



In Conversation with

Ms Hiba Zahoui

Director of Banking Supervision, Bank Al-Maghrib

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1. When and why did your institution join the NGFS?

Bank Al-Maghrib joined the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) very early on, in April 2018, only four months after its launch¹. This membership was in line with the national strategy which aims to align the financial sector with sustainable development goals that Morocco adopted at COP22 held in our country, in Marrakech, in 2016.

By joining the Network at the early stages of its foundation, our institution had the privilege to become a member of the Steering Committee and bring the African perspective to the discussions held within this executive body.

Our objectives when joining this community were multiple:

First, we explicitly expressed our willingness and commitment, as a central bank, to work towards greening the financial system.

Secondly, we wanted to make a real contribution to the discussions, studies and work research that would be carried out at the international level and to bring our building block to the success of project.

Finally, we wanted to benefit as much as possible from the Network's achievements in order to ease and accelerate the pace of greening the financial system in our country alongside other stakeholders.

¹ <https://www.ngfs.net/en/communique-de-presse/publication-mandates-ngfs-technical-workstreams-and-expansion-ngfs-membership-0>

2. Can you share with us the key elements of Bank Al-Maghrib's climate strategy and how it fits into the broader national strategy in your jurisdiction?

In 2016, at COP22 in Marrakech, a first Roadmap for aligning the financial sector with sustainable development challenges² was adopted, bringing together financial regulators and market operators around sustainable finance.

This strategy focused on the governance of environmental risks, the development of green and sustainable finance instruments and the strengthening of market capacities and transparency.

The progress made in recent years, particularly thanks to our membership in the NGFS and the support and expertise provided by multilateral financial institutions and development banks, has led us to adapt our strategy and to target more ambitious objectives, which we have outlined in the pledge we published last year on the occasion of COP26³, also in support of the NGFS Glasgow Declaration⁴.

These objectives focus on conducting an assessment of the banking sector's exposure to climate risks, supporting banks in managing these risks, coordinating with national stakeholders on incentives to direct financial flows towards the green economy, integrating environmental factors, social and governance (ESG) factors into the risk management framework for foreign exchange reserves and enhancing our responsible investment practices. We aim to study the impacts of climate change and the green transition on the Moroccan economy and our macro-economic models; as well as promote the exchange of experiences concerning the regulatory response to climate change in Africa.

It is clear that the central bank and the financial sector cannot do all the work and a leading role of public authorities in the greening of the economy at large is necessary.

In Morocco, several efforts have been undertaken in this direction, on the one hand to translate into action the commitment made to contribute to the Paris Agreement and, on the other hand, to make the territories and populations more resilient to climate change.

In terms of greenhouse gas mitigation, Morocco is committed to accelerate the development of renewable energies to 52% of the energy mix by 2030 and is working on a national development strategy targeting carbon neutrality by 2050.

From the adaptation and resilience to climate change sides, a set of national and sectoral policies have been adopted in particular in priority sectors of water, agriculture and forests; the government is also engaged on the implementation of risk prevention and coverage mechanisms such as agricultural climate insurance or compensation against the effects of natural disasters.

² <https://www.bkam.ma/en/News/2016/Roadmap-for-aligning-the-financial-sector-with-sustainable-development-challenges-14-october-2016-marrakech>

³ https://www.linkedin.com/feed/update/urn:li:activity:6861624253318483968/?utm_source=share&utm_medium=member_desktop

⁴ <https://www.ngfs.net/sites/default/files/ngfsglasgowdeclaration.pdf>

3. To which extent did Bank Al-Maghrib leverage the work of the NGFS in its own domestic journey? Any concrete examples?

Bank Al-Maghrib has leveraged on the work of the NGFS to catalyse the implementation of its roadmap as regards financial climate risk assessment and supervision and to fuel discussions and exchange with stakeholders in this field both at national and regional levels.

The first axis has been our internal capacity, which we have been able to develop more rapidly by participating in the technical work of the various streams of work to which we contributed and by benefiting more widely from peer learning and experience sharing across the Network.

Secondly, we have built on the recommendations of the NGFS Guide for Supervisors⁵ to issue a Regulatory Directive in 2021⁶ setting out our expectations to banks on managing climate-related and environmental financial risks.

Thirdly, we are relying on the work carried out by the network, as part of a programme that we have developed with the assistance of the World Bank, to carry out an assessment of climate-related financial risks in Morocco. Specifically, the forward-looking risk assessment exercise of climate physical risks is using the reference climate scenarios developed by the NGFS⁷.

Finally, thanks to the central bank's membership in the NGFS, we relay the network's work and publications to banking players, financial regulators and our counterparts in Africa, thus contributing to raising awareness on the role of financial actors in this space.

4. One last word?

We congratulate ourselves for the prompt and broad-based development of the NGFS, which has expanded from 8 founding members to 121 members in less than five years.

This development has been possible thanks to the commitment of all members and observers contributing to the various streams of work, the quality of the deliverables, the leadership of the Steering Committee and the mobilisation of the Network's Secretariat.

We need to further align our efforts and maintain this momentum positive trend in order to contribute through our means, as regulators and central banks, to the achievement of the objectives outlined in the Paris Agreement.

⁵ https://www.ngfs.net/sites/default/files/medias/documents/ngfs_guide_for_supervisors.pdf

⁶ <https://www.bkam.ma/content/download/726980/8319171/Directive%20n%C2%B0%205W21%20Risques%20financiers%20li%C3%A9s%20%C3%A0%20l'environnement.pdf>

⁷ <https://www.ngfs.net/ngfs-scenarios-portal/>