



**CONFERENCE ON THE ROLE OF FINANCE IN
GREENING MOROCCAN REAL ESTATE ASSETS**

**GREEN FINANCE IN MOROCCO: COMMITMENTS,
ACHIEVEMENTS AND AMBITIONS**

*Address by Mr. Abdellatif Jouahri
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(Translated from French)

President of the Economic, Social and Environmental Council, Chairman of the COP22 Scientific Committee

President of the Casablanca-Settat Region,

Secretary General of the Ministry of Energy, Mining and Sustainable Development,

Distinguished Presidents,

Ladies and gentlemen,

It is my great pleasure to join this green finance conference, which offers me a new opportunity to express the will and determination of the Moroccan financial community to accompany our country's efforts in line with the global climate change agenda. This event is, for me, a contribution in implementing the commitments laid out in the financial system roadmap with regard to a major sector, namely real estate.

I would like to thank Mr. Abdellatif Zaghnoun and his team for this initiative, which aims to keep up the COP22 momentum.

After the historic agreements of the COP21, the world is now totally mobilized to start the implementation phase, launched at the COP22 in Marrakesh last November. Hence, just as like 2016 was one of the worst years in terms of climate change manifestations, with a record temperature, it is the year when the international community confirmed its determination to act, with Morocco playing a major active role.

Let me first address some international developments and initiatives before returning to the specific case of our country.

Ladies and gentlemen,

Signs of the green finance development around the world are increasingly visible in all components of the financial system.

In the securities market, green bond issues have recorded an exponential growth. Although they represent less than 1 percent of total bond issues, their volume in 2016 is seven times higher than three years ago. China, one of the biggest polluters, but also one of the most active in this field, accounts alone for almost 27 percent of such issues. It is worth reminding here that Bank Al-Maghrib has invested USD 100 million in World Bank green bonds.

At the stock market, initiatives are multiplying to promote green investment. Among these is the Sustainable Stock Exchanges (SSE) initiative organized by UNCTAD, UNEP and other UN global networks. The aim of such initiative is to encourage green bonds listing and publication of green stock indexes to serve as indicators for investors wishing to reduce their investments' carbon footprint. Today, more than sixty stock exchanges, including that of Casablanca, have adhered to this initiative all over the world.

The banking system represents, as you know, the most important source of financing for the economy, particularly in emerging and developing countries. As such, it could have a definite

influence on the behavior of economic units and their attitudes towards the environment, particularly those involved in the real estate sector. The latter, according to the World Bank, contributes 40 percent to global CO2 emissions and more than one third to greenhouse gas emissions. Therefore, the greening of this sector may play a significant role in fighting climate change, hence the importance of the debates projected during the second round table on this subject.

Numerous initiatives were taken in support of the banking sector's contribution to green finance development. Several new products have been launched to encourage preferential «green lending. For instance, banks in Canada and Australia have set advantageous rates for the purchase of vehicles with low CO2 emissions. Also, some countries, such as the United Kingdom, have gone so far as to create green public investment banks to support low-carbon infrastructures and environment-friendly projects such as water and waste management.

At a more global level, and back in 2003, the International Finance Corporation has established the "Equator Principles" which provide financial institutions with a framework to determine, assess and manage environmental and social risks. To date, nearly 90 financial institutions from 37 countries, both advanced and emerging, including a Moroccan bank, have adhered to these principles.

These efforts are clearly driven and supported by central banks and banking sector supervisory authorities, some of which have established guidelines to ensure, inter alia, that social and environmental priorities are taken into account in loan-granting decisions. However, banking institutions are somehow reluctant to meet additional requirements related to environment protection. Such situation is partly understandable considering that these institutions continue to suffer from the aftermath of one of the worst global financial crises, and from tighter prudential regulations, which makes such environmental considerations sound like a source of additional difficulties.

Ladies and gentlemen,

Let me now go back to the case of Morocco.

Sustainability and environment protection are a priority issue at the highest level of the state. Our vision of development, as reflected in HM the King's speeches, is centered on two pillars, human and sustainable development. In fact, the study "Global wealth and Intangible Capital of Morocco", carried out by the EESC and BAM upon royal instructions, highlights the willingness to introduce the criteria of intangible capital sustainability and development in public policies' development and monitoring.

The energy strategy is a concrete example of such orientation. Our country is today cited as an example of energy transition and renewable energies development, expected to meet 52 percent of the country's needs by 2030.

The financial system, in view of its role in mobilizing necessary resources for financing sustainable development, can only be at the core of the national mobilization against climate change.

Today, Moroccan banks are already involved in programs of financing renewable energy development. Some have developed specific products to support companies engaged in a sustainable development process, while others have taken the initiative to create investment funds dedicated to companies which are socially responsible or engaged in energy efficiency processes.

In order to strengthen and coordinate the various initiatives and therefore trigger the necessary synergies, the Ministry of Finance, Bank Al-Maghrib and the various stakeholders concerned have developed a roadmap for greening the Moroccan financial sector. This map sets up the actions enabling the different components of the sector to contribute to fulfilling our country's commitments with regard to sustainable development and to the fight against climate change. Let me remind you of the main strands of this initiative which I was asked to present at the COP22 in Marrakech.

In the first place, banks commit to incorporate the environmental dimension in their loan-granting or investment process, namely by setting up a system for environmental risks management and impact-assessment.

The second part concerns developing green savings products both for banks and insurance companies, creating specialized investment vehicles and promoting green bonds issuance. The central bank will consider, when necessary, establishing a refinancing mechanism for green projects, similar to the one set up for VSMEs.

The third pillar concerns promoting financial inclusion, by implementing a national financial inclusion strategy, and developing a low-cost mobile national payment solution.

The other areas focus on capacity development and improved transparency and market discipline. Stakeholders pledge to raise awareness and educate economic operators on environmental concerns.

Ladies and gentlemen,

This roadmap is not an end in itself; it is rather the start of a long path that we have just begun. We are all aware that it is easier to develop a vision than to implement it.

For this reason, we have entrusted to the Coordination Committee, which brings together regulators and financial sector authorities, with the task of regularly monitoring the commitments made under this roadmap. Its mission is to draw up progress reports on the achievements made, identify the difficulties faced and make the necessary adjustments.

We will also communicate about our achievements and progress to federate, further mobilize and strengthen the virtuous synergies.

In the same vein, we took the initiative, on the occasion of the COP22 and in collaboration with the United Nations Environment Program, to bring together central banks of Northern and Southern countries to discuss sustainable financing. However, this meeting could not be held due to some timetable constraints, but we never despaired to hold it, although we noticed that some central banks in advanced countries are rather reluctant.

Ladies and gentlemen,

At Bank Al-Maghrib, we are well aware that our credibility in promoting sustainability depends on our own practices as a company. That is why our methods and work processes within the Bank are guided by this requirement, and are, as such, certified according to the relevant standards, particularly the Environmental Management and the Occupational Health & Safety Management Repository. In addition, in 2016, we started publishing our Corporate Social Responsibility Report.

In recognition of all these efforts, Bank Al-Maghrib was invited to join IFC's Sustainable Banking Network, created in 2012 to help regulatory authorities of emerging countries develop "responsible lending" policies and guidelines for environmental and social risks management.

Ladies and gentlemen,

The global fight against climate change cannot achieve tangible results without a collective mobilization and a comprehensive response. In fact, besides financial actors, public authorities, companies, civil society, the media and citizens all have their share of responsibility in this action.

Finance is not the only sector which requires greening; the latter should also cover public policy, namely government spending, supply policy, taxation, and so on.

For their part, companies also are urged to meet the environmental requirements in their choices of investment, supply, management and operation.

Civil society and the media also have a significant role to play, namely informing, educating and sensitizing citizens and businesses about climate change issues and putting pressure on decision-making centers.

Finally, citizens are encouraged to consume green and to minimize the environmental impact of their consumption and their activities.

All together, we can move ahead in our fight against climate change which secures our future and that of the coming generations. It is certainly a long-term and time-consuming project.

Thank you for your attention and I wish you every success.