

The country indicates that all pre-export notifications sent by Panama were approved by the importing or transit countries during the years 2004–2006.

Panama imports controlled chemical substances and handles them in transit. As an importing country of chemical substances, Panama reports that in the year 2004, it provided 23 timely replies to 24 of the pre-export notifications it received. In 2005, 7 timely replies were sent in response to all 7 pre-export notifications received that year. In 2006, 56 timely responses were sent to the 57 pre-export notifications received by the country.

With respect to the total number of pre-export notifications, Panama indicates that during 2004, five notifications were not approved, yet did not result in an investigation. During 2005, no notifications were rejected and none resulted in an investigation, and during 2006, one notification received by the country was not approved and resulted in an investigation, which was initiated that same year.

Panama reports the quantities of chemical substances seized and the number of seizures during the years 2004, 2005 and 2006 in the following table. The majority of seized chemical substances are not disposed of in the country, because, according to Panama, disposal procedures could harm the environment; therefore these substances are donated to government institutions and universities. Donations to these institutions are subject to CONAPRED approval. The country reports that a total of 3 metric tons of pseudoephedrine were incinerated, and that the incineration of 7 metric tons remains pending.<sup>8</sup>

<sup>8</sup> These 7 metric tons of pseudoephedrine have not been incinerated yet because the administrative proceedings required for this process are still being processed.


**Seizures related to Controlled Chemical Substances 2004–2006**

Controlled Chemical Substances	Number of seizures			Unit of measure	Quantities seized		
	2004	2005	2006*		2004	2005	2006*
Ergotamine Tartrate	0	0	1	Kg.	0	0	5
Potassium Permanganate	0	0	1	Kg.	0	0	350
Sulfuric Acid	0	0	1	L	0	0	37.85
Sodium Carbonate	0	0	1	Kg.	0	0	45.37
Pseudoephedrine <sup>9</sup>	1	0	1	tab	12,606.430	0	86,520

**CICAD recognizes Panama's efforts to control chemical substances through the enactment of Law 19 and seizure of large volumes of these substances, such as pseudoephedrine. CICAD encourages the country to continue its anti-diversion measures and to maintain an ongoing refresher training program for staff of the entities involved in controlling the diversion of chemical substances.**

## IV. CONTROL MEASURES

### A. Illicit Drug Trafficking

Data on drug seizures carried out by Panama during the years 2004–2006 is reported in the table below. According to data reported by the country, in 2006 there was a significant increase in the seizures of ecstasy, heroin, and crack over the previous year, and fewer seizures of cocaine base and cannabis grass.

**Number of Seizures and Quantities of Drugs Seized 2004–2006**

Type of drug	Number of seizures			Quantities of drugs seized		
	2004	2005	2006	2004	2005	2006
Heroin	7	12	11	55.92 Kg.	42.39 Kg.	81.76 Kg.
Cocaine base	—	—	1	—	—	1.54 Kg.
Cocaine hydrochloride	48	29	49	3,294.59 Kg.	16,127.15 Kg.	12,518.01 Kg.
Crack cocaine	209	212	262	3.98 Kg.	4.17 Kg.	8,323.98 Kg.
Leaf cannabis (grass)	5	18	37	1,129.20 Kg.	14,342.95 Kg.	7,209.88 Kg.
Amphetamine/methamphetamine	1	0	0	1,500,000.88 Kg.	0	0
MDMA (ecstasy) and derivatives	0	1	4	0	1,200 pills	3,448 pills

<sup>9</sup> The seizures of pseudoephedrine reported in this table are the same that have been reported in the sub-chapter on pharmaceutical products. This data is reported in both chapters, as pseudoephedrine is a pharmaceutical product commercialized in tablets, however its active component is a chemical substance and is part of the United Nations list (Chart I) of controlled chemical substances.



Panama indicates that 209 people were formally charged with illicit drug trafficking in 2004; 165 were charged in 2005; and 103 were charged in 2006. Regarding the number of persons convicted of illicit drug trafficking, the country reported 165 convictions in 2004, 142 in 2005, and 63 in 2006.

The number of public officials formally charged with acts of corruption related to illicit drug trafficking was as follows: 18 in 2004, seven in 2005, and 20 in 2006. During that same period, nine public officials were convicted in 2004, six in 2005, and seven in 2006.

The country reports that the number of public officials formally charged with crimes related to illicit drug trafficking was three in 2004, six in 2005, and one in 2006. Regarding convictions for this offense, one was reported in 2004, six in 2005, and one in 2006.

The following table contains information on the number of persons formally charged with and convicted of illicit possession of drugs in Panama:

**Number of persons formally charged with and convicted of illicit possession of drugs 2004–2006**

Year	2004	2005	2006
Number of persons formally charged	2,046	1,688	1,883
Number of persons convicted	1,256	1,108	1,120

Panama does not have laws or regulations that permit the possession of drugs for personal use, either at the national or provincial level. No laws or regulations exist in Panama establishing exceptions to the definition of the offense of possession for personal use. Likewise, no judgments have been issued in the country that found possession for personal use lawful. The legal or judicial criteria may be used to distinguish between possession for personal use and possession for illicit trafficking purposes.

When a person is formally charged with or convicted of illicit possession for personal use or illicit trafficking, there are alternative sentencing measures. These measures have been applied in Panama and their results have been evaluated (75% of the persons to whom the measures were applied, completed them). The applied alternative measures include fines, conditional suspension of sentence, public or private reprimand, and curative security measures. The following table provides information on the number of persons to whom these measures have been applied:

**Number of persons who received alternative sentencing measures 2004–2006**

Year	Fines	Conditional suspension of sentence	Public or private reprimand	Curative measures
2004	315	150	27	64
2005	309	152	23	65
2006	134	43	2	68

The following table contains information on the number of persons arrested for, formally charged with, and convicted of illicit possession of drugs for personal use:



**Number of Persons arrested for, formally charged with and convicted  
of illicit drug possession for personal use  
2004–2006**

Year	Persons arrested	Persons formally charged	Persons convicted
2004	13	8	6
2005	2	23	21
2006	6	7	2

Regarding the means used to promote or facilitate timely operational information exchange within the country and collaboration among authorities responsible for controlling illicit drug trafficking, Panama reports that immediate inter-agency meetings have been held, under the direction of the Office of the Prosecutor for Drug-related Crimes, as well as an exchange of information via e-mail and communication. Among the principal achievements in applying these means, the country highlights that it has succeeded in attaining more effective operational control, greater efficiency in results of operations, and generating better inter-personal relations, which ensures the effectiveness of operations, due to inter-agency confidence.

At the international level, Panama reports that the primary achievements accomplished through exchange of operational information and cooperation with other countries have been assured effectiveness of the necessary judicial proceedings, increased efficiency in processing the measures requested, and the cultivation of relations between officials in different countries, which increases confidence and, therefore, ensures the effectiveness of the procedures requested. As with efforts to exchange information at a national level, the obstacles encountered to ensuring the exchange at the international level are likewise related to the lack of equipment.

The number of judicial cooperation requests regarding illicit drug trafficking made by Panama to other countries and received by Panama from other countries are found in the following table:

**Judicial Cooperation Requests 2004–2006**

Judicial Cooperation Requests	Made by Panama to other countries		Received by Panama from other countries	
	Number of requests	Number of replies granting the request	Number of requests	Number of replies granting the request
<b>2004</b>	34	5	49	28
<b>2005</b>	27	0	50	30
<b>2006</b>	20	0	28	18

The Ministry of Foreign Affairs is the communications channel between Panamanian and foreign authorities for submitting requests for extradition to other countries. In 2004 the country made one request for extradition in an illicit drug trafficking case, yet did not receive a reply to this request. In 2005, Panama made three requests and received two replies. Finally, in 2006, no request was made, yet two replies were received granting extradition requests presented previously.



The impediments encountered in making extradition requests in illicit drug trafficking cases included, in some cases, problems concerning the formal requirements to be met for the preventive detention of a person with a view to their extradition, and the subsequent formalization of that process. Panama reports that it has extradition treaties with Colombia, Spain, the United States of America, Mexico, Peru, the United Kingdom of Great Britain and Northern Ireland, and the Ukraine.

The extradition of nationals is not permitted in Panama under national law, nor do exceptions exist for illicit drug trafficking cases or other transnational crimes. Although the Constitution of Panama provides that Panamanian nationals are not subject to extradition, the judicial code and the specialized law on drug-related crimes provides that if extradition is denied on the basis of nationality or any other legal grounds, the person whose extradition is sought shall stand trial in the Republic of Panama as if the crime of which they are accused had been committed in Panamanian territory.

The Ministry of Foreign Affairs is the central authority responsible for receiving processing and ruling on, in first instance, requests for extradition. The final decision rests with the President and the Executive Branch. In 2004, Panama received 17 requests and extradited nine persons for drug-related crimes. In 2005, 15 requests were received and nine persons were extradited. In 2006, 18 requests were received and 10 were granted. Among the reasons cited by Panama for not granting the extradition requests in illicit drug trafficking cases, the country reports that in 2005 and 2006 two requests were rejected by the Supreme Court of Justice: in one case, the extradition of a national was requested, and in the other, the request failed to comply with some special requirements.

Briefing sessions on illicit drug trafficking have been held in Panama for law enforcement, security, customs officers, prosecutors and the judiciary. The country indicates that these courses satisfied the training needs in the country. Nevertheless, the country reports that additional specific training needs exist. Panama observes that it is essential to organize intensive specialized courses so that the agencies that fight drug trafficking and related crimes receive training on specific points related to: investigations of chemical and anabolic precursors; money laundering; drug trafficking modalities and new technologies in the fight against drug trafficking; policing techniques implemented against organized crime; and analysis of new organized crime structures.

**CICAD recognizes Panama's efforts to control illicit trafficking and to facilitate the exchange of operational information among agencies concerned with illicit trafficking, as well as the country's response to requests for legal cooperation and extradition, and encourages the country to continue with its efforts.**

**CICAD views with satisfaction that the country has introduced controls and registries on persons and public officials formally charged with and convicted of illicit drug trafficking and related acts of corruption.**

**CICAD notes the delay in the execution of alternative sentencing measures of a curative nature, and encourages the country to step up efforts to ensure the rehabilitation of persons to whom this type of curative measure has been applied.**

## **B. Firearms, Ammunition, Explosives and other Related Materials**

Panama's Ministry of Interior and Justice is the entity responsible for issuance of import and in-transit licenses and authorizations, cancellation of licenses and authorizations, and information exchange among relevant entities within the country and in other countries regarding firearms, ammunition, explosives and other related materials. In Panama, there is no issuance of export licenses, due to the fact that these products are not manufactured or assembled in the country. The Ministry of the



Interior and Justice, the Ministry of Economy and Finance (through the General Customs Directorate and the Real Estate and Property Bureau), and the Security Forces are responsible for confiscation or forfeiture of illicitly trafficked firearms, ammunition, explosives and other related materials.

Panama indicates that it has not encountered obstacles to ensuring the exchange of information and effective collaboration among the previously mentioned competent national authorities.

Law No. 48<sup>10</sup> criminalizes the illicit trafficking in and manufacture of firearms, ammunition, explosives and other related materials and imposes criminal and administrative sanctions for non-compliance. Chapter VII "Possession of and Trafficking in Prohibited Weapons", Articles 264F to 264J of Book II, Title VII "Crimes against Collective Security" of the Criminal Code of the Republic of Panama was added to this Law.

Panama reports the number of persons formally charged with or convicted of illicit possession and trafficking of firearms, ammunition, explosives and other related materials in the following table:

**Number of Persons formally charged with and convicted of illicit trafficking in firearms, ammunition, explosives and other related materials. 2004–2006**

Year	Number of persons formally charged	Number of persons convicted
2004	123	73
2005	123	72
2006	172	115

With respect to administrative controls on the importation, exportation and in-transit movement of firearms, ammunition, explosives and other related materials, Panama provides the following information:

- Tax Code: Law No. 14, Decree No. 2, establishes the administrative controls for the importation of firearms, ammunition, explosives and other related materials. The sanction for non-compliance is the cancellation of the license, which was applied on one occasion between the years 2004 and 2006, in a case of imported explosives.
- Tax Code: Law No. 16 establishes the controls for in-transit movement of firearms, ammunition, explosives and other related materials. No information is provided on the type of sanctions for non-compliance.
- Panama reports that export licenses for firearms, ammunition, explosives and other related materials are not authorized in the country.

Tax Code: Law No. 14, and Law No. 16, establish the requirement that Panama issue import and in-transit licenses or authorizations prior to permitting the entry of a shipment of firearms, ammunition, explosives and other related materials. Panama indicates that, during the years 2004–2006, the entry of a shipment of other related materials was not permitted, given that the necessary licenses

<sup>10</sup> Law No. 48 of 30 August 2004.





were not previously issued. This incident was related to the shipment of gunpowder and other components used for recharging ammunition.

In Panama, the exportation of firearms, ammunition, explosives and related materials is not authorized, due to the fact that these articles are not manufactured or assembled in the country. Nevertheless, Tax Code: Law No. 16 stipulates that, prior to Panama authorizing the embarkation of firearms, ammunition, explosives and other related materials, the in-transit, importing or receiving country is required to first issue the necessary licenses or authorizations.

Panama reports that the number of persons arrested for illicit drug trafficking in connection with confiscations of illicitly trafficked firearms, ammunition, explosives and other related materials was 210 in 2004, 254 in 2005, and 990 in 2006, and that the number of cases or operations was 239 in 2004, 568 in 2005, and 560 in 2006.

There is a national record keeping system in place in Panama (by date, description and serial or lot number) of the importation, exportation and transit of firearms, ammunition, explosives and other related materials. The records contained in this system have been kept since the year 2000. All of the information, according to the country, is found in the archives of the Directorate for Public Security Matters of the Ministry of the Interior and Justice. None of the registers, whether of firearms, ammunition, explosives or other related materials, are computerized.

The national entities responsible for the exchange of information and collaboration with agencies in other countries regarding the control of firearms, ammunition, explosives and other related materials include:

- National Committee for the Analysis of Criminal Statistics (CONADEC) of the Ministry of the Interior and Justice (shares information on statistics);
- Directorate for Public Security Matters (shares information on statistics and inventories with other institutions);
- Technical Judicial Police (shares information on the registration of firearms, issuance of permits, and statistics);
- National Police (shares information on the official firearms depot, statistics and inventories);
- Fire Department (shares information on the official explosives depot, statistics and inventories); and
- Customs Directorate (responsible for the nationalization of authorized merchandise).

In Panama, inter-agency committees, joint forces/operations, joint training and inter-agency information and communication systems/networks are used to facilitate information exchange between national institutions and similar entities in other countries.

**CICAD recognizes that the country has a legal framework for the control of firearms, ammunition, explosives, and other related materials in order to prevent their diversion. CICAD also recognizes that there is a mechanism for exchange of information and cooperation with entities in other countries. Panama also maintains registers on the importation, exportation, and transit of firearms, ammunition, explosives, and other related materials, but CICAD notes with concern that these registers are not computerized.**

**CICAD recognizes that Panama has in place controls on in-transit movement of firearms, ammunition, explosives, and related materials as provided in Law 16 (Tax Code). However, CICAD notes with concern that the law does not provide any type of punitive measures for breach of regulations.**



## **RECOMMENDATIONS:**

9. INCLUDE IN THE LEGAL FRAMEWORK PUNITIVE MEASURES FOR FAILURE TO COMPLY WITH REGULATIONS ON IN-TRANSIT MOVEMENT OF FIREARMS, AMMUNITION, EXPLOSIVES, AND RELATED MATERIALS.
10. IMPLEMENT A COMPUTERIZED REGISTRATION SYSTEM FOR THE IMPORT, EXPORT, AND IN-TRANSIT MOVEMENT OF FIREARMS, AMMUNITION, EXPLOSIVES, AND RELATED MATERIALS.

### **C. Money Laundering**

Panama has criminalized money laundering as an autonomous offense; no conviction for a predicate offense is needed in order to investigate, prosecute and convict for the generic crime of money laundering.

Under Panamanian law the following are predicate offenses for money laundering: international bribery, violation of copyright and related rights, crimes against industrial property or against humanity, drug trafficking, illicit association to commit drug-related crimes, fraud, financial crimes, illegal trafficking in firearms, human trafficking, kidnapping, extortion, embezzlement, homicide for hire or reward, crimes against the environment, corruption of public officials, illicit enrichment, terrorism, financing terrorism, pornography and corruption of minors, trafficking and sexual exploitation of persons for commercial gain, vehicle theft or contraband. The crimes of organ trafficking, pornography and prostitution are not included.

The country reports that the crime of money laundering extends to predicate conduct or offenses that occur in other countries, as well as in Panama, and that Panamanian law would apply in either circumstance. In other words, the principal of double criminality applies, as established in Articles 18–21 of the Criminal Code. The Panamanian legal framework provides for criminal sanctions only for individuals.

The laws in force in Panama allow the use of special investigation techniques to combat money laundering, such as undercover police operations, electronic surveillance, the use of informants, monitored delivery, and plea bargaining.

These provisions also establish administrative controls to prevent money laundering applicable to banks, off-shore banks, money exchanges, the stock market, insurance companies, casinos, real estate brokerages, attorneys, accountants and negotiable bearer instruments. Only public notaries are not subject to these controls.

Panamanian law requires reporting institutions to have in place the necessary policies, procedures, internal controls, and communication mechanisms to prevent money laundering, and establishes the following obligations to be observed by individuals and legal entities as “obligated persons”: adequately identify customers, give statements or evidence to the oversight and control agency, examine suspicious transactions, report to the Financial Analysis Unit, ensure the confidentiality of reports, establish internal and communication controls, train personnel in detection techniques, and retain records for a period of 5 years.

Furthermore, the duties and responsibilities of oversight and control agencies in their respective sectors are to conduct special anti-money laundering (ALD/CFT) inspections, oversee the submission of affidavits, report suspicious operations to the Financial Analysis Unit, and impose sanctions, in addition to providing training to employees on customer due diligence, detection/identification of suspicious transactions, and reporting obligations.



During 2004–2006, Panama implemented measures for improving the national system to control money laundering, among them the inter-agency cooperation agreement on technical assistance and training signed by the National Securities Commission, the Superintendency of Banks and the Superintendency of Insurance on May 13, 2005.

Furthermore, Panama reports that in 2004, the Specialized Anti-money Laundering and Terrorism Financing (ALD/CFT) Department was created in the Colon Free Zone. This Department has been provided with staff that carries out inspections using the ALD/CFT methodology in the sector and imposes and enforces sanctions for breach of ALD/CFT rules. The country highlights the fact that it has adopted initiatives as a result of the ALD/CFT evaluation with the aim of reviewing and updating the different forms used by the obligated persons and the UAF.

Panama reports the number of persons formally charged with and convicted of money laundering in the following table:

**Persons formally charged with and convicted of money laundering 2004–2006**

<b>Year</b>	<b>Persons formally charged</b>	<b>Persons convicted</b>
<b>2004</b>	594	93
<b>2005</b>	687	108
<b>2006</b>	732	147

Panama has a Financial Analysis Unit for the Prevention of Money Laundering and Terrorism Financing (UAF), which is an administrative agency responsible for receiving, analyzing and disseminating information on suspected money laundering and terrorism financing transactions obtained from local private and public entities. It is also the agency responsible for the coordination of national efforts to combat these crimes. The UAF has a total staff of 40.

The responsibilities of the UAF are to compile information from public and private entities, analyze the information obtained, maintain statistical records, exchange information with similar agencies in other countries, provide information directly to the Attorney General, and provide assistance to investigating officials from the Office of the Attorney General and the Superintendency of Banks.

For the UAF, access to banking information must be authorized by a prosecutor or judge. The Unit may nonetheless share information with other state entities (through the Office of the Special Prosecutor for Drug-related Crimes) and with other similar foreign financial analysis units.

The UAF is a member of the Egmont Group and has signed Memoranda of Understanding (MOU) with 40 countries in the Americas, the Caribbean, Europe, and Asia.

During the years 2004–2006, training activities were carried out with feedback provided by the UAF to supervision and control agencies, such as the Colon Free Zone and the National Securities Commission.

Law 42-2000 establishes the general obligation for financial institutions to report to the UAF any act (including attempted transactions), transaction, or operation suspected of or linked to money laundering activities. Financial institutions have the obligation to report promptly all transactions that



are complex, large, unusual, or that have no apparent legal economic purpose, including those potentially linked or related to terrorism or terrorist acts.

Non-financial institutions, with the exception of casinos, are not obligated to report suspicious transactions.

Panama presents the following information with respect to suspicious transaction reports:

**Number of suspicious transaction reports received and investigated 2004–2006**

Year	Number of suspicious transaction reports received by the UAF	Number of suspicious transaction reports investigated by the UAF	
		Without merit	With merit
2004	738	58	636
2005	849	144	147
2006	934	465	158

The provisions on bank secrecy do not constitute obstacles to obtaining documents and financial records for the purpose of carrying out investigations and prosecution. Competent authorities have access, without any restrictions, to the confidential information of any person, natural or legal; furthermore, this information can be shared with other countries through the regular procedures of mutual cooperation.

The “Banking Law” of Panama provides the following: “the information about individual customers of a bank, obtained by the Superintendency in the exercise of its functions, can only be disclosed to the competent authorities in accordance with the law and in the context of a criminal proceeding”. In the context of criminal investigations, competent authorities have unrestricted access to confidential information from any person or corporation, and information can be shared with foreign countries through the normal mutual legal assistance procedures.

Panama reports the following number of suspicious transaction reports (STRs) that originated from requests made by the UAF to declaring entities, based on Article 2 of Law No.42 of 2000:

**Number of Suspicious Transaction Reports that Originated from Requests Sent by the UAF to Declaring Entities on Documents and Financial Records 2004–2006**

Year	Number of Money Laundering STRs	Number of requests to obtain documents of banks or other financial institutions	Number of cases in which documents and financial records were obtained
2004	751	716	709
2005	856	414	405
2006	945	571	325

Panamanian criminal procedural law provides for precautionary measures (preventive embargo, confiscation) in connection with investigations and proceedings for money laundering, the provisional and definitive seizure of property, and the confiscation of same if, at the end of the process, it is determined by judicial sentence that the property in question was connected with the crime in question.



Responsibility for managing confiscated money and assets lies with the National Commission for the Study and Prevention of Drug-related Crimes (CONAPRED), and that of seized assets with the Office for the Coordination of Impounded Property within the Office of the Prosecutor General of the Republic.

**Value of seized assets in cases of money laundering 2004–2006**

Year	Value of seized assets <sup>1</sup> (in US\$)
2004	US\$ 1,209,809.36
2005	US\$ 10,468,545.13
2006	US\$ 1,863,137.09

<sup>1</sup>: Data listed in previous chart refers to monies seized in drug related cases, money laundering being one of them. These amounts have not been added yet to CONAPRED's funds. Personal and real property are not appraised until a final sentence has been issued which would allow CONAPRED to dispose of them either by public auction or donating them.

In 2004, 2005 and 2006, Panama did not make any requests to other countries for preventive embargoes of property in cases of money laundering based on international treaties, nor did it receive any such requests.

Panamanian law does not provide for the extradition of nationals. In these cases, the law establishes that the citizen shall stand trial in the Republic of Panama as if the crime of which they are accused had been committed in Panamanian territory.

The processing of extradition requests is handled directly by the Ministry of Foreign Affairs, which is responsible for receiving and sending to the Office of the Attorney General requests for preventive detention for purposes of extradition. This is followed by the appeal phase before the Supreme Court of Justice, after which the case is submitted to the Executive Branch for a final decision.

**Extradition Requests sent by Panama to other States in connection with money laundering based on international agreements 2004–2006**

Year	Number of extradition requests sent by Panama	Number of replies granting the request
2004	1	0
2005	3	1
2006	0	2



**Extradition Requests received by Panama from other States in connection with money laundering based on international agreements 2004–2006**

Year	Number of extradition requests received by Panama	Number of replies granting the request
2004	17	9
2005	15	9
2006	18	10

**CICAD recognizes that the country has in place a legal framework to prevent, control, investigate, and impose administrative, civil, and criminal penalties for money laundering offenses.**

**CICAD notes with concern that the legal framework does not include the crimes of organ trafficking or pornography as predicate offenses of money laundering, nor does it include public notaries among those obligated to comply with administrative controls. CICAD encourages the country to extend the scope of the obligation to report suspicious transactions to other non-financial activities in addition to the casino industry.**

### **RECOMMENDATIONS:**

- 11. EXPAND THE LIST OF PREDICATE OFFENSES FOR MONEY LAUNDERING TO INCLUDE ALL CRIMINAL ACTIVITIES CONSIDERED SERIOUS CRIMES UNDER THE PALERMO CONVENTION (PUNISHABLE BY A MAXIMUM DEPRIVATION OF LIBERTY OF AT LEAST FOUR YEARS OR A MORE SERIOUS PENALTY), A RECOMMENDATION REITERATED FROM THE THIRD EVALUATION ROUND, 2003–2004.**
- 12. INCLUDE PUBLIC NOTARIES AMONG THOSE OBLIGATED TO COMPLY WITH ANTI-MONEY LAUNDERING ADMINISTRATIVE CONTROLS, A RECOMMENDATION REITERATED FROM THE THIRD EVALUATION ROUND, 2003–2004.**
- 13. EXTEND THE OBLIGATION TO REPORT SUSPICIOUS TRANSACTIONS TO NATURAL OR LEGAL PERSONS INVOLVED IN THE BUYING AND SELLING OF ART, ANTIQUITIES OR OTHER LUXURY GOODS, COLLECTIBLE STAMPS OR COINS, JEWELS, OR PRECIOUS STONES OR METALS.**



## CONCLUSIONS

CICAD views with satisfaction the implementation of the 2002–2007 National Anti-drug Strategy and notes that financing for the budget for implementation of the national strategy depends on seizures from drug-related crimes. Likewise, CICAD highlights the efforts of the country to ensure compliance with the international conventions ratified through the enactment of Law 19 on controlled chemical substances, complying with the recommendation assigned during the Second Evaluation Round, 2001–2002.

Regarding the national information system, CICAD recognizes that Panama has a Drug Observatory. However, it notes with concern that the country faces difficulties in integrating and centralizing information from agencies working in drug-related areas.

In the area of demand reduction, Panama carries out school-based and community-based (for adults) drug prevention programs nationwide and has organized short refresher courses on prevention and treatment. However, CICAD observes that these programs do not cover all schools and that certain key populations, such as out-of-school youth, are not included. The country has standards of care for drug abuse treatment as well as a methodology for the accreditation of treatment centers and evaluation of treatment and rehabilitation centers and programs. However, the coverage of care and treatment services has not been extended.

CICAD notes that the country has a legal framework in place to control, punish, and prevent the diversion of pharmaceutical products. Nonetheless, CICAD views with concern the fact that the country does not have an automated information management system that would facilitate control of pharmaceutical products by the competent entities.

CICAD recognizes Panama's efforts to control drug trafficking, as well as the fact that it has controls and records on persons and public officials charged with and convicted of illicit drug trafficking offenses and related acts of corruption. CICAD also values the responses to requests for judicial cooperation and extradition from other countries.

CICAD recognizes that the country has a legal framework and mechanisms for control of firearms, ammunition, explosives, and other related materials, in order to prevent their diversion. However, it notes that the country's laws provide no penalty of any kind for breach of those regulations that control transit of firearms.

The country has in place laws to prevent, investigate, and punish money laundering offenses. CICAD notes that public notaries are not subject to these controls and that the majority of non-financial economic activities are not obligated to report suspicious transactions. Likewise, CICAD notes that the legislation of Panama does not include the crimes of organ trafficking or pornography as predicate offenses of money laundering.

CICAD acknowledges Panama's efforts to carry out the National Anti-drug Strategy, as well as its valuable participation in the Multilateral Evaluation Mechanism (MEM) process.



## SUMMARY OF RECOMMENDATIONS

The following recommendations are assigned to Panama in order to assist the country in strengthening its policies to combat the problem of drugs and related activities and increase multilateral cooperation in the Hemisphere:

### INSTITUTIONAL STRENGTHENING

1. ALLOCATE, WITHIN THE NATIONAL BUDGET, APPROPRIATIONS TO SUPPORT SUSTAINABLE IMPLEMENTATION OF PANAMA'S NATIONAL ANTI-DRUG STRATEGY, A RECOMMENDATION REITERATED FROM THE THIRD EVALUATION ROUND, 2003–2004.
2. ESTABLISH AN INTEGRATED DRUG DATA AND STATISTICS SYSTEM THAT FACILITATES THEIR COLLECTION, ORGANIZATION, ANALYSIS, AND DISSEMINATION THROUGH THE PANAMANIAN OBSERVATORY ON DRUGS.

### DEMAND REDUCTION

3. EXTEND THE COVERAGE OF PREVENTION PROGRAMS TARGETING PRIMARY AND SECONDARY SCHOOL STUDENTS.
4. DEVELOP PREVENTION PROGRAMS TARGETING OUT-OF-SCHOOL YOUTH.
5. EXTEND COVERAGE OF DRUG TREATMENT PROGRAMS TO PROVIDE ASSISTANCE TO THE POPULATION IN NEED THEREOF, A RECOMMENDATION REITERATED FROM THE THIRD EVALUATION ROUND, 2003–2004.

### SUPPLY REDUCTION

6. IMPLEMENT A STUDY TO ESTIMATE THE MAGNITUDE OF DRUG USE IN SCHOOLS.
7. CARRY OUT TRAINING AND RESEARCH ACTIVITIES RELATED TO THE PREVENTION AND CONTROL OF ILLICIT TRAFFIC OF PHARMACEUTICAL PRODUCTS AND OTHER DRUGS VIA THE INTERNET, WHICH WILL ENABLE THE COUNTRY TO IDENTIFY ITS REGULATORY AND OPERATIVE NEEDS.
8. IMPLEMENT AN AUTOMATED SYSTEM FOR TIMELY MANAGEMENT OF INFORMATION TO FACILITATE CONTROL OF PHARMACEUTICAL PRODUCTS BY THE COMPETENT ENTITIES.

### CONTROL MEASURES

9. INCLUDE IN THE LEGAL FRAMEWORK PUNITIVE MEASURES FOR FAILURE TO COMPLY WITH REGULATIONS ON IN-TRANSIT MOVEMENT OF FIREARMS, AMMUNITION, EXPLOSIVES, AND RELATED MATERIALS.
10. IMPLEMENT A COMPUTERIZED REGISTRATION SYSTEM FOR THE IMPORT, EXPORT, AND IN-TRANSIT MOVEMENT OF FIREARMS, AMMUNITION, EXPLOSIVES, AND RELATED MATERIALS.





11. EXPAND THE LIST OF PREDICATE OFFENSES FOR MONEY LAUNDERING TO INCLUDE ALL CRIMINAL ACTIVITIES CONSIDERED SERIOUS CRIMES UNDER THE PALERMO CONVENTION (PUNISHABLE BY A MAXIMUM DEPRIVATION OF LIBERTY OF AT LEAST FOUR YEARS OR A MORE SERIOUS PENALTY), A RECOMMENDATION REITERATED FROM THE THIRD EVALUATION ROUND, 2003–2004.
12. INCLUDE PUBLIC NOTARIES AMONG THOSE OBLIGATED TO COMPLY WITH ANTI-MONEY LAUNDERING ADMINISTRATIVE CONTROLS, A RECOMMENDATION REITERATED FROM THE THIRD EVALUATION ROUND, 2003–2004.
13. EXTEND THE OBLIGATION TO REPORT SUSPICIOUS TRANSACTIONS TO NATURAL OR LEGAL PERSONS INVOLVED IN THE BUYING AND SELLING OF ART, ANTIQUITIES OR OTHER LUXURY GOODS, COLLECTIBLE STAMPS OR COINS, JEWELS, OR PRECIOUS STONES OR METALS.



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