

Green Bonds in Morocco

The regulator's experience

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الهيئة المغربية لسوق الرساميل
AUTORITÉ MAROCAINE DU MARCHÉ DES CAPITAUX

Sustainable development has been erected as a national priority in Morocco

1	Kingdom's Constitution	<ul style="list-style-type: none">Assigns to the state the mission of working towards the realization of a human sustainable development, aiming at consolidating social justice and preserving the national natural resources and the rights of the future generations.
2	Operational policies	<ul style="list-style-type: none">National sustainable development strategyRenewable energies strategy with the objective of generating 42% of the energy need from renewable sources by 2020 and 52% by 2030

COP 22 : The start of a journey

Side event : Fostering Green Capital Markets

2 Roadmaps

Marrakech
pledge

- **Elaborated by Moroccan financial sector actors** (*AMMC, Central bank, Stock exchange, Insurance regulator, Casablanca Finance city authority, ministry of finance, banking association, insurance companies association*)
- With the objectives of :
 - **Aligning the Moroccan financial sector with sustainable development**
 - **Fostering the emergence of sustainable finance in Africa**
- Each one identifies a set of **axes and action plans**



Side event : Fostering Green Capital Markets

2 Roadmaps

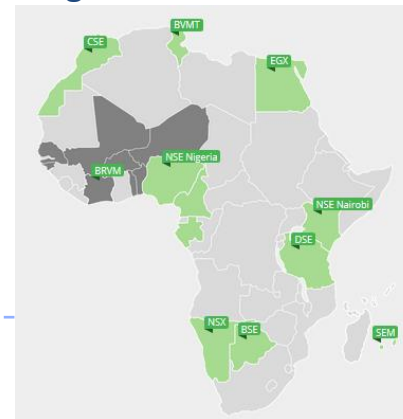
Marrakech
pledge

- A **continental initiative** launched at the initiative of the AMMC
- Calling African regulators and exchanges to work collectively and individually in order to build an African partnership aimed at fostering green capital markets in Africa by :
 - Promoting **Africa as a prominent region for green financial markets** and an attractive destination for green and climate-resilient investments
 - Enabling the development of **an effective ecosystem** to support the establishment of Green Capital Markets in Africa
 - Voicing Africa's **Climate Finance concerns** and priorities
 - Enabling **African-led innovative climate finance** initiatives, both globally and for Africa
 - Creating a **venue for exchange, knowledge and experience sharing** among African Regulators and Exchanges

Regulators :



Exchanges :



What happened after COP 22 ?

AMMC undertook several actions, that led to a positive market reaction

AMMC actions

- **Green bonds guidelines** with the support of IFC, aiming at setting ground rules and an operational framework according to which Green Bonds could be issued in Morocco.
- **Guidelines on Corporate Social Responsibility and ESG reporting**, with the objective of educating the public on the subject, and at the same time incentivizing issuers to tackle sustainable development matters,
- **New guidelines on Green and social bonds**, updating the first guidelines and expanding the set of market financing opportunities by introducing Social and sustainability bonds;
- Authorization of 2 **SRI funds**;
- Collaboration with the Casablanca stock exchange on the process of creating an **ESG index** to create a valid benchmark for Responsible investment strategies.

Market reaction

What happened after COP 22 ?

AMMC undertook several actions, that led to a positive market reaction

AMMC actions

Market reaction

- The guidelines on sustainable financial instruments already served as a basis for several issues on the Moroccan Market. Up to now, **5 issuances have been carried out successfully, totaling an approximate amount of 420 million Dollars**. Those offerings were undertaken by various entities :
 - ✓ The national sustainable energy Agency (MASEN) issued the first green bond for financing an new solar power plant;
 - ✓ Then 2 banks issued Green Bonds for financing and refinancing various sustainable energy and energy efficiency projects. One of the two bonds was even labeled in Euros, which is an additional layer of innovation and complexity on the Moroccan Market;
 - ✓ The Casablanca Finance City Authority also issued a Green bond dedicated to financing green buildings
 - ✓ The last issue was done by a construction company “Al Omrane Holding”. The instruments issued were “social and Green” bonds because the issuer was able to demonstrate the green and social benefits in its framework.

What lessons were learned ?

Recipe for success

*Networks and
knowledge sharing*

*Guidelines are only the
starting point*

*Guidelines are part of an
integrated approach*

- **Convergence with international standards without being exclusive**
- **Balance between security and flexibility**
- **Building consensus around the model**

What lessons were learned ?

Recipe for success

**Networks and
knowledge sharing**

*Guidelines are only the
starting point*

*Guidelines are part of an
integrated approach*

- Trial and error approach is time consuming and can hinder the development of the nascent market
- It is essential to be aligned with international standards
- It is essential to benefit from what has been done on other markets

What lessons were learned ?

Recipe for success

*Networks and
knowledge sharing*

***Guidelines are only the
starting point***

*Guidelines are part of an
integrated approach*

- **A need for continuous awareness dissemination and knowledge sharing among the market players**
- **Standards are evolving**
- **Some unforeseeable particular situations may arise and require the regulator's position**
- **Guidelines should give rise to transactions in order to create a market**

What lessons were learned ?

Recipe for success

*Networks and
knowledge sharing*

*Guidelines are only the
starting point*

**Guidelines are part of
an integrated
approach**

- **Other levers should be activated to develop this market segment**
(ex. : ESG reporting)
- **Other « sustainable instruments » should be considered for other sustainable projects (ex. : social bonds, sustainability bonds...)**

Project pipelines

Financial markets

- Africa is significantly impacted by climate change : Geographic location, limited adaptation capacity → **Need to mitigate climate risks**
- Africa has huge needs in terms of infrastructure → **Necessity of integrating sustainability in the design of projects**
- Some African populations are vulnerable → **Need to address social issues**
- Most African countries have taken strong international commitments towards greener and climate-resilient economy (Paris Agreement) → **Governments are increasingly inclined to foster the low carbon transition**

→ **There is no shortage of projects in need for sustainable financing in Africa**

Opportunities for Africa

Project pipelines

Financial markets

- Huge financial needs to adapt to climate change, yet only a small fraction of global climate financial flows is directed to Africa → **significant potential to capture a larger share of global flows**
- Dynamics of cooperation and integration are strengthening in Africa (commitments of the COP 22, regional financial Markets, south-south FDI...) → **opportunities for scaling up sustainable markets**

→ There are opportunities for involving the financial markets in the financing of the green transition

Challenges to be addressed

Convergence of frameworks

Structuring of issues

Capacity building

- **Common understanding of Green**
- **Convergence of practical issuance requirements and processes**
- **Common transparency practices (extra-financial reporting, GB or SB reporting)**

Challenges to be addressed

Convergence of frameworks

Structuring of issues

Capacity building

- **Cost/benefits not demonstrated enough**
- **Some projects do not reach the critical size necessary for attracting significant investor base**

Challenges to be addressed

Convergence of frameworks

Structuring of issues

Capacity building

- Raising awareness of sustainable instruments among various potential initiators (governments, corporates)
- Capacity building among sustainable instruments actors (advisors, reviewers, auditors...)
- Training of professional investors and analysts to be able to adequately assess sustainable instruments
- Data and research dissemination about sustainable markets, instruments and practices

→ Cooperation, knowledge and experience sharing are crucial for all involved entities



THANK YOU



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