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Panama

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National context

Given its geographic position, Panama serves as an international hub of goods, people and ideas. The Isthmus of Panama connects Costa Rica on the west and Colombia on the east, serving as a bridge between Central and South America. Its population of approximately 3.6 million is clustered primarily in and around the capital of Panama City. Panama has a population density of 45 inhabitants per km² and forests occupy 45% of the country's total surface.

Panama boasts a fast-growing, dollar-based economy. In 2013, GDP grew at a rate of 7.5%, making Panama the second fastest growing economy in Latin America. In the same year, GDP per capita rose to \$11,130 from \$10,860 (World Bank, 2015). The economy relies on an extensive service sector, in which transportation and logistics play a particularly important role.

The Panama Canal is an essential passageway for cargo between the Atlantic and Pacific oceans. As one of the major crossroads for global trade, the canal generates approximately 80% of the country's GDP. Panamanians

gained ownership of the canal in 1999 after the American government relinquished control of the waterway.

Despite this economic progress, Panama's prosperity has not been shared equally across the country. Whereas individuals in the capital enjoy a relatively high standard of living, Panamanians in rural areas often experience poverty and low levels of infrastructure development. Four out of five Panamanians who live in extreme poverty are in rural areas and many are members of indigenous minority groups. Panama's persistent social and environmental challenges, particularly in rural areas, demand the attention of entrepreneurs who aim to make social as well as economic impacts.

Priority issues

Panama's economic growth is based on unsustainable development models that focus their attention on economic indicators, but often ignore pressing social and environmental issues. The high growth that Panama enjoys contrasts with the social legacy of poverty, unequal distributions of wealth and gender inequality. As of 2005, the Gini coefficient in Panama was approximately 0.55, indicating significant income inequality (Social Watch, 2012). Within the Panamanian population, 20% of individuals live in poverty and 90% of indigenous Panamanians live in extreme poverty. According to federal government figures, women's earnings were only 57% of men's earnings in 2009. Although women make up half the population, a large percentage of women of productive age (52%) do not participate in the formal workforce.

Despite the fact that the Panamanian economy has been steadily growing, its debt has not been reduced. In 2013, Panama had a public spending deficit of 3.2%, which officials would like to reduce to 1.5% by 2016 (Rojas, 2014). In addition, it is estimated that the deficit over the gross domestic product will be 38% by the end of 2014, which amounts to approximately \$20 billion in debt. The Panamanian government has indicated a commitment to reducing this debt to below 33% by 2016. To achieve this goal, two key economic changes will need to occur. First, the economy will need to grow more efficiently, which can be achieved by enhancing competitiveness in the global market. Second, policy-makers will need to redirect social programmes to promote economic growth that is experienced more evenly across the population.

Trends

Survey research shows that, although few Panamanians self-identify as social entrepreneurs, many entrepreneurs see their ventures as generating social and environmental value. In 2009, the Global Entrepreneurship Monitor (GEM) conducted a nationally representative survey of Panamanian adults (Global Entrepreneurship Monitor, 2009). Researchers attempted to gauge levels of social entrepreneurship by asking: Are you, alone or with others, currently trying to start or currently owning and managing any kind of activity, organization or initiative that has a particularly social, environmental or community objective? Of 2,000 respondents, 2.5% (50 respondents) affirmed that they were trying to start or had started a social enterprise. By comparison, 24.7% of Panamanians said they were involved in some form of entrepreneurial activity.

Despite their explicit intentions, many of these entrepreneurs have sustainability goals. GEM researchers set the following task for respondents: “Organizations may have goals according to the ability to generate economic value, societal value and environmental value. Please allocate a total of 100 points across these three categories as it pertains to your goals.” On average, entrepreneurs awarded 71 points to economic value, 17 points to societal value, and 12 points to environmental value. Hence, although few individuals self-identify as social entrepreneurs, many Panamanian entrepreneurs aim to produce social and environmental value alongside profitability.

Government policies

Many of Panama’s sustainable enterprise policies have emerged from environmental legislation. For instance, the Ministry of Economy and Finance (MEF) has provided incentives for solar installations. A law passed in June 2013 provides tax exoneration for the importation of solar installation equipment used for solar photovoltaic or solar thermal energy. Along with tax breaks on imported solar technology, there is a federal tax credit of 5% on the cost of solar system installations. This law encourages entrepreneurs and established business owners to incorporate sustainable environmental practices into their operations.

In June 2013, the Panamanian government ratified a law that created standards to reduce energy and electricity consumption. Policy-makers refer to this law as U.R.E.E, or Rational and Efficient Use of Energy in its English translation. The law provides guidelines, incentives, financing and indicators for reducing energy consumption in the construction and transportation industries.

Case studies

Azucarera Nacional

Azucarera Nacional is one of Panama's largest sugar refineries. It uses bagasse fibre to produce clean energy for its sugar-cane-processing operations. Bagasse is the fibrous material that remains after sugarcane branches are crushed to extract their juice. This fibre generates 7.5 MW per hour of energy to operate the processing plant during the harvest period. It can be used as a biofuel and for the manufacture of building materials. These fibres are also used by Azucarera Nacional as fertilizer for crops.

In addition, Azucarera Nacional has a sewage treatment system that uses oxidation wells that allow, through a natural process, treated waters to go back to their source without contamination. The company also has a limestone mine that is used to balance the pH level of the soil that will be used for cultivation.

Azucarera Nacional has 12 artificial lakes to collect rainwater that is used for watering seeds during the summer and for the period in which the sugar cane withers before harvest. The lakes encompass 45–260 acres and hold a capacity of 19 million m³ of water. These lakes serve as ecosystems for many species of fish, lizards, ducks and other migratory birds that have made the artificial bodies of water their natural habitat.

Banco General

Banco General is the largest bank in Panama. It has two LEED Gold Certified buildings, an active recycling programme at each branch and is a signatory of the United Nations Environment Programme Finance Initiative (UNEP FI). UNEP FI's mission is to identify and promote the adoption of environmental and sustainability best practices at all levels of financial institutions' operations.

Cervecería Nacional

Cervecería Nacional, the largest brewery in the country, won the Premio Palma de Oro (Golden Palm Prize) in March 2014 for the cleanest production in Panama (Cervecería Nacional, 2014). They received the prize by reducing their water consumption by 62%. The water-reduction project involved:

- Optimizing water use in processing operations
- Optimizing water use in packaging of beer and malt beverages
- Reducing water use in operations through recovery and reusing initiatives

This production process aims to minimize the company's environmental impact by using practices such as reducing water consumption, controlling the carbon footprint, and ensuring that packaging is reusable or recyclable. Cervecería Nacional refers to their sustainable development principle as, "Making more beer using less water".

Panama Canal

Panama's largest and most influential sustainable enterprise is the Panama Canal. The canal operates at a unique intersection between the public and private sectors. Legally, the canal resembles many private enterprises: it is governed by a board of directors and led by a management team that aims to maximize efficiency and profitability. The Panama Canal Authority, the organization responsible for running the canal, has financial autonomy and controls the canal's assets. Nevertheless, the state has influence over some canal affairs, as the president appoints the board of directors. Moreover, the Canal Authority is required to contribute profits in excess of operating costs to the National Treasury. In 2011, the Panama Canal Authority contributed \$1.043 billion to the Treasury.

The Panama Canal Authority also works to sustain the physical environment in which the canal operates. As a signatory to the UN Organization Global Compact, the Canal Authority recognizes that social responsibility and environmental sustainability are important public goods, as well as essential features of their operations. To that end, the Canal Authority leads a variety of environmental and educational programmes, with a focus on the canal watershed area (Canal de Panamá, 2011). For instance, the Canal Authority works with local residents (approximately 100,000 individuals) to

create a local governance board. This elected board of delegates works with the Canal Authority to define priority projects and manage the environmental impact of the canal. Protecting the physical environment in which the canal runs is an essential component of its operation.

In addition to conservation initiatives, the Canal Authority educates elementary and high school students about the canal and its natural environment. Since the canal is not only an enterprise but also a symbol of national pride, the Canal Authority views the education of young people as an important component of its mission. Each year, thousands of young people visit the canal to participate in educational workshops. For many young people, however, the canal is too distant to visit. To reach these students, members of the Canal Authority travel in an “educational bus”, providing workshops on engineering and environmental science. In 2011, instructors on the educational bus provided workshops for approximately 13,000 rural students across the country.

Further resources

Panama Green Building Council (PGBC) – Promotes sustainability in the design, construction and operation of buildings and communities. The PGBC aims to lead the evolution of sustainable development practices in Central America and the Caribbean through education and the promotion LEED Green Building certifications.

Programa de las Naciones Unidas para el Medio Ambiente [United Nations Environment Programme] (PNUMA) – Works to enable national governments and citizen groups to improve their quality of life without compromising the environment for future generations. The regional office for PNUMA for Latin America and the Caribbean is located in Panama City.

SumaRSE – A non-profit association that aims to promote social responsibility and Global Pact Principles for just and sustainable societies. SumaRSE members include private enterprises, universities, non-profit organizations, business associations and professionals who seek to incorporate socially responsible practices and competitive strategies.

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