

LAW No. 196
OF MONDAY, FEBRUARY 8, 2021

That creates a Special Regime for the Establishment of Operating and Developing Companies of Agroparks and dictates provisions for their operation.

THE NATIONAL ASSEMBLY DECREES:

Chapter I
Creation and Definitions

Article 1. Creation. The Special Regime for the Establishment of Operating and Developing Companies of Agroparks, is hereby created, with the purpose of developing a regulatory framework to fulfill the following objectives:

1. Encourage investments and the establishment of agroparks that contribute to the creation of development poles, which while forming the generation of agribusiness, promote the establishment of value chains based on national assets, in a geographic environment and under specific conditions.
2. Promote agri-food, agro-industrial and related services production, as well as industries related to the forestry sector, sea products and raw materials for the pharmaceutical industry in an efficient environment that promotes innovation.
3. Develop productive value chains with the adoption of environmentally sustainable high technologies, adding value through the transformation and/or processing of raw materials and their by-products.
4. Identify promoters with the ability to create markets, in order to promote the development of an exportable offer in line with global needs.
5. Encourage the participation of national and international development companies with proven experience in models similar to those set forth in this Law, who will advise agro-entrepreneurs and agro-industrialists by providing them with leading technology, as well as production, transformation, processing and recycling experiences.
6. Comply with national and international standards as well as with sanitary and environmental regulations to guarantee the safety, security and traceability of production.
7. Implement the use of agrotechnology in an efficient and environmentally sustainable manner, by adopting concepts of cleaner and sustainable production, good practices based on global production standards, post-harvest management and ensuring an integrated management of waste generated from the agricultural production process, in accordance with current legislation.
8. Establish associative mechanisms among agribusinessmen, service and agro-industrial entrepreneurs to facilitate business relationships among them and access to

redistributive benefits to the greatest number of people and individuals in the agriculture and export sector.

9. Guarantee the modernization of processes, procedures and permits to facilitate research, financing and promotion of the national agro-industry.
10. Promote investment in water, energy and communications aimed at having an impact on the development of value chains.
11. Support with agricultural health and safety services and the development of value added products from domestic agribusiness.
12. Promote the purchase of domestic raw materials throughout the territory of the Republic of Panama.
13. Optimize water resources in a sustainable manner, promoting increased resilience of the agricultural sector to climate change.
14. Promote the inclusion of agro-industrial research and development companies limited to agricultural or agro-industrial activities.

Article 2. Glossary. For the purposes of this Law and its regulations, the following terms are to mean as follows:

1. *Agroparks.* Physical spaces where different agri-food or related activities group together, in order to minimize production costs and maximize the value creation for national production through investments in technology, increasing the productivity and competitiveness of the Panamanian agri-food sector. Agroparks may contain several productive value chains.
2. *Agribusiness.* Integrated business system, focused on the consumer which includes the activities linked to agricultural products, including, but not limited to, primary production, processing, transportation, industrialization, selection, classification, packaging, preservation and distribution. For this business model, agriculture is a system of processes, of value chains, with multiple links, focused on satisfying consumer demand and preferences, whose actions are conditioned by the public purposes of the institutions and regulatory bodies in which they operate.
3. *Agro-industry.* Economic activity engaged in the production, industrialization and commercialization of agricultural, forestry, and other biological natural resources products. It includes value added through the transformation of national products from the agricultural, aquaculture, forestry or fishing sectors.
4. *Clusters.* Grouping through the associativity of agricultural producers, suppliers of inputs and interrelated services to minimize production costs, optimize learning and data exchange among all the agents that make up a productive value chain through the adoption of best practices and advanced technologies.
5. *Value chain.* Full range of firms and activities involved throughout the various steps of production to bring a product or service from its conception to the final customer and its subsequent disposal or recycling, each of which adds value to the product or service.

6. *Agropark Operating and Development Company*. Natural or legal person, national or foreign, that assumes responsibility for the investment, management, administration, operation, and supervision of the overall functioning of an agropark and is responsible for ensuring that the agricultural producers and/or the companies installed therein are provided with the optimal conditions to achieve the projected levels of productivity and competitiveness.
7. *Companies established in Agroparks*. National or foreign companies established within an agropark to develop the activities and services authorized by this Law and its regulations.
8. *Development pole*. Development pole. An area or territorial extension duly delimited and especially committed to foster the development of value chains and clusters using national production, and with the conditions to promote innovation, precision farming and to convert rural economies into value-added models.
9. *Agri-food production*. Chain of events covering all stages of agricultural food production, encompassing primary production, processing, marketing, distribution and final consumption activities.
10. *Producer joining an Agropark*. National or foreign producer who joins an agropark to develop primary activities planned by the Operating and Developing Company, in accordance with the provisions of this Law and its regulations.

Chapter II

Institutional Framework

Section 1.^a

National Agribusiness Directorate

Article 3. National Agribusiness Directorate. The National Directorate for Agribusiness, hereinafter DINAGRON, is hereby created within the Ministry of Agricultural Development, will be in charge of promoting, supervising and monitoring the development of agribusiness clusters throughout the national territory, based on the policy of promoting national production and generating added value.

DINAGRON will have a national director who will ensure compliance of the objectives and goals established in this Law.

Article 4. Directorate functions. The main functions of DINAGRON will be:

1. Prepare a plan to establish development poles including in their dynamics, among other management tools, the agropark modality, implying the use of State-owned assets or direct investment made by the State.
2. Promote the Special Regime for Agropark Operators and Developers as a tool for monitoring, planning, and controlling the development of the special areas and zones created to promote national production, the integration of value chains and the development of related services.

3. Process applications from companies interested in operating and developing an agropark.
4. Promote agribusiness value chain development to guarantee an increase in agri-food production, agribusiness, marketing, investment, and job creation within the national territory, ensuring the maximum benefit for the country.
5. Coordinate, advise, guide and supervise the execution of agribusiness and agroexport programs, in order to comply with strategic planning and programs for the productive sector.
6. Develop and promote new business between Panamanian producers and national or international buyers.
7. Design and coordinate programs aimed at the promotion, improvement, industrialization, and innovation of agricultural, livestock, poultry, marine and forestry products, and by-products produced in the Republic of Panama.
8. Promote the commercial reach of our agricultural and livestock companies, targeting both the domestic market as well as worldwide markets.
9. Develop strategies, plans and programs related to the operation and strengthening of agroparks as well as production areas of the national territory.
10. Impose administrative or financial penalties on companies with Agropark Development or Operating Company Licenses for non-compliance with the obligations established in this Law, its regulations and rules issued during its implementing stages.
11. Coordinate with all government agencies involved in the establishment and operation of agroparks as regards compliance with the legal provisions established in this Law.
12. Propose the approval of the regulations as may be necessary to ensure the efficient operation of the agroparks, including the criteria to be considered for the approval of the Licenses of Agropark Operators and Developers.
13. Act as first instance to validate the projects presented under the agropark modality.
14. Act as Technical Secretariat of the Production Linkage Commission.
15. Perform any other duties assigned under this Law, and the regulations and rules related to the development of its objectives.

Article 5. Inclusion and incorporation. DINAGRÓN will promote and encourage the inclusion and incorporation of agricultural producers in the different authorized agroparks, for which it will implement strategies, plans and programs aimed at promoting, improving, industrializing and innovating production processes with high technology.

Article 6. Contractual balance. DINAGRÓN shall regulate, monitor and supervise the contractual relationship between the agricultural producer and the Operating and Developing Company, guaranteeing at all times the contractual balance between the parties, in order to ensure national production.

Article 7. Director Requirements. The following requirements must be met in order to be appointed as national director of the Commission on Productive Chaining:

1. To be Panamanian.
2. Be over thirty years of age.
3. To have a degree in Agricultural Engineering, Economics, Business Administration, Engineering or related careers.
4. Have at least five years of experience in agribusiness and/or supply chain development.
5. Not being convicted of a crime against public administration.

Section 2.^a

Production Linkage Commission

Article 8. Commission. The Commission of Productive Chaining for Agribusinesses, hereinafter referred to as COMEPRO, is hereby created, its essential function will be to promote coordinated inter-institutional work for the follow-up and use of the agroparks established in the national territory and intended for agricultural and/or agro-industrial activities.

Article 9. Members. COMEPRO will be composed of:

1. The Minister for Agricultural Development or designee, who shall preside.
2. The Minister of Commerce and Industries or designee.
3. The Minister of Economy and Finance or designee.
4. The Minister of the Environment or designee.
5. The administrator of the Panamanian Food Safety Authority or designee.
6. A representative of the Panamanian Exporters Association.
7. A representative of the Panamanian Union of Non-Traditional Agricultural Exporters.
8. A representative of the Federation of Chambers of Commerce, Industry and Agriculture of Panama.

The Executive shall designate the representatives of the private sector who will be members of the Commission from the shortlists submitted by each organization for such purposes.

Any vacancy of private sector representatives, occurring before the expiration of the term for which they are appointed will be filled through the procedure described in the preceding paragraph and for the remainder of the term of the vacant position.

The members of the Commission will be appointed for five-year terms.

Article 10. Technical Secretariat. COMEPRO will have a Technical Secretariat for the fulfillment of its functions, which will be in charge of the Ministry of Agricultural Development through DINAGRÓN.

The Technical Secretariat shall attend all meetings held by COMEPRO as well as the following:

1. Keep the Official Record of Companies installed in the agroparks and of the Licenses of Agropark Operating and Development Companies, as well as of their personnel and its dependents.
2. Develop the forms, guidelines and/or instructions to be submitted and/or used by companies with Agropark Operating and Development Company Licenses, in accordance with the provisions of this Law and its regulations.
3. Review the reports submitted periodically by the Agropark Operating and Development Companies regarding their operation.
4. Prepare the notices of ordinary and extraordinary meetings required to ensure the functioning of the agroparks and COMEPRO.

Any additional responsibilities for the Technical Secretariat will be specified in the regulations of this Law.

Article 11. Functions. COMEPRO will have the following main functions:

1. Licensing of Agropark Operating and Development Companies.
2. Approve the incorporation of new companies to the authorized agroparks, as requested by the Technical Secretariat.
3. Cancellation of the Licenses of Agropark Operating and Development Companies.
4. Recommend to the Executive Branch, through the Ministry of Agricultural Development, the promotion policies for the establishment of companies for the development of agroparks, including when necessary, to make available land or areas that belong to the state.
5. Approve any changes to the requirements for the approval of new agroparks and the conditions for the registration of the companies.
6. Approve all necessary regulations to ensure the proper functioning of the agroparks.
7. Establish agreements or arrangements with the competent authorities to facilitate the operation of the agroparks.
8. Approve the creation of technical subcommittees, units and working groups as may be necessary to comply with objectives of this Law.
9. Resolve appeals for reconsideration filed at the first instance against cancellation of a license or imposed sanctions for non-compliance as defined in this Law.
10. Summon other institutions to ordinary or extraordinary meetings when required due to the specialty of the matter to be discussed.
11. Dictate its internal regulations.

Chapter III

Agropark Operating and Development Company License

Article 12. License. Any natural or legal person, national or foreign, that promotes the development of productive value chains based on national primary agriculture, livestock,

aquaculture, fishing or forestry production, or in turn is part of a productive value chain conglomerate in which national production is used, may apply for an Agropark Operating and Development Company License.

Companies applying for this license may promote all types of activities and services, as long as they focus on the development of productive value chains linked to the Panamanian agroindustrial sector and refer to the following activities:

1. Agrotechnology production companies.
2. Services related to the manufacture of products, machinery and equipment related to agribusiness.
3. Research and development companies related to agricultural or agroindustrial activities.
4. Laboratory analysis, testing or other services related to the manufacture and transformation of raw materials or semi-finished products.
5. Logistics services including processing, transportation, warehousing, storage, marketing, distribution, packing and repacking of domestic products.
6. Companies engaged in the processing or manufacturing of Panamanian products.
7. Environmental services related to agricultural or agroindustrial activities.
8. Construct buildings for offices, factories, warehouses, services, complementary activities and any necessary and convenient infrastructure for the development of the agropark.
9. Training and technical training services for the benefit of users and workers of an agropark, companies registered in them, and producers and representatives in its value chain.
10. Any other similar activity previously approved by COMEPRO, provided that, it comply with the precepts set forth in this Law.

Article 13. Annual Report. Companies operating under an Agropark Operating and Development Company License will have to submit to DINAGRÓN an annual report containing statistics concerning their operations within the national territory.

DINAGRÓN will regulate the information to be contained in the report, the form and the deadline for its submission.

Article 14. Requirements for the license. The licensing requirements for an Agropark Operating and Development Company will be approved by COMEPRO. The following parameters must be observed when establishing these requirements:

1. That the company applying for the license is engaged only in the activities and services set forth in this Law.
2. DINAGRÓN certifies that the applicant company has an investment plan that complies with the objectives of this Law and includes a project development schedule.

3. The company, following the legal regulations required in the State's public contracting processes must, formally accredit technical and financial solvency.
4. Applicant Company must be either owner of the title deed or have a lease contract for the land where the agropark is to be developed.
5. A State-owned area must be in the process of administrative concession under the modalities established by national legislation or the area must be available for the execution of the project.
6. The applicant company must have experience in the development of value chains or with potential markets for the commercialization of its production.

Article 15. Procedure. Notwithstanding the foregoing, DINAGRON shall observe the following conditions during the process of obtaining the Agropark Operating and Development Company License:

1. The procedure may not last more than sixty days from the date on which the applicant company has submitted all the necessary documents and/or complied with all the requirements for the licensing, in accordance with this Law and its regulations.
2. Legalization of foreign documents will only be required when such documents have been issued by a governmental authority or public entity in its country of origin. It will not be necessary to legalize private documents issued abroad, with the exception of the power of attorney granted by the applicant company to the attorney or law firm acting as its attorney-in-fact for the licensing process.

Article 16. Cancellation reasons. COMEPRO, ex officio or at the request of a party, may cancel the license of any company operating and developing an agropark, whenever it incurs in any of the following causes:

1. Cease the activity for which the license was granted.
2. The company holding the license is intervened or declared bankrupt by the authorities where the company's head office is located.
3. Failure to commence operations within twelve months of the granting of the license.
4. Failure to comply with the proposed investment plan according to the established term.
5. In case of holding a State land concession, not complying with the conditions and obligations acquired.
6. Upon expiry of the administrative concession, when the activity is performed in an area belonging to the State.
7. Violation of the provisions of the present Law or of any other law of the Republic of Panama.
8. Any other matters provided for in this Law.

Article 17. Cancellation procedure. COMEPRO will be empowered to cancel the license, such cancellation will be subject to an appeal for reconsideration before COMEPRO, as per the following procedure:

1. After verifying the reason(s) for the cancellation of the license, COMEPRO shall personally notify the company of the reasons or grounds for the cancellation. Once notified the cancellation resolution, the company will have up to thirty working days from the date of notification to file an appeal for reconsideration, outlining why the company considers that its license should not be cancelled, accompanied by the pre-constituted evidence deemed necessary.
2. COMEPRO will have up to thirty working days to resolve, by means of a reasoned resolution, the motion for reconsideration filed by the company. In the event that COMEPRO fails to resolve within such period, there will be a positive administrative silence in favor of the company, and its license will not be cancelled within such process.
3. In the event that COMEPRO maintains its decision to cancel the license and so states it in a resolution, the decision of COMEPRO will exhaust administrative proceedings.
4. The company whose license is cancelled must immediately notify all the member companies of the agropark, formally announcing the cancellation of the benefits offered by the system and the closure of the operations registered therein, when the facts underlying the cancellation of the license make it impossible to continue with the regulated activities.

Article 18. Measures subsequent to the cancellation of the license. Once the resolution by which the license is cancelled has been executed, DINAGRON shall immediately inform the competent authorities to proceed to cancel all visas, work permits and other licenses and permits granted in accordance with this Law.

In the case of visas and work permits, those affected will be granted a period of ninety calendar days to regularize their immigration status or leave the country.

Article 19. Official Registry of Companies Installed in the Agropark. Companies obtaining an Agropark Operating and Development Company License as established in this Law and its regulations shall be entitled to promote the presence of other companies within the agropark, as long as they comply with the requirements set forth by COMEPRO.

The registration of a company in the Official Register of Companies Installed in Agroparks will be ordered by means of a resolution issued by the Technical Secretariat, after a favorable report from COMEPRO. This resolution confers the holder, from the date of its issuance, the right to enjoy the incentives and benefits provided for in this Law. A duly authenticated copy of this resolution shall be delivered to the corresponding company.

Article 20. Validity of the Agropark Operating and Development Company License. The license shall be granted to the companies for an indefinite term and the assigned number will

correspond to the number of the Single Taxpayer Registry of the General Directorate of Revenue of the Ministry of Economy and Finance, which must be used in the administrative procedures necessary to develop their activities in the Republic of Panama.

When the activity is developed in an area owned by the State given under administrative concession, validity term of the license shall be subject to the term of the concession. Once the concession has expired, the license shall lose its validity.

Article 21. Legal Stability. The companies obtaining an Agropark Operating and Development Company License will enjoy, automatically and without the need for any additional action, as from the issuance of their license, the guarantees referred to in Article 10 of Law 54 of 1998. However, in order to maintain said guarantees, it will be necessary for the company holding a license to submit to DINAGRON an investment plan valued at more than two million balboas (B/.2 000 000.00), which must be completed within a term not exceeding three years from the date of issuance of its license.

Chapter IV Tax and Customs Regime

Article 22. Tax exemptions. The companies holding an Agropark Operating and Development Company License or companies authorized to establish within an agropark will enjoy the following benefits and incentives during the term of the license or its registration:

1. Exemption from any tax, fee, levies or import duties on construction materials, equipment, machinery, vehicles, and furniture necessary to carry out its activities for a period of five years, counted from the date of approval of the Agropark Operating and Development Company License. If such goods are to be sold or transferred to any person, natural or juridical, within the customs territory of the Republic of Panama and do not enjoy similar benefits, the corresponding taxes must be paid.
2. Benefit of 3% as import tax on raw materials, semi-processed or intermediate products and other inputs used in the composition or manufacturing process of their products. Raw materials, semi-processed or intermediate products and other inputs considered as sensitive for the national economy, as established in article 25 of Law 28 of 1995, modified by Law 26 of 2001, article 1 of Cabinet Decree 25 of July 16, 2003 and the free trade agreements subscribed with the Republic of Panama are excluded.
3. Exemption from property tax on new commercial and industrial improvements for a term of twenty years, from the date of issuance of the occupancy permit.
4. The right to deduct the losses incurred by the companies benefited by this Law during the first two fiscal periods as from the beginning of their activities during the following five fiscal periods, at a rate of 20% per year. Such deductions may not reduce the net taxable income for that year by more than 50% of the taxpayer's net taxable income. Non deducted losses during such tax period cannot be deducted forward to the following years nor do they qualify for any refund from the National

Treasury. Deductions may only be made on the income tax return and not on the estimated tax return.

Article 23. Income tax regime. Companies holding an Agropark Operating and Development Company License and companies authorized to establish within an agropark will pay income tax at a reduced rate corresponding to 50% of that established in Article 699 of the Tax Code.

Companies holding an Agropark Operating and Development Company License and companies authorized to establish within an agropark will be subject to the alternative income tax calculation (CAIR) referred to in Article 699 of the Tax Code, according to the reduced rate mentioned in this article.

Dividends generated by companies holding an Agropark Operating and Development Company License and companies authorized to establish within an agropark will pay the dividend tax and complementary tax at a reduced rate corresponding to 50% of that established in literal f of article 701 of the Tax Code.

The reduced rate contained in this article will be applicable for the first five years, effective from the date of issuance of the Agropark Operating and Development Company License or the resolution authorizing a company to establish within an agropark. Once this period has expired, the companies will pay their income tax, dividend tax and complementary tax, based on the full rate established in the Tax Code.

Article 24. Customs Regime. The National Customs Authority shall regulate the procedure for entries and exits of raw material or national product, from or to companies established in agroparks, to undergo a legally authorized process from said merchandise.

On this assumption, the products manufactured, processed, assembled, transformed, or remanufactured by the companies established in an agropark may be introduced into the national fiscal territory paying the respective customs duties or taxes, only on the value of the foreign raw materials and components added to the product, based on the customs tariff for each raw material or component added to the final product. For these purposes, the company acting as importer shall submit to the customs authorities the input-output relation sheet, previously verified and approved by the National Customs Authority.

For the computation of such tariffs or customs duties, the amount corresponding to the value of raw materials, inputs, components, or foreign goods that have been added to the finished product, subject to duty-free treatment or tariff discounts, by virtue of international trade treaties or agreements, shall be excluded as appropriate.

Chapter V

Agricultural Producers that are Part of Agroparks

Article 25. Registration of agricultural product before DINAGRON. Every agricultural producer that joins or is part of an agropark must register with DINAGRON, for which it will require the Certification of the Operating and Developing Company of the Agropark,

specifying the activity to be performed, other requirements will be part of the regulation of this Law.

Article 26. Prerogatives and benefits. Agricultural producers that are part of an agropark shall receive the same prerogatives and benefits granted to the Operating and Developing Companies.

Article 27. Incorporation of high technology. Agricultural producers that are part of an agropark must incorporate high technology to the production processes, in order to increase productivity and competitiveness and will grow profitable products to supply the national and international demand, as authorized to the operating and management company.

Article 28. Financial Market Conditions. Credit policies and terms and conditions for financing granted to agricultural producers will be developed and negotiated in accordance with financial market conditions for the agricultural sector with the participation of the Banco Nacional de Panamá as trustee and DINAGRON.

Article 29. Trust. All financial resources obtained to finance agricultural producers interested in becoming part of an agropark must be administered through a trust, whose trustee will be the Banco Nacional de Panamá.

Chapter VI Final Provisions

Article 30. Provisions. The Ministry of Economy and Finance shall take all the measures to provide the necessary funds required by the Ministry of Agricultural Development for the implementation of this Law.

Article 31. Corporate social responsibility programs or projects. Agribusinesses or agro-industries installed within an agropark shall develop annual corporate social responsibility programs or projects, focused on environmental education and conservation, directed to the communities where they develop their operations.

Article 32. Management of financial resources. DINAGRON, together with the Operating and Development Company of an agropark, shall manage the financial resources, both from the State and from private banks and private, national and international investors, or international investment or development organizations, necessary to finance the agricultural producers interested in participating in the development of an agropark. The financial cost of these resources must be competitive with those available in the market for the agricultural sector.

Article 33. Transitory nature. While the necessary administrative and institutional actions are being taken, the Agribusiness Unit of the Ministry of Agricultural Development will continue to fulfill its tasks, as established in Resolution No OAL-078-ADM-2017.

Article 34. Regulation. This Law shall be regulated by the Executive Branch within a period of ninety days from the date of its enactment.

Article 35. Validity. This Law shall enter into force as from its enactment.

BE COMMUNICATED AND COMPLIED WITH.

Bill 442 of 2020 approved in third debate in the Justo Arosemena Palace, Panama City, on the twenty-eighth day of January of the year two thousand twenty-one.

The President,

Marcos E. Castellero Barahona

The Secretary General,

Quibian T. Panay G.