

C-25

Panamá, 23 de enero de 2002.

Hon. Norberto Delgado Durán
Ministro de Economía y Finanzas
República de Panamá
P.O. Box 7304, Zona 5
Panamá, República de Panamá

Estimado Ministro:

Yo, la Procuradora General de la Administración de la República de Panamá (“Panamá”), he revisado la Declaración de Registro de la República No. 333-14262 sobre el Itinerario B (la “Declaración de Registro”), incluyendo el Prospecto y el Suplemento del Prospecto fechado 11 de Enero de 2002, el cual forma parte del mismo, el Acuerdo de Agente Fiscal, incluyendo los modelos de Bonos adjuntos al mismo (el “Acuerdo de Agente Fiscal”) y el Acuerdo de Ejecución de Administrador Agente (el “Acuerdo de Administrador Agente”) fechado 29 de Junio de 2001 entre Panamá y Salomón Smith Barney Inc. (el “Administrador Agente”), de acuerdo al cual Panamá propone emitir \$180,000,000 de 9.375% Bono Global con vencimiento en 2012 (los “Bonos Globales”).

Esta emisión de Bonos Globales ha sido autorizada mediante Decreto de Gabinete No. 24 fechado 31 de octubre de 2001 y Decreto Ejecutivo No. 3 de 16 de Enero de 2002.

Es mi opinión que los Bonos Globales han sido debidamente autorizados, y cuando ejecutados y entregados por Panamá y autenticados de acuerdo al Acuerdo de Agente Fiscal y entregados y pagados por el Administrador agente de acuerdo al Acuerdo de Administrador Agente, el Prospecto (incluyendo, sin limitación, el Suplemento de Prospecto aplicable) y cualquier enmienda o suplemento al mismo, los Bonos Globales serán y constituirán obligaciones válidas y de fiel cumplimiento legal directas e incondicionales a otras obligaciones de Panamá bajo las leyes actuales de Panamá.

Yo por este medio accedo al registro de esta opinión como una exhibición al Reporte Anual de Panamá en formato de 18-K para el año fiscal que termina en Diciembre 31, 2000 y para el uso de mi nombre bajo el encabezado “Validez de los Instrumentos” en la Declaración de Registro. Al dar este consentimiento, Yo no admito que soy de la categoría de personas cuyo consentimiento es necesario bajo la Sección 7 de la Ley o las Reglas y regulaciones de la Comisión.

Ministro de Economía y Finanzas
23 de enero de 2002
Pág.

Atentamente,

Alma Montenegro de Fletcher
Procuradora de la Administración
República de Panamá

AMdeF/12/hf.

C-25

January 23, 2002

Salomon Smith Barney Inc.
388 Greenwich Street
New York, New York 10013

Ladies and Gentlemen:

This opinion is being rendered pursuant to Section 10 (f) of the Warrant Exercise Dealer Manager Agreement (the “Dealer Manager Agreement”), dated as of June 29, 2001, between the Republic of Panama (“Panama”) and Salomon Smith Barney Inc. (the “Dealer Manager”). Unless otherwise defined herein, terms defined in the Dealer Manager Agreement and used herein shall have the respective meanings ascribed to them in the Dealer Manager Agreement.

I am the *Procuradora de la Administración* of Panama and have so acted in connection with the transactions contemplated by the Dealer Manager Agreement.

In delivering this opinion, I have caused the appropriate persons in the Ministry of Economy and Finance, in consultation with the *Procuraduría de la Administración* of Panama (the “Procuraduría”), to examine the following documents or forms thereof (the “Documents”):

1. the Dealer Manager Agreement;

Ministro de Economía y Finanzas

23 de enero de 2002

Pág.

2. the Fiscal Agency Agreement, dated September 26, 1997, between Panama and JPMorgan Chase Bank, as fiscal agent, and any supplement thereto (the “Fiscal Agency Agreement”);
3. the Global Bonds;
4. the Registration Statement under Schedule B of the United States Securities Act of 1933, as amended, filed with the Securities and Exchange Commission (Registration No. 333-14262) as amended from time to time (the “Registration Statement”);
5. the Prospectus dated January 11, 2002 (the “Prospectus”) and
6. the Prospectus Supplement, dated January 16, 2002, to the Prospectus (the “Prospectus Supplement”).

I have also caused to be examined and have relied upon originals or copies, certified or otherwise identified to my satisfaction, of such documents, governmental records and other instruments as I have deemed necessary or advisable for the purposes of this opinion. As to certain questions of fact, I have relied on certificates of duly authorized public officials of Panama.

I have also assumed, without independent investigation: (1) the genuineness of all signatures (other than those on behalf of Panama), the authenticity of all Documents submitted to me as originals and the conformity to the originals of such documents submitted to me as copies; (2) the due organization, existence and good standing of all parties to the Documents other than Panama; (3) that the Documents are legal, valid, binding and enforceable against the parties thereto in accordance with their respective terms under, and comply in all material respects with, the laws of the State of New York; and (4) that the Global Bonds conform with the forms thereof examined by me.

Based upon the foregoing, and having regard for legal considerations which I deem relevant, I am of the opinion that:

- (i) The Dealer Manager Agreement has been duly authorized, executed and delivered by Panama and constitutes the valid and legally binding agreement of Panama.
- (ii) The Global Bonds have been duly authorized, issued and executed by Panama, and, when authenticated and delivered pursuant to the exercise of the Warrants, the Global Bonds will constitute the valid and legally binding obligations of Panama enforceable in accordance with their terms and entitled to the benefits of the Fiscal Agency Agreement subject, as to enforcement, to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

Ministro de Economía y Finanzas

23 de enero de 2002

Pág.

- (iii) The Fiscal Agency Agreement has been duly authorized, executed and delivered by Panama and, assuming due authorization, execution and delivery thereof by the Fiscal Agent, constitutes the valid and legally binding obligation of Panama enforceable in accordance with its terms subject, as to enforcement, to bankruptcy, insolvency, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.
- (iv) Neither the execution and delivery of the Dealer Manager Agreement, the Fiscal Agency Agreement or the Global Bonds, nor the consummation of the Warrant Exchange Solicitation and the transactions therein and thereby contemplated, nor compliance with the terms and provisions thereof, including performance of each of the obligations contained therein and required thereby (A) to the best of my knowledge after due inquiry, will conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, loan agreement or other agreement or instrument for borrowed money known to me to which Panama is a party, (B) will conflict with, violate or result in a breach of, the Constitution of Panama as amended to the date hereof, or any statutes, laws, decrees or regulations of Panama, (C) to the best of my knowledge after due inquiry, will conflict with or result in a breach of any of the terms, conditions or provisions of any treaty, convention or agreement to which Panama is a party or constitute a default thereunder or (D) will result in the creation or imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the revenues or assets of Panama under any such treaty, convention, agreement or instrument, which, in the case of Clause (A), (B), (C) or (D) could have a material adverse effect on the financial, economic or fiscal condition of Panama or affect the validity or enforceability of the Global Bonds.
- (v) The Registration Statement, the Prospectus and the Prospectus Supplement and their filing with the Securities and Exchange Commission have been duly authorized by and on behalf of Panama, and the Registration Statement has been duly executed by and on behalf of Panama; Guillermo Ford has been duly appointed the Authorized Representative of Panama in connection with the Registration Statement; the information in the Registration Statement and the Prospectus as amended or supplemented stated on the authority of public officials of Panama has been stated in their official capacities thereunto duly authorized by Panama.
- (vi) All Panamanian Governmental Authorizations of or with any Panamanian Government Agency required by Panama for the execution and delivery of the Dealer Manager Agreement and the Fiscal Agency Agreement and for the execution, issuance, sale and delivery of the Global Bonds, and the consummation by Panama of the transactions contemplated by the Warrant Exercise Solicitation,

Ministro de Economía y Finanzas

23 de enero de 2002

Pág.

- the Dealer Manager Agreement, the Fiscal Agency Agreement and the Global Bonds have been obtained and are in full force and effect.
- (vii) Under the laws of Panama, neither Panama nor any of its property has any immunity from the jurisdiction of any Panamanian court or from the execution of any judgment in Panama or from enforcement therein of any judgment by any court or other tribunal on the grounds of sovereignty or otherwise, except that the execution on or attachment of, revenues, assets and property of Panama located in Panama through the courts of Panama, both prior to and post-judgment, shall be subject to the provisions of Articles 1033, 1034, 1674 and 1963 of the Judicial Code of the Republic of Panama.
- (viii) (A) The agreement of Panama and the parties thereto that the Dealer Manager Agreement, the Fiscal Agency Agreement and the Global Bonds shall be governed by, and construed in accordance with, the laws of the State of New York, United States of America would be recognized and effective in the courts of Panama in any action or proceeding involving Panama arising out of or relating to the Dealer Manager Agreement, the Fiscal Agency Agreement or the Global Bonds. (B) The submission of Panama pursuant to Section 13 of the Dealer Manager Agreement, Section 14 of the Fiscal Agency Agreement and Paragraph 13 of the Global Bonds to the non-exclusive jurisdiction of any New York State or Federal court sitting in The City of New York, New York and any court sitting in Panama for the purposes set forth in such Sections and Paragraph and the appointment of the Authorized Agent (as defined in the Dealer Manager Agreement, in the Fiscal Agency Agreement and in the Global Bonds) as its agent for the purposes described in Section 13 of the Dealer Manager Agreement, in Section 14 of the Fiscal Agency Agreement and in Paragraph 13 of the Global Bonds are each valid and legally binding on Panama. (C) Service of process effected in the manner set forth in Section 13 of the Dealer Manager Agreement, in Section 14 of the Fiscal Agency Agreement and in Paragraph 13 of the Global Bonds is effective, insofar as Panamanian law is concerned, to confer valid personal jurisdiction over Panama to the extent of any action referred to therein.
- (ix) To ensure the legality, validity, enforceability or admissibility in evidence of the Dealer Manager Agreement, the Fiscal Agency Agreement or any other document or instrument related to the Warrant Exercise Solicitation or the Global Bonds, it is not necessary that the Dealer Manager Agreement, the Fiscal Agency Agreement, the Global Bonds or any other such document or instrument be filed, registered or recorded with, or executed or notarized before, any court or other authority in Panama (other than the translation and publication thereof), or that any registration charge or stamp or similar tax be paid on or in respect of the Dealer Manager Agreement, the Fiscal Agency Agreement, the Global Bonds, or any other such document or instrument.

Ministro de Economía y Finanzas

23 de enero de 2002

Pág.

- (x) There is no tax, levy, deduction, charge or withholding imposed by Panama or any political subdivision thereof either (A) on or by virtue of the execution, delivery, recognition or enforcement of the Dealer Manager Agreement or the Fiscal Agency Agreement or the Global Bonds or (B) on any payment to be made by Panama thereunder or pursuant to the Warrant Exercise Solicitation or under the Global Bonds.
- (xi) The statements in the Prospectus Supplement under the caption "Taxation—Panamanian Taxation" fairly summarize the provisions of Panamanian tax law described therein.
- (xii) Other than as set forth in the Prospectus or Prospectus Supplement, to the best of my knowledge after due inquiry, there are no legal or governmental proceedings or arbitrations pending to which Panama is a party which, if determined adversely to Panama, would, individually or in the aggregate, have a material adverse effect on Panama's financial, economic or fiscal condition or its ability to perform its obligations under the Dealer Manager Agreement, the Fiscal Agency Agreement or the Global Bonds or in connection with the Warrant Exercise Solicitation; and, to the best of my knowledge after due inquiry, no such proceedings are threatened.
- (xiii) The Dealer Manager Agreement, the Fiscal Agency Agreement and the Global Bonds are in proper legal form under the laws of Panama for the enforcement thereof against Panama under the laws of Panama.
- (xiv) No stamp or other issuance or transfer taxes or duties and no capital gains, income, withholding, or other taxes are payable by you or on your behalf as Dealer Manager to Panama or to any political subdivision or taxing authority thereof or therein by reason of your being the Dealer Manager in connection with the issuance, sale and delivery of the Global Bonds upon the exercise of Warrants by the Dealer Manager or the sale and delivery of the Global Bonds outside Panama by the Dealer Manager to the initial holders thereof upon the exercise of Warrants by the Dealer Manger.

The Registration Statement, the Prospectus and the Prospectus Supplement have been prepared by appropriate representatives of Panama and its instrumentalities, including representatives of the Ministry of Economy and Finance, and representatives of the Procuraduría have participated in discussions regarding the Registration Statement, the Prospectus and the Prospectus Supplement with such representatives, U.S. counsel for Panama, the representatives of the Dealer Manager and its U.S. counsel. The Procuraduría has been apprised of and has reviewed the disclosure requirements under applicable United States securities laws and regulations and has reviewed the Registration Statement, the Prospectus

Ministro de Economía y Finanzas

23 de enero de 2002

Pág.

and the Prospectus Supplement. Based on such discussions and review, and without independent investigation or verification of the correctness or completeness of the information included in the Registration Statement, the Prospectus, and the Prospectus Supplement, and, subject to the limitations described below, nothing has come to the Procuraduría's attention which has caused it to believe that, as of its effective date, the Registration Statement, the Prospectus and the Prospectus Supplement contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that, as of the date of the Prospectus or the Prospectus Supplement thereto contained an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading or that, as of the date hereof, the Registration Statement, the Prospectus or the Prospectus Supplement contains an untrue statement of material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. I am not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement, Prospectus or the Prospectus Supplement (except to the extent expressly set forth in clause (xi) above). I make no representation that the Procuraduría has independently verified the accuracy, completeness or fairness of such statements (except as aforesaid) and I do not express any opinion or belief as to the financial or statistical data contained in the Registration Statement, the Prospectus or the Prospectus Supplement.

I am qualified to practice law in Panama and I do not purport to be an expert on, or to express any opinion herein, concerning any laws other than the laws of Panama as in effect on the date hereof.

This opinion may not be used or relied upon by any person except the addressees hereof and Arnold & Porter, special counsel to Panama, and may not be disclosed, quoted or otherwise referred to without my prior and express written consent.

Very truly yours,

Alma Montenegro de Fletcher
Procuradora de la Administración.

AMdeF/12/hf.

Ministro de Economía y Finanzas
23 de enero de 2002
Pág.

Panamá, 23 de enero de 2002.

JPMorgan Chase Bank,
Como Agente Fiscal
450 West 33rd Street, 15 Piso
Nueva York, Nueva York 10001

Atención: Servicios de Custodia Globales,
Equipo Internacional

Señoras y señores:

Yo me refiero a mi opinión de la misma fecha adjunta y dirigida a Salomón Smith Barney Inc. (“el Administrador Agente”) como Administrador Agente bajo el Acuerdo de Ejecución de Administrador Agente, fechado 29 de Junio de 2001, entre la Republica de Panamá (“Panamá”) y Administrador Agente, y entregadas en conexión con la transacción contemplada en el mismo relacionado con la emisión de \$180,000,000 de 9.375% Bonos Globales con vencimiento 2012 (los “Bonos Globales”). Ustedes pueden apoyarse en las cláusulas (ii) y (iii) de esa opinión tanto y en la medida como si esas cláusulas estuviesen incluidas en la opinión dirigida a ustedes. Ustedes también pueden referirse en las cláusulas (iv), (vi), (vii), (viii), (ix), (x), (xii) y (xiii) en los temas involucrando el Acuerdo de Agente Fiscal fechado 26 de Septiembre de 1997 entre Panamá y JPMorgan Chase Bank, como agente Fiscal, y cualquier suplemento al mismo y los Bonos Globales.

Atentamente,

Alma Montenegro de Fletcher
Procuradora de la Administración.

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