

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

October 2019

Country Progress Report

Panama



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1. Country progress summary – Panama



SBN Member: [Panama Banking Association \(ABP\)](#) (member since 2017)

SBN Working Group: none

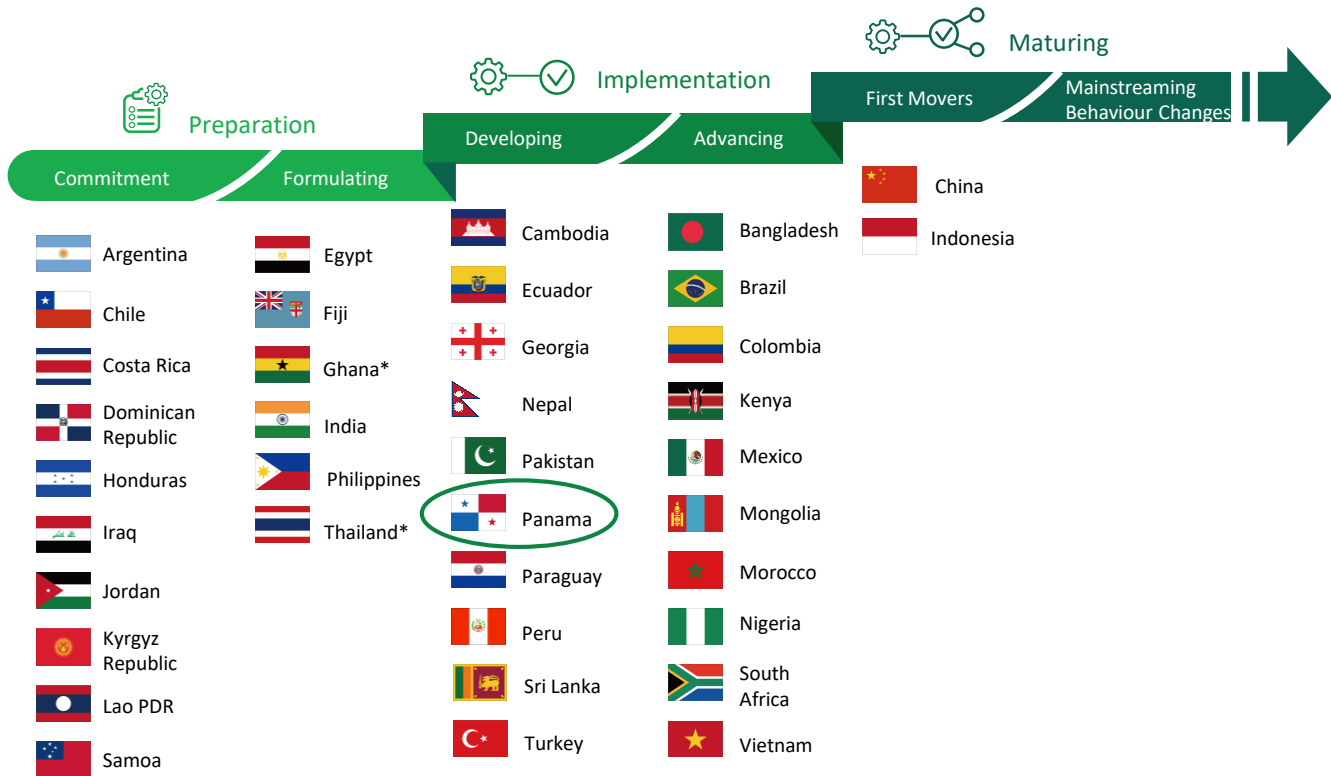
Key milestones since 2018 SBN Report:

- Launch of Sustainable Finance Protocol of Panama (ABP, 2018)
- Recommendations published for the implementation of the Sustainable Finance Protocol of Panama (ABP, 2018)
- ABP hosted a first training workshop on “Sustainable Finance is an Opportunity for Banks” (September 2018)
- Panama 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 ABP in relation to policy development, implementation, and capacity building, in partnership with the government of Panama. Through SBN, ABP 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

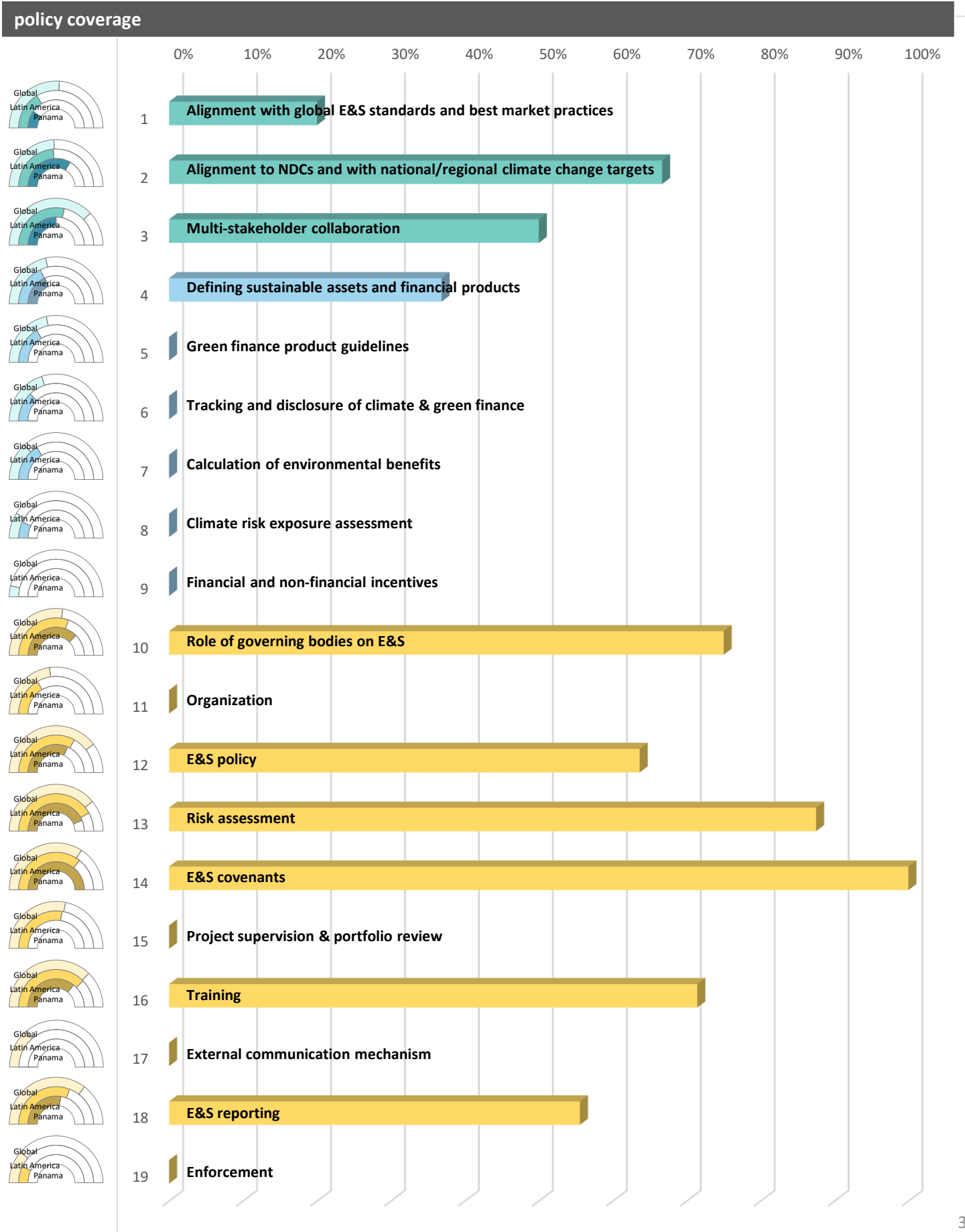


Note:

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

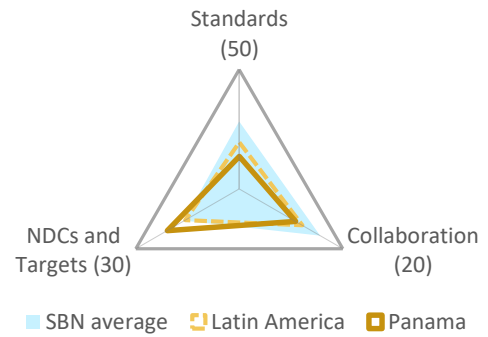
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.

2. Overview of policy coverage by indicators



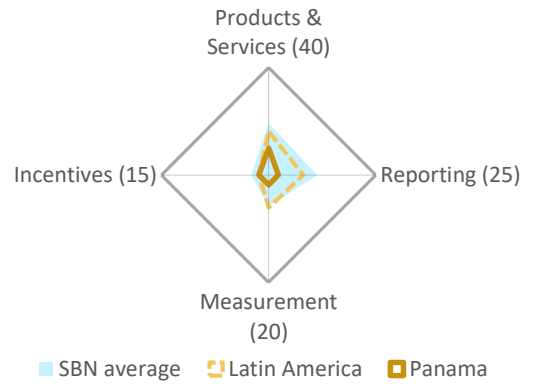
3. Policy coverage developed

Pillar I: Strategic Alignment



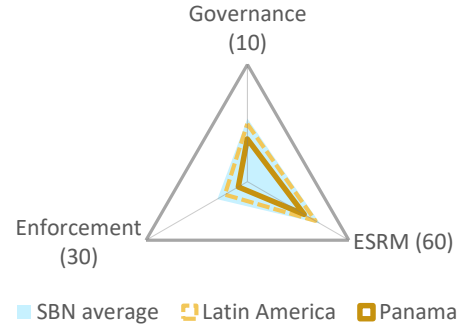
Indicator	Policy requirement	Reference
Alignment with global E&S standards and best market practices		
Indicator 1	The Sustainable Finance Protocol refers to established international E&S risk management standards, such as the IFC Performance Standards and the Equator Principles.	Recommendations for the implementation of the Sustainable Finance Protocol of Panama (ABP, 2018) - 2. Análisis de Riesgos Ambientales y Sociales 2.
Alignment to NDCs and with national/regional climate change targets		
Indicator 2	The Protocol states that banks could contribute to Panama’s NDC and performance towards the UN SDGs by adopting the requirements of the framework.	Recommendations for the implementation of the Sustainable Finance Protocol of Panama (ABP, 2018) - Page 3 - 5
Multi-stakeholder collaboration		
Indicator 3	-	-

Pillar II: Climate and Green Finance



Indicator	Policy requirement	Reference
Products and services		
Indicator 4,5	The Protocol encourages banks to develop and promote green finance. It lists several types of green financial products, such as bonds and loans, and provides examples of green assets.	Recommendations for the implementation of the Sustainable Finance Protocol of Panama (ABP, 2018) – page 5 – 3. Productos Verdes
Climate and green investment reporting		
Indicator 6	-	-
Measurement		
Indicator 7,8	-	-
Incentives		
Indicator 9	The Government of Panama has set up the UREE (rational use of energy) Fund, which incentivizes investment in energy efficient projects through reduced interest rates.	-

Pillar III: ESG Integration



Indicator	Policy requirement	Reference
Governance of E&S		
Indicator 10,11	E&S risk management is one of the pillars of the Sustainable Finance Protocol, which states the need for banks to establish a governance structure and to consider E&S risk management as part of their overall strategy.	Recommendations for the implementation of the Sustainable Finance Protocol of Panama (ABP, 2018) – page 4 – 1. Gobernanza
E&S risk management		
Indicator 12-18	<p>The Protocol asks banks to formalize a risk management system, and states that banks’ boards are responsible for this.</p> <p>The Protocol requires FIs to assess, analyze, and categorize projects and clients according to their level of risks.</p> <p>It also stresses the need to incorporate E&S covenants into legal agreements with borrowers, and the importance of internal training to ensure that banks maintain in-house E&S capacity.</p>	<p>Sustainable Finance Protocol of Panama (ABP, 2018) – page 2 – 2</p> <p>Recommendations for the implementation of the Sustainable Finance Protocol of Panama (ABP, 2018) – page 5 – Monitoreo y Seguimiento de la gestión de la organización</p> <p>Recommendations for the implementation of the Sustainable Finance Protocol of Panama (ABP, 2018) – page 5 – 2. Análisis de Riesgos Ambientales y Sociales 7</p> <p>Recommendations for the implementation of the Sustainable Finance Protocol of Panama (ABP, 2018) – page 5 – 2. Análisis de Riesgos Ambientales y Sociales 8</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	80%	<ul style="list-style-type: none"> ➤ Reference to international E&S target ➤ 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	33%	<ul style="list-style-type: none"> ➤ Defined main climate risks for local financial sector
	Multi-stakeholder collaboration	50%	<ul style="list-style-type: none"> ➤ Collaboration with other public agencies ➤ Representation of civil society
Pillar II: Climate and Green Finance	Products & services	83%	<ul style="list-style-type: none"> ➤ Comprehensive taxonomy for green assets ➤ Definition/examples for social/sustainable assets ➤ 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	70%	<ul style="list-style-type: none"> ➤ FI operational bodies to report to the governing bodies on E&S strategy implementation ➤ Requirement to define roles and responsibilities ➤ Highlight the roles of front offices and second lines of defense ➤ Requirement to define role competencies
	E&S risk management	40%	<ul style="list-style-type: none"> ➤ Requirement to set objectives/targets ➤ Requirement to disclose E&S policy & its governance ➤ Encouragement to site visit for high-risk transactions ➤ Requirement to develop process to manage E&S risk during supervision ➤ Encouragement of periodic review of E&S risk at aggregate portfolio level ➤ 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

