

A Sustainable Banking Network (SBN)
Flagship Report
Addendum to SBN Global Progress Report

October 2019

Country Progress Report

Paraguay



© International Finance Corporation [2019], as the Secretariat of the Sustainable Banking Network (SBN). All rights reserved. 2121 Pennsylvania Avenue, N.W. Washington, D.C. 20433 Internet: www.ifc.org. The material in this work is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. IFC and SBN encourage dissemination of their work and will normally grant permission to reproduce portions of the work promptly, and when the reproduction is for educational and non-commercial purposes, without a fee, subject to such attributions and notices as we may reasonably require.

IFC and SBN do not guarantee the accuracy, reliability, or completeness of the content included in this work, or the conclusions or judgments described herein, and accept no responsibility or liability for any omissions or errors (including, without limitation, typographical errors and technical errors) in the content whatsoever or for reliance thereon. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank Group concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

This work was prepared in consultation with SBN members. The findings, interpretations, and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of The World Bank Group, IFC, or the governments they represent. The contents of this work are intended for general informational purposes only and are not intended to constitute legal, securities, or investment advice, an opinion regarding the appropriateness of any investment, or a solicitation of any type. IFC or its affiliates may have an investment in, provide other advice or services to, or otherwise have a financial interest in, certain of the companies and parties named herein.

All other queries on rights and licenses, including subsidiary rights, should be addressed to IFC's Corporate Relations Department, 2121 Pennsylvania Avenue, N.W., Washington, D.C. 20433. International Finance Corporation is an international organization established by Articles of Agreement among its member countries, and a member of the World Bank Group. All names, logos and trademarks are the property of IFC and you may not use any of such materials for any purpose without the express written consent of IFC. Additionally, "International Finance Corporation" and "IFC" are registered trademarks of IFC and are protected under international law.

Table of Contents

1. Country progress summary	1
2. Overview of policy coverage by indicators	3
3. Policy coverage developed	4
4. Policy coverage to be developed	7

1. Country progress summary –Paraguay



SBN Member:

- [Sustainable Finance Roundtable](#) (member since 2015)
- [Central Bank of Paraguay](#) (member since 2016)

SBN Working Group: none

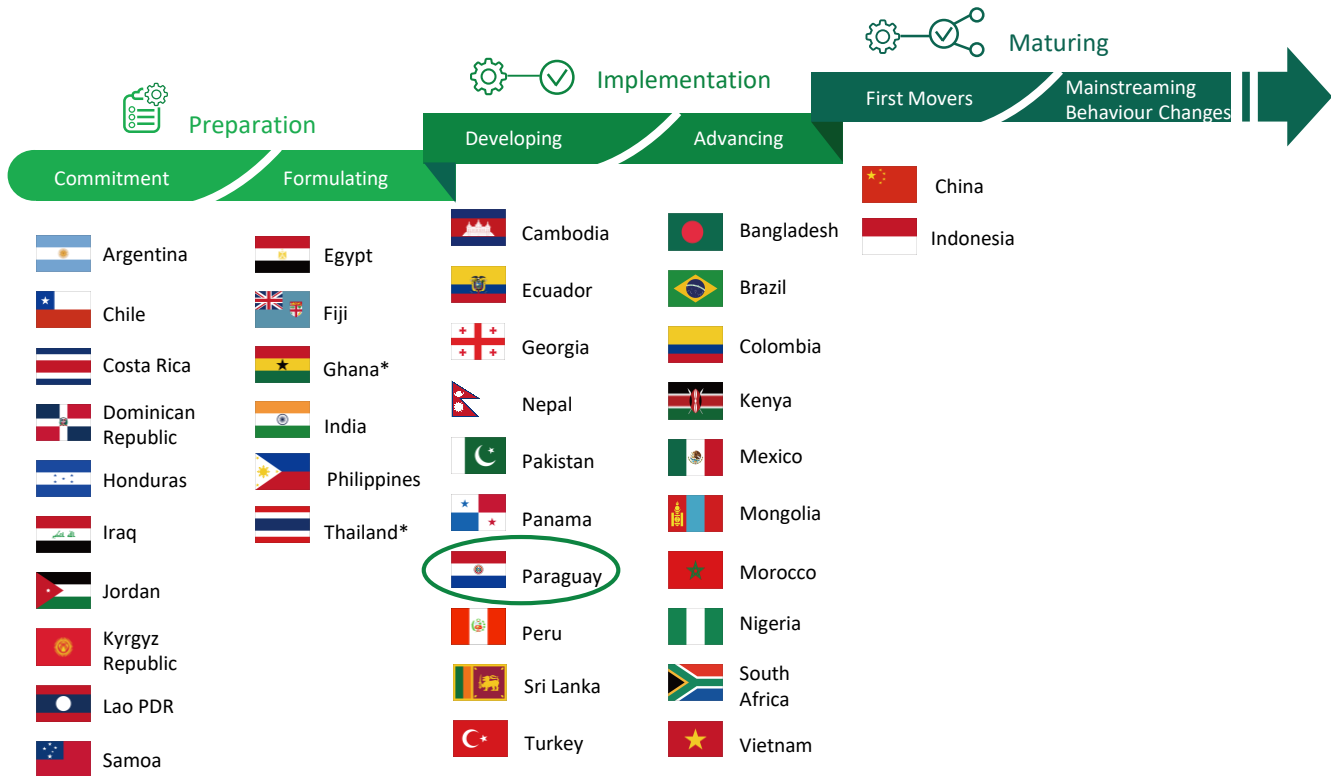
Key milestones since 2018 SBN Report:

- Paraguay's Central Bank approved a Guide for Environmental and Social Risk Management, to be integrated within the credit risk analysis of financial institutions (FIs) (December 2018)
- The Paraguay Sustainable Finance Roundtable officially signed up to the Principles for Responsible Banking of the UNEP FI (May 2019)
- Paraguay has started its sustainable finance policy implementation, and thus progressed from "Formulating" under the "Preparation" stage to "Developing" under the "Implementation" stage, as indicated in the "Progression Matrix".

SBN and IFC role: IFC has provided advisory services to the Sustainable Finance Roundtable through capacity building, in partnership with the government of Canada. Through SBN, the Sustainable Finance Roundtable has shared its experience with other SBN members and benefited from the collective SBN knowledge base.

Figure 1: SBN Progression Matrix with Assessment Results¹

Assessment based on progress up to and as of June 2019²

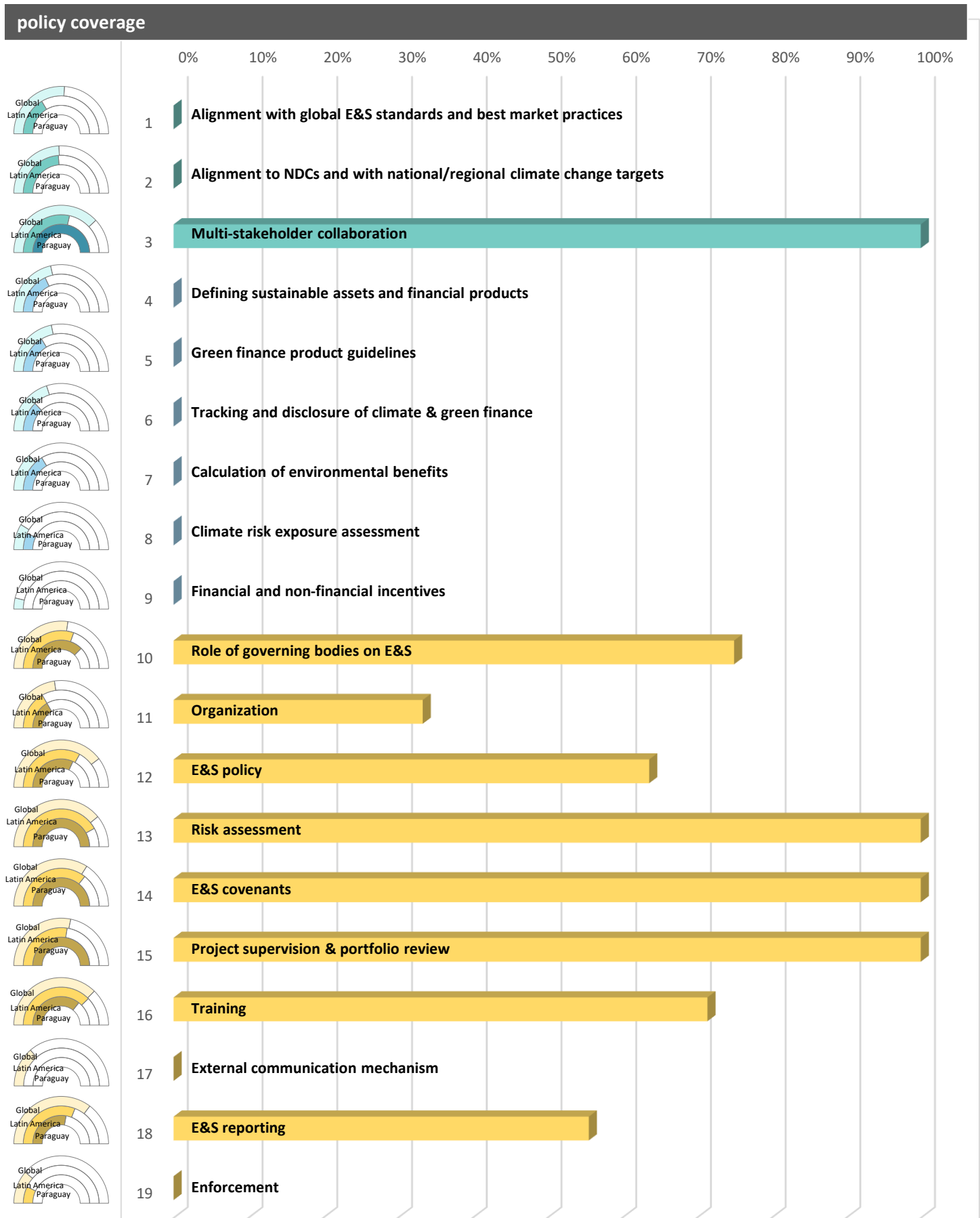


Note:

1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.

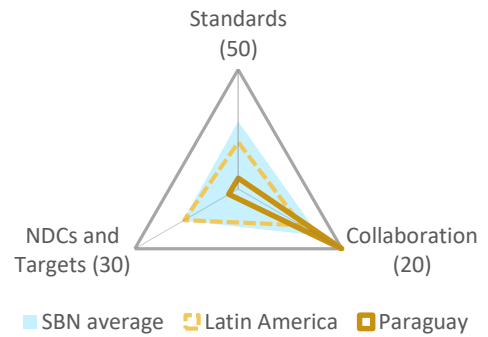
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.

2. Overview of policy coverage by indicators



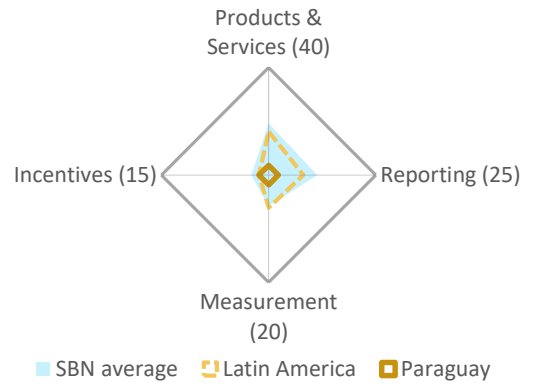
3. Policy coverage developed

Pillar I: Strategic Alignment



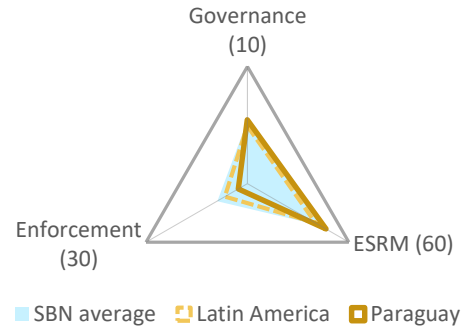
Indicator	Policy requirement	Reference
Alignment with global E&S standards and best market practices		
Indicator 1	The E&S Risk Management Guide provides general principles and guidance to promote FI's E&S policies. It mentions international standards in general as a valid reference source for FIs.	-
Alignment to NDCs and with national/regional climate change targets		
Indicator 2	-	-
Multi-stakeholder collaboration		
Indicator 3	The Guide was developed through collaboration between the Central Bank of Paraguay, the Roundtable for Sustainable Finance, and the Banking Association of Paraguay. The Ministry of Environment and Sustainable Development was also consulted, and similar regulations issued in Brazil, Peru, Nepal, and Bangladesh were studied.	-

Pillar II: Climate and Green Finance



Indicator	Policy requirement	Reference
Products and services		
Indicator 4, 5	The Roundtable for Sustainable Finance aims to promote the development of sustainable finance in Paraguay. It is currently in the process of developing training programs and green credit lines with the support of multilateral organizations.	-
Climate and green investment reporting		
Indicator 6	-	-
Measurement		
Indicator 7, 8	-	-
Incentives		
Indicator 9	-	-

Pillar III: ESG Integration



Indicator	Policy requirement	Reference
Governance of E&S		
Indicator 10,11	<p>The Guide provides comprehensive guidance for FIs on the design and governance of E&S policies.</p> <p>As part of this, it calls for FI's to define roles and responsibilities in relation to the implementation of E&S policies.</p> <p>It also stresses the need for senior managers to report to the board of directors on their progress.</p>	<p>ESG risk management guide (Central Bank, 2018) - Page 11 & 12 - 9.2.1. Responsabilidad del Directorio</p> <p>ESG risk management guide (Central Bank, 2018) - Page 9 - Artículo 7° and Page 12 – 9.2.2.6</p>
E&S risk management		
Indicator 12-18	<p>The Central Bank of Paraguay’s regulation aims to ensure that FIs apply Article 12 of Law 294/93 “Environmental Impact Assessment”. It therefore asks FIs to formalize a proper E&S policy and risk management framework.</p> <p>This regulation states the need for FIs to publicly disclose information on their E&S policies and implementation.</p> <p>The Guide requires FIs to carry out E&S due diligence at client and transaction levels, and to categorize clients by risk levels. It defines risk levels, including which levels require mitigation measures by clients.</p> <p>The Guide also highlights the importance of monitoring E&S risks over time, and of regular portfolio-level review.</p> <p>However, the Sectorial Guides elaborated and applied by members of the Sustainable Finance Bureau of Paraguay, establish specific criteria and guidelines for the main economic sectors of the country: livestock, agriculture and agroindustry.</p>	<p>ESG risk management guide (Central Bank, 2018) - Page 9 - Artículo 6°</p> <p>ESG risk management guide (Central Bank, 2018) - Page - Artículo 11° - Divulgacion de la informacion</p> <p>ESG risk management guide (Central Bank, 2018) - Page 9 - Artículo 7° and Page 10 – Aritculo 7°</p> <p>ESG risk management guide (Central Bank, 2018) - Page 15 - 9.4.1. Customer E&S Report and 9.4.2 Periodic E&S Reports</p>
Enforcement		
Indicator 19	-	-

4. Policy coverage to be developed

Pillar	Sub Pillar	Gaps	Areas for improvement
Pillar I: Strategic Alignment	Alignment with global E&S standards and best market practices	100%	<ul style="list-style-type: none"> ➤ Reference to international E&S target ➤ Reference to established international ESRM standards ➤ Reference to established international green finance reporting standards ➤ Reference to international climate finance reporting standards ➤ Requirement to make E&S policies, practices and results externally verified
	Alignment to NDCs and with national/regional climate change targets	100%	<ul style="list-style-type: none"> ➤ Alignment with national NDCs or other national/regional climate policies ➤ Defined main climate risks for local financial sector
	Multi-stakeholder collaboration	0%	-
Pillar II: Climate and Green Finance	Products & services	100%	<ul style="list-style-type: none"> ➤ Definition and examples for green assets ➤ Comprehensive taxonomy for green assets ➤ Definition/examples for social/sustainable assets ➤ Definition/examples for sustainable financial non-debt products ➤ Guidelines for green financial assets (excluding green bonds) ➤ Guidelines for issuance of green bonds ➤ Reference to existing standards ➤ Recommendation of external party verification
	Climate & green investment reporting	100%	<ul style="list-style-type: none"> ➤ Requirement of report on climate/green finance flows ➤ Requirement of report on portfolio climate risk exposure ➤ Encouragement of public disclosure
	Measurement	100%	<ul style="list-style-type: none"> ➤ Requirement to calculate investments' environmental benefits ➤ Taxonomy of potential environmental impacts ➤ Methodologies, tools, templates to measure/report impacts ➤ Requirement to monitor climate risk exposure at portfolio level ➤ Reference to specific climate exposure methodologies ➤ Encouragement of mitigation steps
	Incentives	100%	<ul style="list-style-type: none"> ➤ Incentives for green financial products/services ➤ Financial incentives on green products/services
Pillar III: ESG Integration	Governance of E&S	50%	<ul style="list-style-type: none"> ➤ FI operational bodies to report to the governing bodies on E&S strategy implementation ➤ Highlight the roles of front offices and second lines of defense ➤ Requirement to define role competencies
	E&S risk management	25%	<ul style="list-style-type: none"> ➤ Encouragement to go beyond local laws and regulations ➤ Requirement to set objectives/targets ➤ Training for front officers, second lines of defense, E&S experts ➤ Requirement to establish and maintain inquiry/complaints mechanism to FI's E&S/ESG practices ➤ Making E&S/ESG reporting and disclosure more consistent via principles or guidelines
	Enforcement	100%	<ul style="list-style-type: none"> ➤ Framework implementation regularly verify and information collected ➤ Financial and/or non-financial incentives for setting up ESRM ➤ Sanctions/penalties/warnings for non-compliance

Access the SBN Global Progress Report and Country Reports at:
www.ifc.org/SBN2019Report

