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## PANAMA INFRASTRUCTURE OPPORTUNITIES

Panama has emerged as a major hub for trade and logistics in the Americas. However, its infrastructure is at a crossroads and must evolve rapidly to keep pace with the country's growth. This presents a significant opportunity for collaboration. By leveraging Swiss expertise in sustainable solutions across various sectors—upgrading existing infrastructure, expanding rural access, promoting clean energy, and implementing innovative waste management solutions—Panama can bridge the infrastructure gap and ensure a cleaner, more prosperous future.

### INTRODUCTION

Panama has emerged as a major hub for trade and logistics in the Americas. However, its infrastructure must evolve rapidly to keep pace with the country's growth. While Panama City boasts modern facilities, the situation outside the metropolitan area is markedly different, presenting significant opportunities for development.

Panama's new President, José Raúl Mulino, has unveiled an ambitious five-year investment plan allocating an estimated **US\$15 billion** between 2025 and 2029. The substantial package focuses on strengthening strategic infrastructure, advancing social programs, and promoting environmental initiatives. These projects are expected to create **over 25,000 jobs** and positively impact **more than four million people** across the country.

Key areas where Panama faces crucial infrastructure needs include:

- Upgrading and maintaining existing infrastructure
- Expanding Rural Infrastructure
- Clean Energy and Sustainability
- Waste Management

### UPGRADING & MAINTAINING EXISTING INFRASTRUCTURE

Despite Panama's impressive infrastructure, many roads, ports, bridges, and water systems require significant upgrades. Urban traffic congestion underscores the need for these improvements. Panama is heavily investing in the

upgrade and expansion of its national highway network, creating a demand for expertise in innovative and sustainable road construction materials, bridge-building solutions, traffic management systems, tunneling technologies, rail equipment, and project management.

Building new infrastructure is essential, but maintaining existing infrastructure is equally crucial. To maximize the lifespan and efficiency of current projects, a long-term maintenance plan is necessary. This presents a valuable opportunity for Swiss companies, known for their high-quality products, engineering expertise, and innovative solutions. By focusing on eco-friendly and sustainable practices, Swiss companies can play a pivotal role in enhancing Panama's infrastructure.

**Water Security and Sanitation:** The administration plans large-scale investments to modernize and upgrade water and sanitation infrastructure nationwide, aiming to provide high-quality drinking water to the majority of the population. A cornerstone of this strategy is the *Río Indio Reservoir Project*—a comprehensive initiative that includes the construction of the reservoir itself to ensure long-term water security for both the Panama Canal and surrounding communities, as well as a full resettlement plan for all affected families.

**Mobility and Road Networks:** The administration's commitment to transforming mobility infrastructure presents a compelling opportunity. The government is prioritizing substantial investment to rebuild and modernize roads and highways, with a strong focus on enhancing connectivity between regional centers and the capital. This effort includes the strategic and long-awaited completion of the *Fourth Bridge over the Panama Canal*, a project expected to significantly reduce traffic congestion and shorten commuting times for residents in the western region.

**Opportunities for Swiss Expertise in Water Security and Sanitation:** Swiss firms excel in integrated water resource management, high-tech reservoir construction, and advanced wastewater treatment systems, including technologies that generate biogas and minimize energy consumption—making them ideal partners for Panama's water and sanitation modernization efforts.

## EXPANDING RURAL INFRASTRUCTURE

Significant disparities exist between urban and rural infrastructure in Panama. While the metropolitan area of Panama City boasts well-developed infrastructure, many rural areas lack reliable access to clean water, sanitation, and quality roads. This deficiency hinders development and negatively impacts quality of life for rural residents. Limited or non-existent public transportation options in these areas make car ownership almost mandatory, adding to the challenges.

The ongoing development of the Panama City metro is a positive step, but further investment is needed to improve public transportation options that connect urban and rural areas. Expanding public transportation beyond city limits would enhance connectivity, creating a more sustainable, accessible, and safe travel network. This expansion could involve extending the metro, developing efficient bus routes, and/or building a railway system to reach inland cities.

**Strategic Transport Connectivity and Mobility:** To enhance efficiency and strengthen regional integration, the administration is making significant investments in transport infrastructure. Key initiatives include the *extension of Metro Line 3*, the *development of a new passenger and cargo train system*, and the launch of an *innovative cable car network*. Collectively, these projects aim to strengthen links between regional hubs and the capital, streamline mobility, and provide residents with faster, more reliable commutes.

**Opportunities for Swiss Expertise in Transport Connectivity and Mobility:** Swiss companies, renowned for their Alpine engineering excellence, are well positioned to contribute advanced solutions for the *Metro Line 3 extension*, the *new train system* (including rolling stock and hydrogen-based rail technology), as well as for *complex cable car systems*, the *Fourth Bridge over the Panama Canal*, and *durable, low-maintenance road networks*.

Swiss companies, with their expertise in project management and railway system manufacturing—particularly hydrogen-based technologies—could play a crucial role in designing and developing these public transportation improvements for both urban and rural areas. Their innovative solutions and commitment to sustainable practices could be invaluable in bridging the infrastructure gap and fostering inclusive development across Panama.

## CLEAN ENERGY AND SUSTAINABILITY

Panama is actively inviting investment in clean energy through a range of laws offering attractive incentives for both domestic and foreign companies to develop renewable energy projects, including wind, solar, hydroelectric, and

biofuels. This focus on clean energy not only benefits the environment but is also a national priority. Panama is proud to be one of the few "carbon-negative" countries in the world.

In 2021, Panama launched the "Reduce Your Corporate Footprint" program, a pioneering national initiative that helps businesses manage their environmental impact by establishing standardized methods to measure and reduce their carbon and water footprints. This initiative underscores Panama's commitment to sustainability.

Panama's national climate change strategy adopts a comprehensive approach aimed at significantly increasing the use of renewable energy, protecting coastlines, creating green jobs, integrating transportation networks, developing a carbon market, managing greenhouse gas emissions, and enhancing the country's climate resilience. The strategy also prioritizes reducing plastic waste, evidenced by the 2021 ban on 11 single-use plastic items. Ultimately, Panama's goal is to ensure a sustainable future that benefits both the environment and its citizens.

**Energy Future and Boosting National Grid Capacity:** A central element of President Mulino's infrastructure agenda is the construction and expansion of the Fourth High-Voltage Transmission Line (Chiriquí Grande – Panamá III). This strategic project represents a major investment aimed at strengthening national energy security and capacity. The line will connect western generation centers to the metropolitan area, spanning over 300 kilometers and creating a high-capacity electrical spine linking Bocas del Toro, Ngäbe Buglé Comarca, Veraguas, Colón, and Coclé, before terminating at the Panamá III substation near the capital. By enhancing grid resilience and facilitating nationwide power distribution, this transmission line is vital for meeting Panama's growing energy demand and ensuring reliable service for millions of residents and businesses.

Another cornerstone of the administration's agenda is the long-awaited Panama-Colombia Electrical Interconnection project, poised to transform Panama into a regional energy hub between Central and South America. This initiative involves constructing a high-voltage direct current (HVDC) transmission line, including a significant subsea section, to physically link the national grids of both countries. The interconnection will provide energy security and stability by enabling the reciprocal exchange of electricity, allowing Panama to access Colombia's diverse and often surplus generation capacity. This enhanced supply reliability and market diversification are expected to strengthen the stability of the Panamanian grid, benefiting more than three million people and reinforcing Panama's role as a critical energy bridge in the Americas.

**Opportunities for Swiss Expertise in energy future and grid capacity:** Swiss-based global leaders in power technology are well positioned to design and supply cutting-edge components and digital grid solutions for the Fourth High-Voltage Transmission Line, particularly HVDC technology, which is critical for the subsea link of the Panama-Colombia Electrical Interconnection.

Swiss companies can contribute significantly to this effort by providing cutting-edge technology and expertise in grid integration, energy storage solutions, and smart grid management to optimize renewable energy use. Additionally, reducing energy consumption is crucial for Panama's sustainability goals, and Swiss expertise in energy-efficient building design, smart metering systems, and industrial energy efficiency solutions can be highly beneficial. Given Panama's current waste management challenges, converting waste into energy presents a sustainable solution for both waste disposal and power generation. Swiss companies can offer advanced technologies for waste-to-energy plants, aligning with Panama's waste management goals and supporting its sustainability ambitions.

## **WASTE MANAGEMENT**

Panama's economic success has brought with it a growing waste management burden. While the country has a progressive policy framework emphasizing waste reduction and a circular economy, turning these plans into action remains a significant challenge. Developing infrastructure and fully implementing policies are critical next steps.

The current situation presents a substantial challenge. Reliance on outdated landfills and limited public education on waste reduction create inefficiencies and environmental concerns, evident in accumulating waste and widespread littering. Accumulated waste also clogs rivers and drainage canals, increasing the risk of flooding during heavy rains.

However, this challenge offers an opportunity for collaboration. Panama is actively seeking innovative and sustainable solutions to minimize landfill dependence and preserve valuable land. Expertise in large-scale waste management systems, automated sorting technologies, methane capture, waste-to-energy solutions, and comprehensive recycling programs is in high demand.

**Comprehensive Waste-to-Energy and Resource Recovery:** Panama is actively pursuing a modern, integrated waste-to-energy solution as a key element of its national strategy. This initiative goes beyond simple waste disposal, focusing on a sophisticated facility capable of processing the country's waste stream to maximize resource recovery. The project would incorporate multiple circular economy components: separating and processing non-organic recyclables, converting organic residues into high-quality compost, and capturing biogas or methane from waste decomposition for direct energy generation.

By adopting this comprehensive approach, Panama aims to drastically reduce the volume of material sent to overflowing landfills—such as the critical *Cerro Patacón* site—mitigate harmful methane emissions, and establish a stable, renewable energy source.

**Opportunities for Swiss Expertise in Waste - to Energy and Resource Recovery:** Swiss firms specializing in *dry anaerobic digestion* (e.g., Kompogas technology) can ensure efficient conversion of organic waste into biogas/methane and compost, helping to establish a world-class circular economy model for Panama's waste management system.

Switzerland can play a key role in addressing this issue. By leveraging Swiss leadership in sustainable waste management technologies, Panama can transform its waste challenge into a cleaner and healthier future. This collaboration would not only create a positive environmental impact but also foster new employment opportunities within Panama.

## **FUNDING INFRASTRUCTURE PROJECTS**

Financing infrastructure needs in Panama remains a challenge. To address this, Panama adopted its first public-private partnership (PPP) regime through Law 93 of 2019. This law establishes the institutional framework and processes for developing infrastructure projects under the PPP category, aiming to promote infrastructure and public services development. By encouraging private sector investment in public projects, the law contributes to economic growth, job creation, competitiveness, and improved living conditions.

Panama's investment climate, however, faces certain challenges, particularly regarding government finances. The COVID-19 pandemic significantly impacted public debt, which grew to over \$44 billion in 2022—a 40% increase since the pandemic began. This surge pushed the debt-to-GDP ratio to around 58%, up from pre-pandemic levels of 46%.

Panama established diplomatic ties with China in June 2017, and during the Varela administration (2014-2019), negotiations for a free trade agreement and various infrastructure projects were underway. However, many of these projects were either not completed or were reassigned to different developers. Since the Cortizo administration took office in July 2019, there have been no further formal discussions regarding a free trade agreement with China.

Addressing these financial and diplomatic challenges is crucial for the successful funding and implementation of Panama's infrastructure projects. Leveraging the PPP framework and fostering international partnerships will be key to overcoming these hurdles and ensuring sustainable development.

## **CONCLUSIONS**

Panama's infrastructure boom is at a crossroads. While urban areas feature modern facilities, rural development lags significantly behind. This disparity presents a significant opportunity for collaboration. By leveraging Swiss expertise in sustainable solutions across various sectors—upgrading existing infrastructure, expanding rural access, promoting clean energy, and implementing innovative waste management—Panama can bridge the infrastructure gap and ensure a cleaner, more prosperous future.

## **HOW S-GE CAN SUPPORT**

We would be delighted to support you in your expansion plans to Panama and connect you with the appropriate business partners to follow up on the planned projects in infrastructure.

Our renowned experts in Zurich work closely with the Embassy for Panama, Costa Rica, El Salvador and Nicaragua, based in San Jose, Costa Rica, as well as the Swiss-Panamanian Chamber of Commerce based in Panama City, Panama, ensuring that you benefit from firsthand information. We look forward to hearing from you!

## GET IN TOUCH



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