

Recommendations for better government  
planning and budget allocation for the  
integrated management of Panama's  
coastal marine resources





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# Credits

**Authors:** Ligia Rodríguez Cervantes, Radolav Barsev and Yarineth Cárdenas

**Executive Director:** Katherine Arroyo Arce

**Internal Auditors:** Tania Arosemena Bodero and Juan M. Posada López

**Editorial Coordinators:** Juan M. Posada López and Magdalena Velázquez Jaimes-Freyre

**Photographs:** freepik.com and unsplash.com

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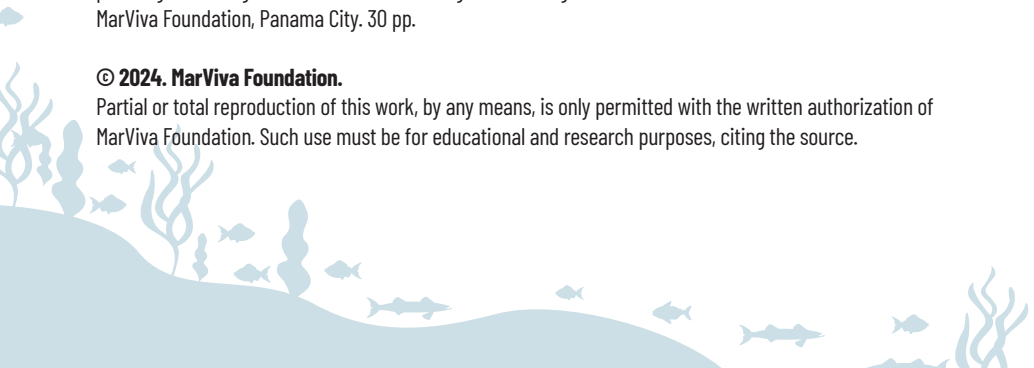
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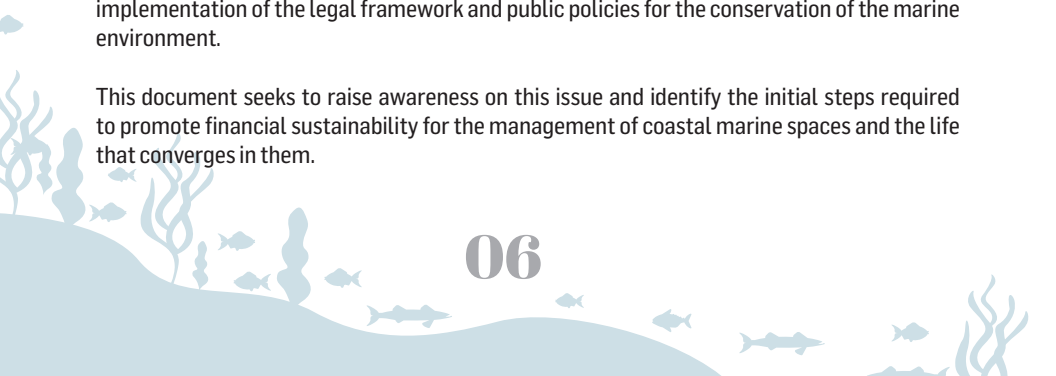


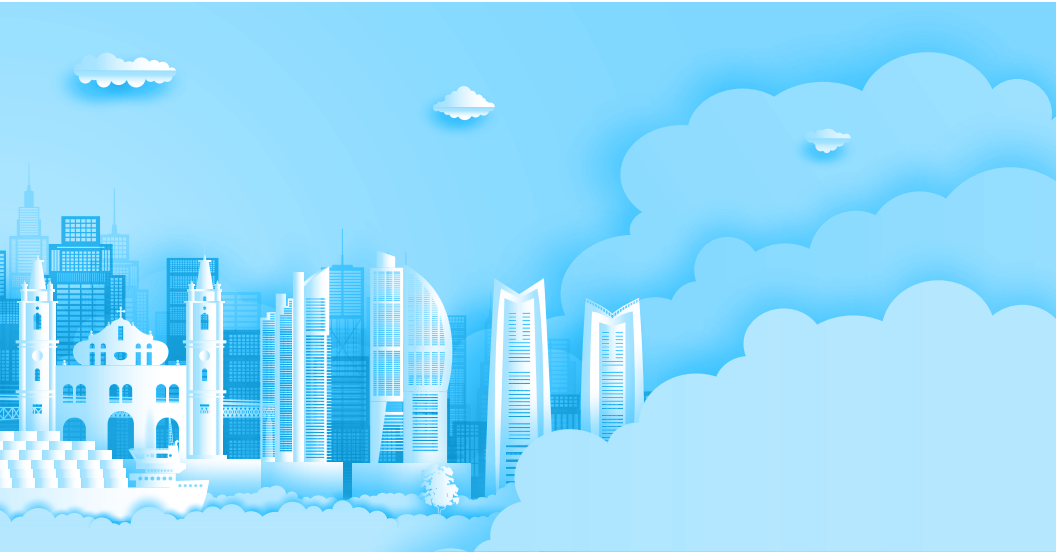
## Prologue

In recent years, Panama has given greater relevance to policies and legislation related to the protection and management of coastal marine ecosystems and their resources. However, the reality is that the progress that can be achieved at the regulatory level will be limited in its implementation without effective budgeting or financial sustainability aligned with the performance of its institutional operations and with actions that include the involvement of the rest of society.

This is why, thanks to the Central America Regional Security Initiative (CARSI) of the United States Government, MarViva Foundation has been able to implement a project called "Structural reform to strengthen Panama's civil service and government planning as drivers for environmental sustainability, socioeconomic growth, and comprehensive coastal development", which has resulted in a diagnosis developed with the support of the authorities responsible for the management of coastal marine ecosystems and their resources, which seeks to identify the operational and financial limitations that hinder the proper implementation of the legal framework and public policies for the conservation of the marine environment.

This document seeks to raise awareness on this issue and identify the initial steps required to promote financial sustainability for the management of coastal marine spaces and the life that converges in them.

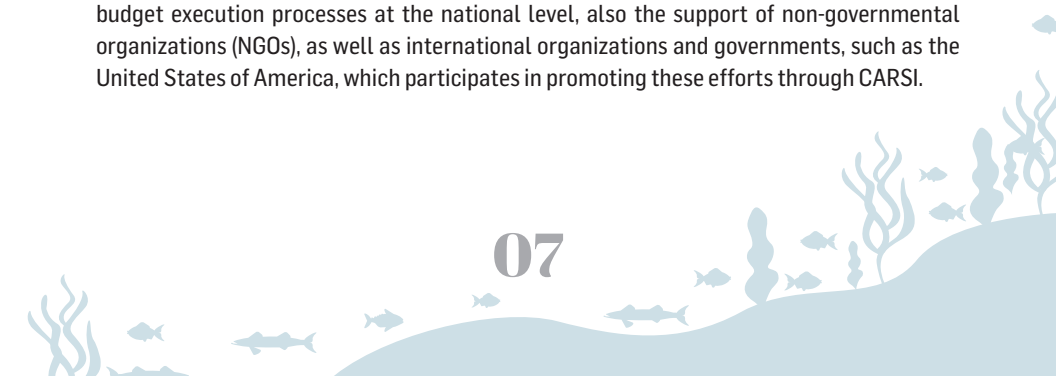




## Acknowledgments

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Protected Areas and Biodiversity, Administration and Finance, and the offices of Planning and Water Trusts, Protected Areas and Wildlife; the Authority of Aquatic Resources of Panama (ARAP, by its acronym in Spanish), with its Planning Division; the Maritime Authority of Panama (AMP, by its acronym in Spanish), with its Merchant Marine, Ports and Auxiliary Maritime Industries, Finance and Planning Offices. And above all, we must acknowledge the Ministry of Economy and Finance (MEF), through the General Directorate of Public Budget, for its support to these actions and its willingness to continue improving the planning and budget execution processes at the national level, also the support of non-governmental organizations (NGOs), as well as international organizations and governments, such as the United States of America, which participates in promoting these efforts through CARSÍ.



# Acronyms and abbreviations

<b>AMP</b>	Maritime Authority of Panama (Autoridad Marítima de Panamá)
<b>ANA</b>	National Customs Authority (Autoridad Nacional de Aduanas)
<b>AOP</b>	Annual Operating Plan
<b>ARAP</b>	Authority of Aquatic Resources of Panama (Autoridad de los Recursos Acuáticos de Panamá)
<b>CARSI</b>	Central American Regional Security Initiative
<b>CITES</b>	Convention on International Trade in Endangered Species of Wild Fauna and Flora
<b>CO<sub>2</sub></b>	Carbon dioxide
<b>CUT</b>	Single National Treasury Account (Cuenta Única del Tesoro Nacional)
<b>DICOMAR</b>	Directorate of Coasts and Seas (Dirección de Costas y Mares)
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>GEF</b>	Global Environment Facility
<b>IUU</b>	Illegal, undeclared and unregulated
<b>MEF</b>	Ministry of Economy and Finance
<b>MiAMBIENTE</b>	Ministry of the Environment (Ministerio de Ambiente)
<b>NGO</b>	Non-Governmental Organization
<b>PAB</b>	Panamanian Balboas
<b>PSMA</b>	Port States Measures Agreement
<b>USD</b>	United States Dollars



# Importance of coastal marine ecosystems and their contributions

Oceans and the marine ecosystems they are part of are fundamental elements for the sustainability of life as we know it, as they offer a series of services and processes that guarantee everything from food security to the production of the air we breathe, among many others. Despite being on an isthmus bordered by the Caribbean Sea and the Pacific Ocean, most of the Panamanian population is unaware of the value of marine ecosystems in social, economic and environmental terms.

United Nations Environment Programme (UNEP) and other partner organizations, marine ecosystem services are essential for coastal communities, as well as for national economies and international trade, with an estimated annual value of USD 20 quintillions (UNEP et al., 2010).

To facilitate the understanding of how these services come together to ensure the sustainability of life, the economy, and cultural and social development, they have been grouped into categories in this document based on supply, support and the benefits they provide.

According to the



1  
Supply

2  
Regulatory

3  
Support

4  
Cultural

# SERVICES

Expressed in figures, in 2018, the fishing industry in Panama alone amounted to a **revenue of USD 182.2 million**, generating sources of jobs and foreign currencies for more than



**45,000**  
**Panamanian**  
**families**

(CASTREJÓN AND BUCARAM, 2020)

### 1. SUPPLY BASED SERVICES

These are the easiest for us to perceive, since they are tangible goods such as fisheries, aquaculture, pharmaceutical and even forestry products like mangrove wood and other by-products. In this respect, more than 1 billion people depend on fishing, as this is one of the leading direct or indirect drivers of the economy in many countries (Rodriguez and Reul, 2010).

### 2. REGULATORY SERVICES

Although they are not as tangible, they are one of the main benefits that marine ecosystems provide to humankind, since they generate processes linked to the production of oxygen and climate regulation, which include combating climate change, stabilizing coasts by preventing erosion and providing protection against climatic events such as rising sea levels, the number and magnitude of hurricanes, among other atmospheric phenomena. This is how oceans

and the life they sustain supply half of the oxygen we breathe and annually absorb 26% of the anthropogenic carbon dioxide emissions (CO<sub>2</sub>) emitted into the atmosphere (Pasca, 2017).

### 3. MARINE SUPPORT SERVICES

They are linked to the operation and maintenance of marine goods and services used by humans, such as the formation of land and sand where coastal development takes place or the means for navigation and marine transportation (UNEP et al., 2010).

### 4. CULTURAL SERVICES

They are related to environmental and social elements that provide scenic beauty, recreation and education, among others, facilitating the development of profitable economic activities, such as tourism. They are also associated with traditions and the promotion of values and the identity of social groups and populations.

# The main threats faced by our oceans and seas

Given the imposing nature of the oceans and seas, their permanence/ stability is taken for granted, as well as that of the services they provide, and one might even think that they are not vulnerable to the impact of anthropogenic activities. However, despite covering 70% of our planet's surface, the oceans and seas, and the biodiversity they harbor, are in a state of defenselessness in the face of the pressures and threats they face today.

Among these, climate change is one of the greatest ones. It is known that the ocean plays a fundamental role in climate regulation due to its capacity to absorb  $\text{CO}_2$ , thus avoiding an increase in water temperature, which would translate into spatial migrations of fish species and marine mammals. But this capacity has a limit since the more  $\text{CO}_2$  it absorbs, the more its acidity increases, which leads to the affectation of vital habitats, such as coral reefs, on which 25% of the species that occupy them depend (Hale, 2018) and whose deterioration harms

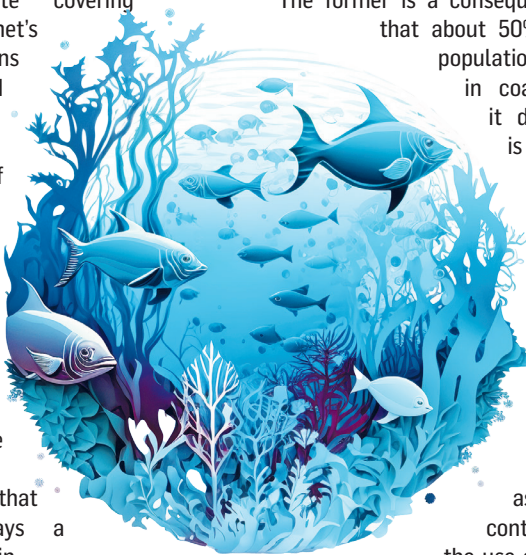
activities such as tourism and fishing, as well as ecosystem services such as the protection they offer on coasts.

In addition, we have the destruction of marine habitats and the loss of biodiversity.

The former is a consequence of the fact that about 50% of the world's population is concentrated in coastal areas that it depends on. This is largely due to the lack of management and planning of terrestrial and marine spaces and the activities that take place there.

Unfortunately, as long as we continue to avoid the use of tools that plan how, where and which activities can be carried out, considering economic, social and cultural aspects, as well as the natural vocation of these spaces, we will continue to be responsible for their deterioration and the decline of marine species (Díaz Merlano and Jiménez Ramón, 2021).

Furthermore, the effects of overexploitation of marine resources and overfishing, the



current unsustainable demand for natural resources and the wasteful consumerism maintained by our society, which only contributes to diminishing the regeneration capacity of these resources, must also be taken into account.

To make up for this, the fishing sector mistakenly attempts to increase its efforts to obtain the same catch volumes as today, thus increasing its costs and reducing profits.

On the other hand, the excessive generation of waste and its deficient disposal, and the inefficient management of wastewater treatment systems, result in high levels of pollution affecting oceans and seas. It is worth noting that this is a consequence of the disorganized growth of human settlements, coupled with the lack of policies and implementation of action plans to address this issue.

Each of these situations represents a significant challenge to the sustainability of marine ecosystems and the biodiversity linked to them. Consequently, having marine governance structures and entities with the capacity to comprehensively manage coastal marine resources for sustainable development is essential for the implementation of measures to reduce the impacts of human activities.

Sadly, Panama is currently far from a scenario in which government entities have the resources and ideal capacities to face the threats described above. Rather, the institutional framework is weakened and fragmented, hence the fact that only recently did it become possible to update the regulatory frameworks that address the competencies of the entities in charge of coastal marine management, namely the General Environmental Law (Law 41, 1998), the law that regulates fishing and aquaculture in the Republic of Panama (Law

“  
Most fish stocks  
are in serious  
trouble; the Food  
and Agriculture  
Organization of  
the United Nations  
(FAO) points out that  
the percentage of  
stocks exploited at  
biologically  
unsustainable levels  
has been increasing  
since the late 1970s,  
”



FROM  
**10%**  
IN 1974 TO

**35.4%**  
IN 2019  
(FAO, 2022)

IT IS THEREFORE ESTIMATED THAT

**40%** OF THE OCEANS ARE AFFECTED

BY POLLUTION AND

**80%**

OF IT COMES FROM LAND-BASED ACTIVITIES,

ONE OF WHICH IS ASSOCIATED WITH SINGLE-USE PLASTICS, WHICH REPRESENT 13 MILLION TONS PER YEAR

(RED ESPAÑOLA DEL PACTO MUNDIAL, 2020)



204, 2021), the law that lays down regulations on the pollution of the sea and navigable waters (Law 21, 1980), the law that regulates the reduction and progressive replacement of single-use plastics (Law 187, 2020), the law adopting the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (Law 14, 1977), the law approving the Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated (IUU) Fishing (Law 43, 2016) and Cabinet Resolution 175 (2016) adopting the National

Action Plan for Sustainable Fisheries, among others, which also establish guidelines for better management of marine resources, regulations that still need to be further strengthened.

In addition, the institutions responsible for fulfilling the responsibilities towards the conservation and sustainable use of marine resources must deal with personnel, equipment and supplies limitations, as a result of budgetary allocations that impact their actions.



# Resources available to the entities responsible for guaranteeing the conservation of coastal marine ecosystems in Panama

Let The Panamanian State must guarantee that the population lives in a healthy and pollution-free environment (Article 118 of the National Constitution of the Republic of Panama, 1972), thus it must regulate, oversee and enforce measures for the use and exploitation of land and marine natural resources, a task involving multiple actors and government entities, who must join efforts to comply with the legal mandates that accompany the aforementioned precept.

In this respect, the role that institutions such as the Ministry of the Environment (MiAMBIENTE) and the Authority of Aquatic Resources of Panama (ARAP) should play in the country's coastal marine management is evident, as they are the governing bodies for the environment, fisheries and aquaculture, respectively. However, the involvement of other entities is required in order to effectively implement all measures arising from the applicable regulations for the conservation and sustainable use of marine resources.

For instance, although the Maritime Authority of Panama (AMP) does not have exclusive jurisdiction over the conservation of these resources, it is responsible for addressing issues concerning marine oil pollution, as well as maintaining the registry of international vessels operating under the Panamanian flag, including those for fishing and related activities, and must ensure that they comply with national legislation and international conventions.



It is also important to recognize the actions of the National Customs Authority recognize the actions of the National Customs Authority (ANA, by its acronym in Spanish), which is in charge of controlling the entry, exit and movement of goods through all the country's borders, ports and airports, as well as intervening in their international traffic, Which includes the control of imports and exports of fishery products and wildlife species.

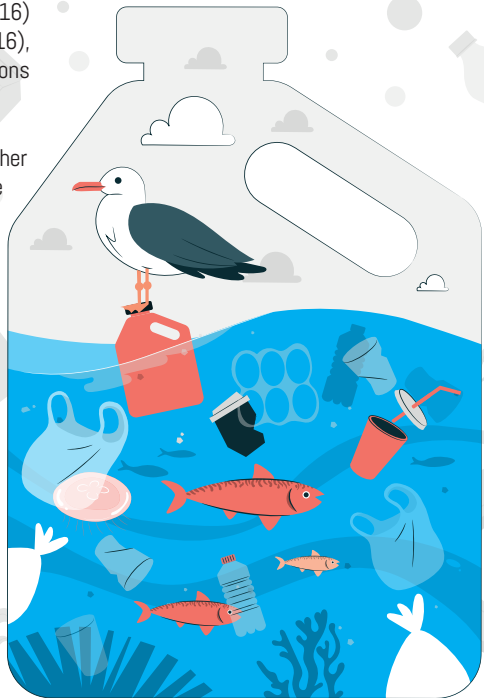
These two examples illustrate the need for government institutions to coordinate their efforts and implement joint actions for a comprehensive coastal marine management, which fulfills the legal mandates established in Law 41 (1998), Law 204 (2021), Law 187 (2020), Law 14 (1977), Law 43 (2016) and Cabinet Resolution 175 (2016), mentioned above, as well as other regulations complementary to these legal instruments.

To ensure compliance with these and other complementary regulations, the responsible entities need resources, equipment, personnel and supplies. Unfortunately, the extent of the financial resources these institutions possess to manage the tasks inherent to the conservation and management of marine resources is not clear. It is also unclear whether there is operational and financial sustainability to contribute to the effective implementation of public policies, laws and regulations for the management and conservation of the marine environment.

In this regard, within the framework of the project "Structural reform to strengthen Panama's civil service and government planning as drivers for environmental

sustainability, socioeconomic growth, and comprehensive coastal development", developed by MarViva Foundation under the auspices of the CARSI program, an analysis of current planning and budget execution procedures was carried out to determine whether the main regulations on marine resources can be effectively applied for the conservation and sustainable use of the resources and the marine environment that harbors them.

To this end, the main sources of funding, prioritized financial needs and planning procedures maintained by the institutions with the most significant expertise in marine sustainability were identified, the results of which are shared below.



## Sources of funding

### ARAP

- **State Budget for operational costs and investment projects**

- **Aquatic Resources Fund**

It was created in 2021 and is currently in the process of becoming operational. It is funded with bequests and donations from local and foreign individuals or legal entities, private or public organizations, and with funds from projects and agreements that use national and/or international funding/financing.

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### AMP

- **State budget for operational costs and investment projects**

- **Special Fund for Hydrocarbon Pollution from Land-Based or Marine Sources**

This fund is financed by the International Hydrocarbon Pollution Fund for oil tankers, recognized by Law 91 (1998), and complemented with specific resources to respond to oil spills or oil slicks caused by oil spilled due to an accident or inadequate practice which pollutes the environment, especially the sea.

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### MiAMBIENTE

- **State budget for operational costs and investment projects**

- **Loans from International Organizations such as the GEF; World Bank; Water, Protected Areas and Wildlife Trust Fund**

It is sustained with funds collected through (i) fishing permits, as well as permits for the harvesting and extraction of national wildlife; (ii) sanctions, seizures or compensations for infringement of legal regulations concerning protected areas, biodiversity, wildlife, biosecurity or access to genetic or biological resources; (iii) concessions and shared management or for permits granted for activities allowed in protected areas; (iv) fees for visits to protected areas; (v) scientific permits; (vi) benefit contracts; (vii) ecological compensations as a result of projects carried out within protected areas; (viii) ecological compensations as a result of projects carried out within protected areas.



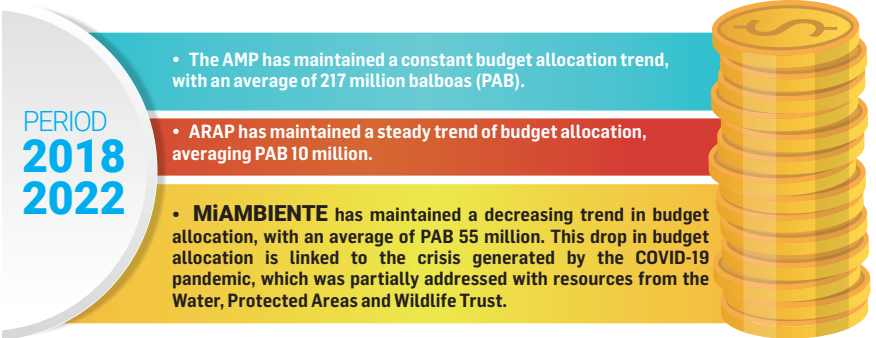
Although according to their operating structure, MiAMBIENTE and ARAP may access complementary funds for their management as described above, the annual budget allocation conferred by the State is the main source of funding for the operations of all these entities. Therefore, the analysis focused on identifying

the amount of funds allocated for coastal marine management at the budgetary level and whether these resources effectively cover the costs required for the sustainability of marine ecosystems, thus ensuring compliance with the objectives and goals outlined in the applicable regulations.

## Main findings on government planning and budget allocation for coastal marine management

Firstly, it was determined that there is asymmetry in the current budget allocation between the three institutions responsible for coastal marine management, by which the

AMP generates and receives the largest amount of financial resources, followed by MiAMBIENTE and finally by ARAP. This translates into different levels of investment in integrated coastal management activities:



Secondly, the level of investment earmarked specifically for coastal marine management in any of the three leading institutions is unknown; at the moment they do not have accurate and detailed accounting records to facilitate categorizing this investment, or to allow to accurately identify how much of the annual allocated budget is being used to fund actions and initiatives related to said management. Moreover, apart from the amounts executed by the Directorate of Coasts and Seas (DICOMAR, by its acronym in Spanish), under MIAMBIENTE, it is hard to determine how much of the other directorates' budget is being used to fund activities that directly or indirectly impact the coastal marine zones

and their resources. The same happens with the AMP, which faces difficulties to determine how much of the amounts invested in coastal marine management goes beyond the actions to address marine pollution by hydrocarbons.

Thirdly, there is no standardized methodology within these three leading institutions to identify funding needs for activities related to coastal marine management. There is also no standardization of criteria or procedures among the institutions and their specific directorates, which could help coordinate interinstitutional efforts to promote budget items in a joint and comprehensive manner.

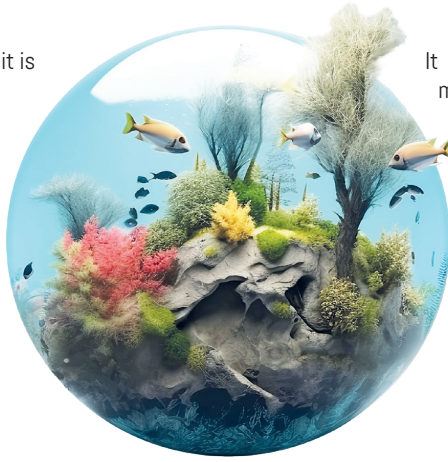
## Steps to follow for better planning and government budget allocation for the comprehensive management of coastal marine resources in Panama

### DETERMINING THE VALUE OF MARINE ECOSYSTEMS AND QUANTIFYING THEIR CONTRIBUTION TO THE NATIONAL ECONOMY.

One of the first steps to guarantee the operational and financial sustainability needed for the conservation of coastal marine resources would be to know how

much the natural heritage represents, in terms of the economic, social and environmental value of our marine resources and the space that shelters them. Given the current management of public finances for coastal

marine management, it is almost impossible to determine precisely how much the State is investing through its entities in the conservation of marine ecosystems and the benefits they provide.



It is equally difficult to measure the contribution to the national economy of the services provided by these resources and the environment, which is necessary to make an effective budget allocation.

“

If it is not clear how much revenue is collected as a result of a profitable economic activity associated with marine ecosystems, **how will it be possible to determine whether sufficient resources are being allocated to ensure their conservation and the profits they generate?**

”

## CALCULATING THE ACTUAL FINANCIAL REQUIREMENTS FOR AN INTEGRATED COASTAL MARINE MANAGEMENT

It is necessary to identify the actual financial needs for an integrated coastal marine management in order to determine the exact sums needed. To this end, each government entity should quantify its operating costs and the ideal amount of investments needed to ensure sustainable management of coastal marine zones. Integrated coastal marine management should be treated as a

whole, incorporating efforts among specific directorates and among institutions that share management responsibilities (e.g., MiAMBIENTE, ARAP, AMP). It is necessary to have an integrated annual operational plan (AOP), which also has its own record-keeping and accounting system to evaluate the efficiency of management processes and implementation of annual goals.

## IMPROVED TECHNICAL CAPACITY FOR THE DEVELOPMENT OF INVESTMENT PROJECTS

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**T**he regulatory agencies, with the support of the MEF, as the entity in charge of public finances, should ensure that their departments and offices have the same capacity to prepare and submit investment projects. Thus, project proposals should:

- Be based on accurate financial needs;
- Reflect the most efficient management activities with respect to the established goals.

- Comply with the technical requirements established by the MEF and the planning directorates/offices of each entity. Budget planners in each directorate must have the ability to prepare and submit draft budgets, validating them with administrative, technical and operational staff at the central, regional and local levels. They must also be able to present and support the conservation priorities established by the legal frameworks and complementary management instruments.

## IMPLEMENTATION OF MULTIYEAR INTERAGENCY BUDGETS

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**A**s has already been pointed out, integrated coastal marine management is a cross-cutting issue that must be addressed beyond the government entities responsible for marine resources. Consequently, identifying and allocating budgets for standard lines of work among institutions, with projected goals to be met in the short, medium and long term, requires effective budgetary planning aimed at optimizing resources and avoiding duplication of efforts among those involved.

To address issues such as IUU fishing, where the competencies for combating it are complementary, in addition to recognizing the role played by each of the entities involved, it is

also necessary for them to plan in a coordinated manner the allocation of resources, personnel and equipment to implement their respective actions. If we aim to make the most of the limited budgets available to them, the best formula is for the entities to budget jointly and with a vision that is not limited to a single year of execution. Otherwise, efforts will only be diluted, which will not contribute to achieving the goals of protection, deterrence, discouragement and prevention of the commission of infractions that affect fishing resources.

It is necessary to identify the legal obligations in the area of coastal marine management that involve more than one entity in order to



Photo: Courtesy freepik.com

establish the level of participation of each of them, to ensure compliance. At the same time, there is a need to establish mechanisms to facilitate approaches for institutional budget planning that effectively reflect the operational

needs of the most remote sub-headquarters, regional offices and national headquarters, so that an interinstitutional approach can be achieved and this can be extended on a multi-annual/multiannual basis, according to need.

## PROMOTING STRUCTURES TO FACILITATE THE CATEGORIZATION OF COASTAL MARINE MANAGEMENT EXPENDITURES

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**O**ne of the opportunities for operational improvement that would significantly benefit the planning and budget allocation of the entities associated with coastal marine management is the availability of tools or structures that allow for detailed accounting, which would make it possible to easily identify and categorize the

expenses associated with the conservation, management, use and monitoring of tasks, activities, projects and programs that involve coastal marine zones and their resources. If the effort invested in their conservation cannot be quantified, it will not be possible to know how effective the institutions are in managing these spaces, what they contain and the



services they provide, whether the problems that afflict them are being properly addressed, or to determine whether the budgets allocated are sufficient.

Just as efforts have been made to recognize labelers for public investment in research, development and innovation and climate change, labelers could be created for coastal marine management to provide traceability of public expenditure on integrated management

and conservation of oceans and coastal marine ecosystems. With the use of these labelers, it will be possible to identify and classify the expenditures and investments made by all government institutions in the area of coastal marine management, thus making it possible to measure the efforts made by the State beyond the governing entities and to accurately document whether the country is capable of complying with the international commitments assumed by the country.

## BUDGET ALLOCATION IN COMPLIANCE WITH LEGAL REQUIREMENTS

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**T**o think that simply strengthening the regulatory framework for the management and conservation of coastal marine resources is enough to address all the problems they face is a biased and limited approach to assessing the current scenario, and implies a superficial view of the situation.

The following analysis determined whether the legal mandates stemming from specific regulations can be implemented with the financial resources allocated to the responsible entities. These are:

- General Environmental Law 41 (1998) and its amendments.
- Law 204 (2021), which regulates Fishing and Aquaculture in the Republic of Panama.
- Law 187 (2020), which regulates the progressive reduction and replacement of single use plastics.
- Law 14 (1977), which adopts CITES and

its amendments.

- Law 43 (2016), which approves the Port States Measures Agreement (PSMA), aimed at preventing, deterring and eliminating IUU fishing.
- Cabinet Resolution 175 (2016), which adopts the National Sustainable Fisheries Action Plan.

As documented in previous paragraphs, this analysis found that the planning and prioritization of resources carried out by the entities may not respond to the actual financial needs, since it does not adhere to what is established by the legal instruments that manage these spaces and their resources, and since this planning includes the priorities from government plans and other government administration instruments that, in some cases, do not include variables associated with coastal marine management issues in their main axes. If we add to this the fact that the contributions and

efforts made by each of the entities involved in the issue to execute the existing legal mandates are not accounted for, it is not possible to accurately determine their level of compliance. Taking these points and others presented throughout the document, it can be inferred that the mandates under analysis are not being fully executed, despite the fact that they are framework regulations and representative and that they should address the current situation pertaining to integrated coastal marine management. In view of this situation, it is suggested that the national regulatory scenario that protects coastal marine zones and their resources does not fully comply with the goals and objectives for which it was created, or worse yet, it has become a collectable element of legislative management.

It is worrisome that new regulations are being passed without evaluating whether the conditions exist for them to be complied with. Legislative processes do not evaluate, nor do they consider, whether the responsible entities have the budget to implement the laws enacted. And if we add to this the fact that laws are often promoted to ensure the acceptance of citizens or sectors involved, the use of financial resources whose source has not been identified and that the entity will be responsible for managing these resources, this only results in generating greater distrust in the legislative, executive and even judicial function. The reality is that these resources are not protected, communities

are not attended to, environmental and fishing problems are not solved, generating an effect contrary to the strengthening of an integrated coastal marine management.

Nevertheless, the solution does not lie in strengthening of the regulatory framework for integrated coastal marine management.

On the contrary, it is necessary to evaluate how to operationalize current regulations and generate and promote new ones with realistic objectives, clear implementation deadlines, resources allocated to strengthen the institutional and inter-sectoral capacities required for their implementation or financial mechanisms that will allow for the sustainability of marine ecosystem conservation.



## STRENGTHENING FOR THE MANAGEMENT OF OWN FUNDS

One of the practices identified to strengthen the funding of integrated coastal marine management is employed by MiAMBIENTE, which complements the funds coming from the central government with funds from the Water, Protected Areas and Wildlife Trust Fund. The latter is fed with income generated by institutional management and is not part of the Single National Treasury Account (CUT, by its acronym in Spanish), which translates into greater institutional autonomy for planning, allocation and budget execution, in compliance with its competencies and mandates.

### CUT:

“**Il revenues of the Central Government shall be recorded in the budget and shall be deposited in favor of the National Treasury in the National Bank of Panama, against which all payment orders shall be issued to cover the commitments generated by the expenditure authorizations originated in its different dependencies.**”

To put this in context, the Ministry of the Environment (MiAMBIENTE) in 2018 and 2019 received an allocation of close to USD 70 million

from the central government, which meant that, in these periods, investments were larger than the entity's operating costs. Fortunately, thanks to having financial mechanisms such as the Water, Protected Areas and Wildlife Trust, it was possible to meet the entity's operating costs and invest in monitoring, conservation and management actions aimed at promoting the sustainable use of marine resources, during the pandemic period, due to COVID-19, when the budget allocation went from PAB 50.5 million in 2020 to just PAB 24.5 million in 2022.

On the other hand, ARAP faces a more alarming scenario since it barely receives a budget allocation that averages USD 11 million annually, with which it must face a large number of responsibilities arising from national regulations and international commitments for the control and administration of fisheries and aquaculture in Panama, thus being one of the governing bodies on marine issues that receives the smallest budget. Even more worrisome is that the budget allocated to this entity represents barely 50% of its financial needs, and the institution does not have alternative funds that could help compensate for the budgetary limitations. However, although Article 113 of Law 204 (2021) created the Aquatic Resources Fund, which will be made up of bequests and donations from natural or legal persons, as well as those from local and foreign, private or public organizations, and funds from projects and agreements with national or international funding, which could help balance the small budget allocation they receive, this fund will be subject to the principle of CUT.





Photo: Courtesy freepik.com

Consequently, ARAP would continue to depend on the budget allocation from the Central Government, despite having received funds that should be directly used in programs and projects to increase the competitiveness and sustainability of aquatic resources and related activities. From the point of view of national or

international donors, it may not be attractive to contribute resources to support fisheries and aquaculture management, if these can be reallocated to other issues. Hence, the recommendation of this study is to exclude this fund from the CUT.

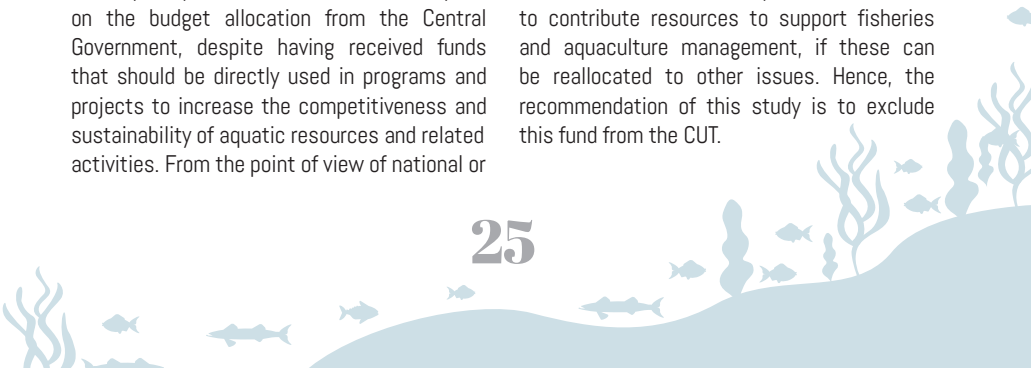




Photo: Courtesy unsplash.com

## IDENTIFICATION OF NEW FUNDING MECHANISMS

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**G**iven the current scenario, where there is a significant reduction in financial resources for investment projects and institutional operation, as well as less access to donations and soft loans due to the fact that Panama is considered an upper middle income country, it is imperative to identify opportunities to

diversify income for integrated coastal marine management, for which it is recommended that the following be done:

- Evaluate the current status of the administration and service concessions in protected areas, in order to determine their profitability and identify how the resources

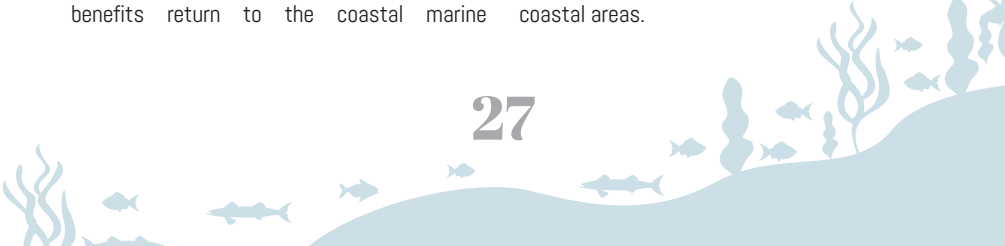


mobilized by the concessions (through a Trust) can be maximized and managed in an autonomous manner.

- Take advantage of other decentralized funds, such as those managed through figures such as the Trust.
- Continue to take advantage of soft loans for environmental projects.
- Access niche markets, through the use and exploitation of some important ecosystem services, ensuring that part of the economic benefits return to the coastal marine

ecosystems (e.g. compensation programs, such as Payments for Environmental Services, commercialization of products from sustainable production processes in protected areas or buffer zones, etc.).

- Access specialized credit for sustainable and climate-smart production offered by commercial banks.
- Access international funds, whose objectives coincide with the institutions' own objectives regarding the sustainable management of coastal areas.



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