



Global Green Finance Leadership Program

International Seminar on Greening Africa's Financial System

Casablanca, June 25 to 27, 2019

Good morning everybody,

It is a real pleasure for me today to take part in the opening session of this 4th event of the Global Green Finance Leadership Program (GGFLP), which Morocco is honored to host.

First of all, I would like to greet the representatives of this program present today and to recognize the initiatives undertaken since its launch. I particularly want to welcome Dr Ma Jun, the well known green finance international expert.

Today I want to speak about some climate challenges of our continent, the role of central banks and ongoing climate policies in Morocco.

It is now widely recognized that if global warming is not contained below a certain threshold, our planet and its ecosystems will face an irreversible impact.



In fact, according to a study of the OECD, global warming would cause a decline of the world GDP by 1.0 to 3.3 percent by 2060, and by 10 percent by the end of this century.

Africa, despite its small contribution to greenhouse gas emissions, is largely threatened by climate change impacts due to its geographical characteristics.

According to the Intergovernmental Panel on Climate Change (IPCC), climate change could reduce GDP across Africa by 2 to 4 percent by 2040 and by 10 to 25 percent by the end of the century.

To face this issue, huge investments are necessary to support the ecological transition of the continent and to guarantee the countries' respect of their commitments to reduce their carbon footprint.

Despite the promises made under the Paris Agreement to provide financial support to match these commitments, capital flows to the African continent remain lower than 4.5 percent of annual global flows, according to the African development bank.

Most of the investments benefiting Africa are intended to finance climate risk mitigation policies, particularly renewable energy programs.

At the same time, it should be noted that the needs of financing adaptation policies are more important and should be covered by large investments, given their dependence of African countries on the agricultural sector, the concentration of economic activities along the coastal areas, and the increasing frequency of natural disasters.



As for Morocco, it has undertaken, for several decades now, a series of initiatives contributing to climate resilience and environmental protection. Among these is the dam policy carried out since the 60s as part of the National water strategy, and the Green Morocco Plan, launched in 2008 with the aim of making the agricultural sector a lever for sustainable development.

In the energy sector, Morocco has put in place a vast solar and wind energy development program, aiming to reach a 52 percent energy mix by 2030, and to also reduce greenhouse gas emissions by 42 percent.

To support these policies, the Moroccan authorities consider the implementation of an eco-tax and a suitable financing policy as important levers for the greening the national economy.

In recent years, central banks in general have started measuring the impact of global warming on the financial sector.

The Network of Central Banks and Supervisors for the greening of the financial sector (NGFS), created in December 2017 by eight founding central banks, at the initiative of the Banque de France, is proof that financial authorities are now aware of the urgency for action and of their important role in greening the financial system.

The NGFS is a knowledge-sharing platform which aims to provide global recommendations to facilitate the financial sector's contribution to the implementation of the Paris agreement and to encourage central



banks, supervisors and financial institutions to develop climate and environmental risk management practices.

In this context, the first report of the NGFS, published in April, called central banks and regulators to improve their understanding of the structural changes affecting the financial system and the economy, and to carry out their fundamental missions with regard to price and financial stability.

It also recognized that climate-related risks are a source of financial risks which could threaten financial stability.

As such, the report urged central banks and supervisors to start integrating climate-related risks into their micro and macro prudential supervision, incorporating sustainability factors in their investment policies, fostering capacity building of different stakeholders and developing their understanding of this issue.

The NGFS encourages policy makers to act together in order to facilitate green finance development, to provide reliable and comprehensive climate data, and to develop taxonomy of sustainable economic activities.

Besides, the NGFS highlights the importance of setting up an internationally consistent climate and environmental disclosure framework and encourages large firms and financial institutions to publish financial information related to climate risk in accordance with



the recommendations of the Task Force on Climate-related Financial Disclosures – TCFD).

By joining the NGFS, in April 2018, Bank Al-Maghrib has translated its will to speed up its actions aiming to integrate climate issues in the banking ecosystem and to promote orderly development of green finance.

In this vein, I would like to recall that during the COP 22, which took place in Marrakech in 2016, the Central Bank coordinated with other regulators and financial institutions in drawing up a roadmap to better address sustainable development challenges.

Adoption of this roadmap generated an ongoing dialogue between financial sector regulators and financial institutions as well as the organisation of several forums to raise awareness and exchange experiences. As a result, many actions have been achieved: financial institutions developed green financing offers, a public guarantee of green financing for SMEs was established and Green bond issues were carried out by public and private institutions.

Such initiatives represent a promising start for a smooth transition to a green financial ecosystem.

Therefore, new steps are to be taken by Central Bank by drawing up a regulatory directive laying down principles and provisions aimed to define our expectations for banks and to establish best practices



regarding their governance , risk management, disclosure of financial information related climate risk and customers awareness.

However, in Morocco, as at the African level, compliance with the commitments made under the Paris Agreement is facing many challenges, mainly the issue of financing.

Considering its crucial role, the financial sector needs to be creative to support the transition to a low-carbon economy. Initiatives that have emerged in recent years need to be reinforced, just as continent-wide financial markets need to attract private investments to Africa. In this sense, green finance can only be beneficial given the new opportunities the emergence of new markets and new technological innovations presents.

However, sustained regional and international cooperation is also necessary if we want to rise to our respective missions in response to global climate change.

Besides, the greening of finance in Africa also requires greater collaboration with scientists and researchers as well as with multilateral development institutions such as the World Bank, African development bank or EBRD.

Morocco has taken many cooperation initiatives with several countries of the continent. Among these, I would especially like to highlight the initiative for the Adaptation of African Agriculture (AAA) that the



Kingdom launched at COP 22 with the aim of reducing the risks of African agriculture to climate change.

This initiative stems from the finding that the stakes of African agriculture are rarely taken into account in international negotiations on climate change and in the allocation of climate funds.

As a member of the NGFS, Bank Al-Maghrib is firmly committed to developing exchange and experience-sharing concerning green finance and climate resilience.

We are considering that the cooperation mechanisms established with some individual African central banks and within the (The Association of African central banks), as important levers that should be built around these issues.

In the same vein, we encourage our banks present in Africa, throughout 27 countries to deploy in the future their green finance policies.

To conclude, I would like to wish a complete success to this event, which will surely contribute to reflections and debate around the issues of a resilient and sustainable African economy.