



Panama Case Study: Opportunities for Implementing Approaches to Article 2.1(c) and its Complementarity with Article 9 at National Level

Best Practices and Opportunities in Panama to Incentivize Finance Flows Consistent with the Goals of the Paris Agreement

To incentivize financial flows aligned with the goals of the Paris Agreement, Panama has adopted several best practices, including:

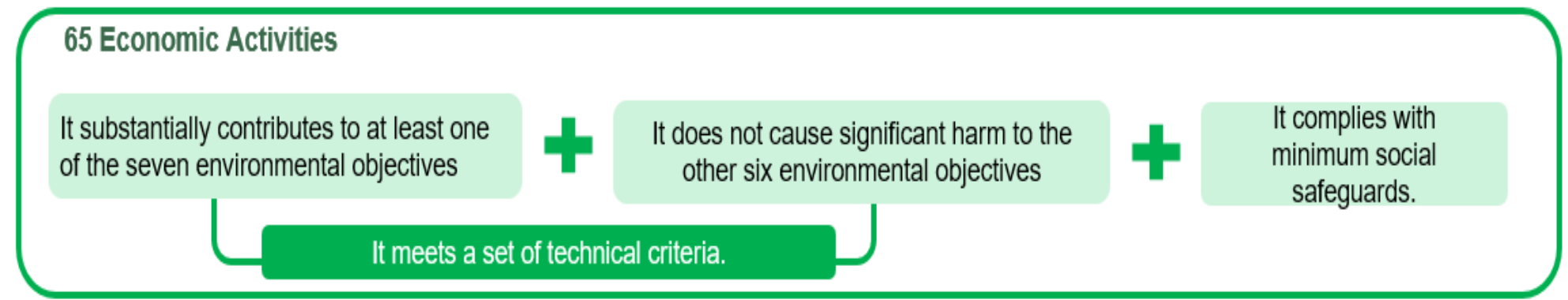
- 1. Development of a Green Bond Market**
- 2. SDG Budget Tagging**
- 3. Framework for Mapping, Quantifying, and Disclosing Climate-Related Financial Risks**
- 4. Development of Innovative Financial Instruments**
- 5. Capacity Building for the Implementation of Panama's Sustainable Finance Taxonomy and Climate Risk Framework**



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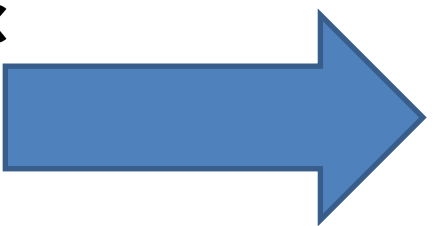
Panama Sustainable Finance Taxonomy



It is a classification system that defines clear, science-based criteria to identify economic activities that contribute to a resilient and inclusive economy in the country.

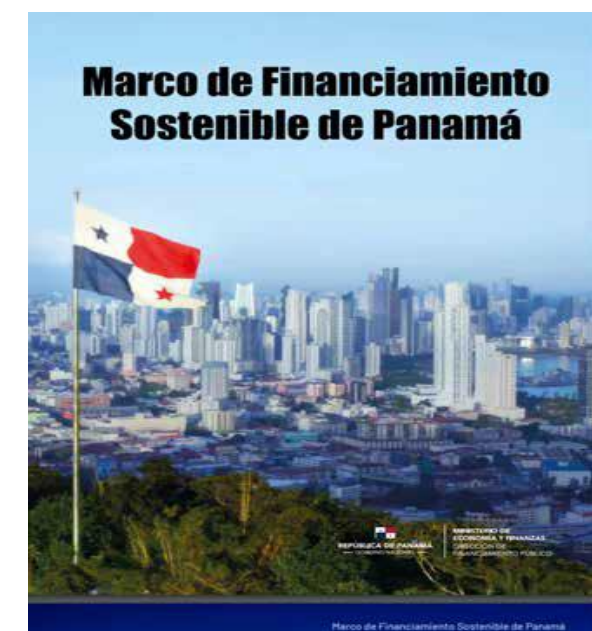


Guidelines for the Issuance of thematic labelled financial instruments



Green	Social	Sustainability	SLBs
Dedicated environmental benefits	Dedicated social benefits	Green and social benefits combined into one financial instrument	Coupon step-up/step-downs linked to entity level SPTs
Blue	Affordable housing	ESG	Sustainability-linked
Climate	Education	Green innovation	ESG-linked
Green	Gender equality social	Positive impact	SDG-linked
Green (carbon neutrality)	Health/Healthcare	Sustainability	Social impact-linked
Renewable Energy	SDG housing	Sustainability awareness	Social & sustainability-linked
Solar	Town revitalisation	SDG sustainability	KPI-linked
Environmental	Youth	Socially responsible investment	
Water	Employment	Green innovation	
PACE (Property Assessed Clean Energy)	Orange	Impact	
Sustainability	Impact	Gender equality sustainability	
SDG green	Social		
Climate resilience			
Impact			
Transition			

These Guidelines explore four categories of the GSS+ label: green, social, sustainability and Sustainability Linked Bonds (SLBs) and other sub-categories such as blue and gender labels which fall under these



Panama's Sustainable Finance Framework

It will enable the government to issue thematic bonds or contract green, social, and/or sustainable loans to partially or fully finance new or existing projects that correspond to one of the eligible environmental and/or social categories

Best Practices and Opportunities in Panama to Incentivize Finance Flows Consistent with the Goals of the Paris Agreement

- Banistmo part of Bancolombia Group purpose: we promote sustainable development for everyone's well-being
- Participation in the Board of the Sustainability Commission of the Banking Association and the National Sustainable Finance Working Group
- Development of green and social products - aligned with our works fronts of promoting more sustainable cities and communities and promoting financial inclusion with a special focus on women.
- Commitment to the development of the sustainable finance taxonomy from the beginning
- Technical tables of the taxonomy and one of the 6 banks that will be part of the pilot. (+ than 40 banks in Panama)
- Recognition of the importance of this initiative in defining a common language that facilitates access to new markets, funds and initiatives and minimizes greenwashing
- Importance of being able to include the rest of the bank and accompany them in their preparation/implementation of the Taxonomy
- Strengthen climate business opportunities and climate risk identification
- Technical training of teams in Sustainable Finance / taxonomy



We promote sustainable development for everyone's well-being.

Opportunities to use Article 9 as a catalyst to enhance finance flows consistent with the Paris Agreement



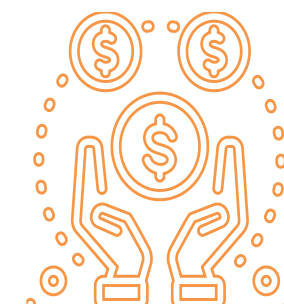
Implementation Period

36 months (2022 -2025)



Budget

USD\$1,396,133



Funder

Green Climate Fund



Implementing Agency

UNEP FI

Create a governance structure that facilitates the mobilization of private capital towards a low-emission and climate-resilient economy, **through the development and implementation of a sustainable finance taxonomy.**

Strengthen the resilience of the financial sector against the adverse effects of climate change **by developing and implementing frameworks for mapping, quantifying, and disclosing climate-related financial risks, including both physical and transition risks.**

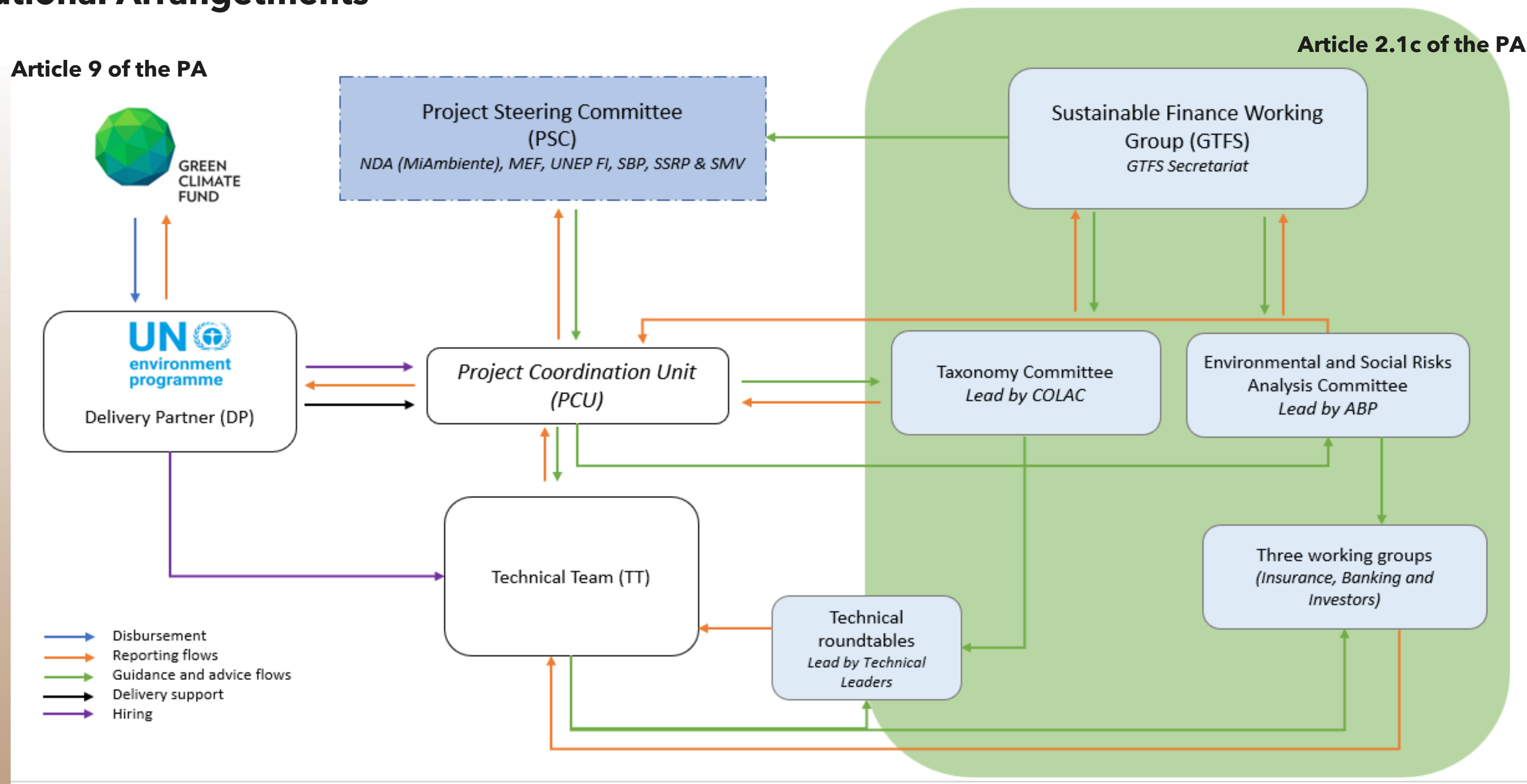
Strategic Allies

- Ministry of Economy and Finance of Panama
- Ministry of Environment of Panama
- Superintendency of Banks of Panama
- Superintendency of Insurers and Reinsurers of Panama.
- Superintendency of Securities Market
- Sustainable Finance Working Group of Panama
- Banking Association of Panama
- Insurers Association of Panama
- Panamanian Capital Markets Chamber
- Panama stock Exchange

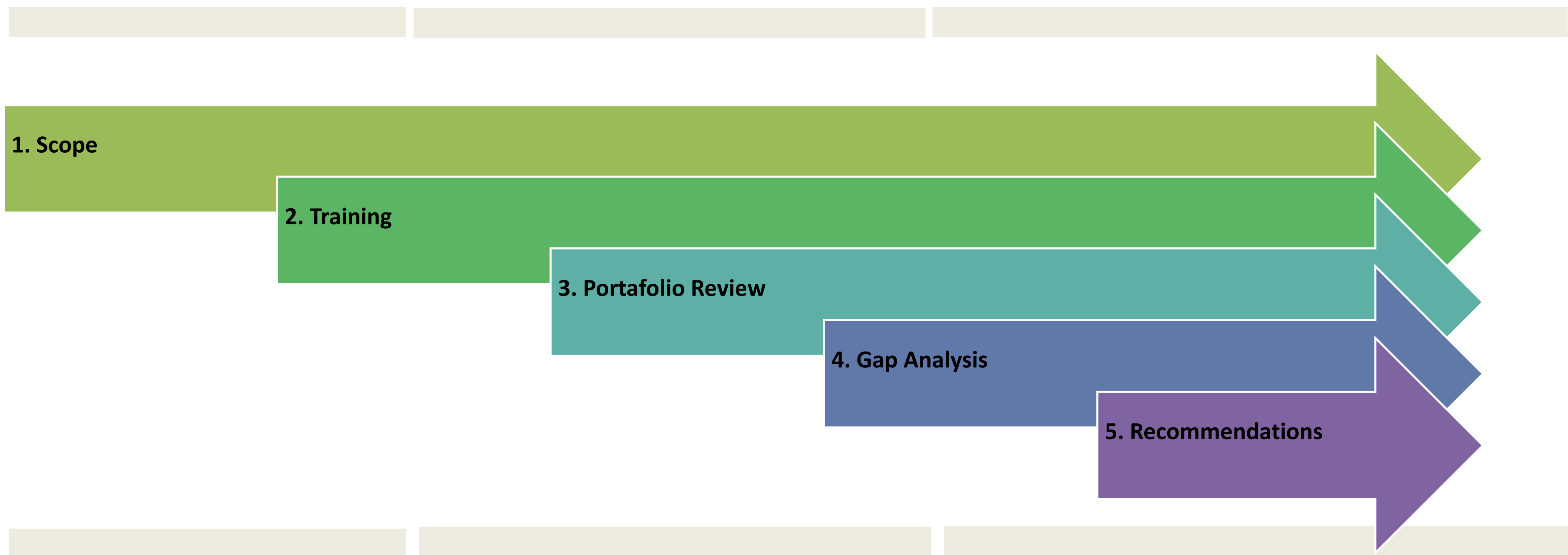
For more information, visit the following link: <https://www.greenclimate.fund/document/aligning-financial-flows-financial-sector-panama-paris-agreement-climate-change-goals>

Opportunities to use Article 9 as a catalyst to enhance finance flows consistent with the Paris Agreement

Institutional Arrangements



What are priority areas to build capacities for implementing Article 2.1(c) in complementarity with Article 9?



The pilot phase of Panama's Sustainable Finance Taxonomy does not include the entire banking, insurance, or securities sectors. Instead, it will focus on a small sample of institutions from each sector.

Conclusion

- As we highlighted in our presentation, the funding received from the GCF is innovative because it establishes a governance structure that enables Panama's financial system to mobilize resources for achieving our NDCs. However, it is essential to note that this Readiness proposal addresses only a portion of the climate financing cycle.
- Article 2.1c, serves as one of the long-term goals of the Paris Agreement, enabling and amplifying efforts to achieve Articles 2.1a and 2.1b. All Parties are obligated to promote financial flows that align with decarbonization and resilience goals. We share the same responsibilities, yet our capacities differ.
- The operationalization of Article 2.1c in countries like Panama will take time, as long as resources provided through Article 9 do not lead to the necessary scaling up of capacities that need to be strengthened within the country's financial system.

