

A Joint African Capital Markets' Initiative

COP 22 – Climate Finance

**The “Marrakech Pledge”
for
“Fostering Green Capital
Markets in Africa”**

INTRODUCTION AND CONTEXT

THE RATIONALE

The Paris Agreement following the COP21, called for a radical shift of the way we carry usual business and economic activity at large, with a global commitment to keep the increase in the global average temperature rise to “well below 2 degrees” above pre-industrial levels and carry efforts to “limit the increase to 1.5 degrees”.

For such radical shift to effectively take place, concrete measures are required by the Parties, and through collective action, towards an effective implementation of the Lima-Paris Agreement. To that effect, mobilizing the required funding to finance the climate transition and ensuring fair access to available resources, in particular for countries in the south, are now defined as the first priority.

Climate finance is undoubtedly recognized as a key determinant of the needed global economic transformation towards sustainable and climate resilient structures. It is an increasing priority area on the agenda of financial policy makers, regulators, and market practitioners to integrate the need to transform their financial environments in order to move the green economy forward and further encourage climate-resilient investments.

The COP22 to be held in Marrakech is expected to be the COP of Action to accelerate the delivery of the Paris Agreement and translate the global commitments into concrete measures to move forward.

Africa is a fast moving continent that is experiencing real transformations with significant financing needs offering huge opportunities and revenue growth for local, regional and international investors. Africa is a continent that cannot settle for less than its full potential in order to sustain economic growth. It is also a continent where economic conditions depend greatly on the climate adaptation and mitigation efforts.

A crucial objective today is to allow for new partnerships for Africa that ensure an efficient financing of its resilient development; strong institutional and sectorial partnerships both at the global and regional level, working alongside policymakers, business leaders, institutional and private investors, industry representatives and academics to deliver efficient and innovative business and policy solutions to drive the required change.

Additionally, a Sustainable Climate Finance System in Africa needs to be rooted within local and regional Capital Markets. Indeed, while stimulating sustainable economic growth requires long term funding, Capital Markets, provide the right venue for the mobilization and utilization of long-term funds for development.

Accordingly, Capital Markets are called upon to play a key role in driving such transformation by enabling the reallocation of capital towards green and climate-resilient investments through the implementation of adequate and innovative financial instruments, markets’ practices and effective information dissemination mechanisms, and integrating systematically climate change risks and related new developments in their entire environment.

Hence Africa, as a continent, will be able to improve substantially its attractiveness and so capture more private and international investments to raise the necessary funds to finance both its climate mitigation and adaptation programs, and to foster access to finance for green innovations.

To this end, African Capital Markets are engaging collectively in a continental partnership to join efforts and act collectively to have an actual impact on fostering Green Capital Markets, both within their respective local markets and together as a region, to promote climate-resilient investments and drive capital into the green economy.

To formalize such commitment, African Capital Markets Authorities and African Exchanges are launching the “Marrakech Pledge” for “Fostering Green Capital Markets in Africa” initiative with the main objective to enable a rapid and effective establishment of climate-resilient Capital Markets Systems in Africa and the surge of efficient climate finance mechanisms aligned with the specificities of African economic structures.

THE INITIATIVE

The “Marrakech Pledge” for “Fostering Green Capital Markets in Africa” is a call to action for all African Capital Markets Regulators and Exchanges willing to act collectively in favor of sustainable development, and to have an actual impact on fostering Green Capital Markets in Africa, both within respective local markets and together as a region, to promote climate-resilient investments and drive capital into the green economy.

It consists of engaging African Capital Markets Regulators and Exchanges to build a continental partnership, aimed at fostering Green Capital Markets in Africa, around a set of target voluntary commitments to be deployed and implemented over differentiated time horizons within respective local markets and at the continental level.

The proposed partnership aims essentially to:

- Enable the establishment of Green Capital Markets in Africa ;
- Promote Africa as a prominent regional green financial marketplace and an attractive destination for green and climate-resilient investments ;
- Voice Africa’s Climate Finance concerns and priorities by ensuring that the global developments within capital markets and financial systems (i) do actually take into account regional economic and institutional disparities and address effectively both adaptation and mitigation issues in the African Continent, and (ii) are aligned with real economic structures across Africa, and contribute to achieve sustainable growth in African economies.
- Enable African-led innovative climate finance initiatives (“By Africa for Africa”), and the building of local climate finance knowledge and expertise within the Continent’s market players;
- Create and implement the necessary mechanisms to allow for (i) effective matching of demand and supply of green-centric capital and climate-resilient investing opportunities in the region, and (ii) building local knowledge resources and expertise around African-led initiatives and innovative ideas.

To that effect, an annual continental conference will be organized on country-rotation basis. Through a formal continental declaration at the closing of such event, the African Regulators and Exchanges, under the present partnership initiative, should be able to consistently:

- Voice Africa's specific needs to align green financial economy mechanisms and tools with real economic structures across the continent, and contribute to achieve sustainable growth objectives of African economies;
- Ensure that future climate finance global developments within Capital Markets and financial systems take into account regional economic and institutional disparities and address effectively both adaptation and mitigation issues;
- Contribute actively to build a climate-resilient global financial system through innovative Africa-led initiatives;

This annual conference is targeted to:

- Allow for a regular, progressive follow-up on regional and country-specific achievements with regard to collective target commitments set under the initiative;
- Create a venue for exchange, knowledge and experience sharing and debate over climate finance and related institutional and policy innovations;
- Create a regional venue for networking and exchange among capital markets' players and for business and partnerships development;
- Position the African continent as a strong player in driving the global transition dynamic of Capital Markets and Financial Systems;

In order to accelerate and ensure the delivery of target collective commitments under the present initiative, a permanent Climate Finance Task Force for "Fostering Green Capital Markets in Africa" will be set up under the present partnership with main responsibilities including:

- Driving and coordinating collective initiatives under the present partnership;
- Ensuring communication and experience sharing among members & progress reporting on overall target collective commitments under the present partnership; and
- Extending support for the organization of regular and specific events under the present partnership.

THE “MARRAKECH PLEDGE”

Joint Statement by African Capital Market Authorities and Exchanges on “Fostering Green Capital Markets in Africa”

COP22, Marrakech, November 16th, 2016

We, the undersigned, African Capital Market Authorities and African Exchanges, are committed to working together to enable a rapid and effective establishment of climate-resilient Capital Markets Systems in Africa and the surge of efficient climate finance mechanisms aligned with the specificities of African economic structures.

This commitment comes at a time where climate finance is widely and globally recognized as being a key determinant to enable the much necessary transformation of the global economy, and push for sustainable and climate resilient structures. And so, it is today emphasized as a top priority on the agendas of financial policy makers, financial regulators, and market practitioners.

The Paris Agreement following the COP21 called for a radical shift in the way we carry out business and economic activities while bearing in mind the global commitment to keep the global average temperature rise to “well below 2 degrees” and carry efforts to “limit the increase to 1.5 degrees”.

In order for such a radical shift to effectively occur, it requires from the Parties to take concrete measures, to mobilize the required funds to finance the climate transition, and ensure fair access to available financial resources, in particular for countries in the south.

We share a firm belief that Capital Markets in Africa can play a key role in driving such transformation, within the Continent and globally, by enabling the reallocation of capital towards green and climate-resilient investments.

We also believe that a system-wide approach is required through the implementation of innovative and facilitative financial policies and regulation, the promotion of adequate financial instruments, market practices and effective information dissemination mechanisms, and by systematically integrating climate change risks and related new developments in the entire financial system, particularly in Capital Markets.

We recognize that Africa is an important continent experiencing a solid economic growth paralleled with significant financing needs while offering huge opportunities for local, regional and international investors. Hence, today, Africa deserves and needs all the attention it can get, and more importantly it deserves to take charge of its own destiny.

In this context, and in accordance with our mandates and resources, we pledge to join efforts and act collectively to enable a rapid and effective establishment of climate-resilient Capital Market Systems in Africa and the surge of efficient climate finance mechanisms aligned with the specificities of African economic structures, within our respective local markets and together as a Continent.

We, therefore, are committing, by the present, to build a continental partnership of African Capital Market Authorities and Exchanges, aimed at fostering Green Capital Markets in Africa, around a set of collective target commitments to be deployed and implemented over different time spans within our respective local markets and at the continental level.

Through the present partnership, we will work individually and collectively as a coalition of African Capital Markets Authorities and Exchanges to:

- *Promote Africa as a prominent region for green financial markets and an attractive destination for green and climate-resilient investments, by enabling the development of an effective ecosystem to support the establishment of Green Capital Markets in Africa;*
- *Voice Africa's Climate Finance concerns and priorities by ensuring that the global developments within capital markets and financial systems (i) take into account regional economic and institutional disparities and address effectively both adaptation and mitigation issues in the African Continent, and (ii) are aligned with real economic structures across Africa, and contribute to achieve sustainable growth in African economies.*
- *Enable African-led innovative climate finance initiatives, both globally and for Africa, and the building of local climate finance knowledge and expertise amongst the Continent's market players;*
- *Create and implement the necessary mechanisms to allow for (i) effective matching of demand and supply of green equity and climate-resilient investment opportunities in the region, and (ii) building local knowledge resources, conducive and facilitative policy and regulatory environments and expertise around African-led initiatives and innovative ideas.*

We have defined (3) three priority areas of collaboration under the present partnership, that we have translated into a set of Collective Action Commitments, as detailed in the enclosed appendix (Appendix 1 – Collective Commitments to Action):

- (i) Enable the development of an effective ecosystem to support the establishment of green capital markets in Africa ;*
- (ii) Support the development of green financial instruments and climate-resilient investment vehicles in Africa ;*
- (iii) Promote transparency and accessible information on green finance and climate resilient investments in Africa.*

As a coalition of African Capital Markets Authorities and Exchanges, we are committed to achieve effective impact, transparency and a large collaborative approach.

We will continuously coordinate with all relevant stakeholders around strong institutional and sectorial partnerships, at the global and regional level, working alongside policymakers, business leaders, institutional and private investors, industry representatives and academics to deliver efficient and innovative business and policy solutions to drive the required change and enable the establishment of Green Capital Markets in Africa.

In that context, the current partnership is intended to complement existing global and regional initiatives, and so we shall closely coordinate with such existing initiatives and/or platforms at the institutional, operational to ensure effectiveness and avoid overlaps.

We will also report regularly on our collective actions, measure the impact and effectiveness of our Action, collectively and within individual markets.

In order to accelerate and ensure the delivery of these Collective Commitments to Action, under the present partnership, we shall set up a climate finance Task Force for "Fostering Green Capital Markets in Africa". This task force will be mainly charged to (i) drive and coordinate collective initiatives under the present partnership, (ii) ensure communication and experience sharing among members & progress reporting on overall target collective commitments under the present partnership, and (iii) extend support for the organization of regular and specific events under the present partnership, including the annual members meeting and associated conference.

APPENDIX 1: COLLECTIVE COMMITMENTS TO ACTION

As a coalition of African Capital Markets Authorities and Exchanges we have defined (3) three priority areas of collaboration under the present partnership, that we have, subsequently, translated in a set of Collective Commitments to Action.

PRIORITY (1):

TO ENABLE THE DEVELOPMENT OF AN EFFECTIVE ECOSYSTEM TO SUPPORT THE ESTABLISHMENT OF GREEN CAPITAL MARKETS IN AFRICA;

As a coalition of African Capital Markets Authorities and Exchanges, we believe firmly that fostering Green Capital Markets in Africa calls for a system-wide approach to be led by Market Regulators and Exchanges.

To that end, we will engage individually and collectively to undertake necessary measures and initiatives to support an effective transformation of our respective markets into Green Financial Marketplaces and position Africa as a prominent attractive regional marketplace for green finance and climate-resilient investments.

Accordingly, we shall:

- **Engage actively in necessary capital market reforms of legal and regulatory frameworks by issuing the adequate rules and regulations and adapting existing ones, and assist public policy and decision makers into issuing and amending the necessary primary laws and bylaws as well as providing a conducive fiscal environment;**

Beyond issuing new sets of rules and regulations that support climate finance practices and green instruments, it is essential to adapt all existing ones so that they integrate adequate requirements. Key areas of focus of such reforms should include:

- Primary markets by enabling the issue of green securities including specific listing and issuing requirements, specific information disclosure requirements, dedicated listing boards in Exchanges and information dissemination mechanisms, etc.;
- Secondary markets by promoting green and climate-resilient investment funds, with a particular focus on collective investment schemes and the set-up of Specific Market Indices, in order to deepen liquidity of securities;
- Advisory services and asset management industry by extending existing regulations on regulated activities to the adequate compliance rules with advising climate finance, risk assessment and reporting requirements.

- **Work together to move towards a common regional set of principles or criteria with regard to labeling green securities' issues and qualifying climate-resilient projects/investments;**

In order to expand climate finance and drive investments towards green economy, it is essential to ensure coherence, transparency and investments comparability with green projects labeling and qualification.

As a coalition of African Capital Markets Authorities and Exchanges, we will work together alongside other relevant market key players to:

- Develop and agree on a common regional set of principles and/or criteria for green securities' labeling and investments/project qualification in line with international standards and practices and specifically adapted to Africa's context;
- Pave the way for the potential emergence of pan-African specialized labeling organizations;
- Contribute to the global markets development in terms of green labeling, harmonization and project qualification.

- **Act individually and collectively to play a key role in the development of a comprehensive business support ecosystem and climate friendly financial investment environment within our respective markets;**

As a coalition of African Capital Markets Authorities and Exchanges, we will work together to assist policy and state decision makers globally, and to advocate at the continent level as well as within their respective jurisdictions to:

- Adopt a system-wide policy transformation of financial systems and business climate, within respective jurisdictions and at the continental level, in favor of an effective transition towards green and climate-resilient economic growth model;
 - Address markets failures with regards to mismatching between the supply and the demand of green equity by implementing adequate economic public policies based on fiscal and non-fiscal incentives and stimulating measures;
 - Define and implement the right policies and fiscal incentives to promote climate financing structure and foster green financial investments in capital markets;
- **Promote a capital markets' cultural transformation and investing practices through comprehensive education programs on climate finance and capacity building initiatives across local markets and continent-wide;**
- Increase awareness and public knowledge of climate finance and green investments through financial education and thorough communication on new green market developments;

- Reinforce market professionals' capabilities through climate finance oriented professional training and encouraging market financial institutions to implement adequate qualification and/or certification;
- Promote technical research, publications and market innovation in the fields of climate finance;

PRIORITY (2):

TO SUPPORT THE DEVELOPMENT OF GREEN FINANCIAL INSTRUMENTS AND CLIMATE-RESILIENT INVESTMENT VEHICLES IN AFRICA;

The development of green products over the past years has been particularly remarkable in the international financial market place, led essentially by institutional investors and global financial institutions and supported more and more by capital market regulators, exchanges and operators.

As a coalition of African Capital Markets Authorities and Exchanges, we believe that collective action across African capital markets should help accelerate the enabling of further the development of such investments products, and issues within the continent and help attract more international private green investments to Africa.

And so we will work together alongside all the key players of the markets (issuers, corporate & investment banks, institutional investors, asset managers and advisory services, etc.) to:

- **Stimulate the development of primary and secondary markets for green securities and climate-resilient investments vehicles such as:**
 - *Listed and non-listed Green Bonds* issued by both public and private institutions and/or corporations ;
 - *Green Investment Funds*, with a particular focus on collective investments schemes;
 - *Listed Green Equities* based on a comprehensive and transparent set of qualification criteria;
 - *Green ETFs*;
 - *Green REITs*;
 - and other relevant green financial instruments, green-assets backed securities and climate-resilient investments, alongside associated risk-hedging instruments.

- Promote wide regional information dissemination on green investments and encourage green cross-listing across African capital markets;
- Create Green and climate-resilient markets' Indices including:
 - *Local market Indices* based on existing local regulations and practices with regard to ESG and/or other relevant set of criteria with regard to social and environmental corporate responsibility;
 - *Regional Market and sub-market Indices* based on the common set of qualifying and labeling principles and/or criteria to be developed;
 - *ESG Regional Market and sub-markets' Indices* based on ESG principals in line with international accepted standards and practices;

PRIORITY (3):

TO PROMOTE TRANSPARENCY AND ACCESSIBLE INFORMATION ON GREEN FINANCE AND CLIMATE RESILIENT INVESTMENTS IN AFRICA;

We recognize that a key component to the development of green capital markets is providing investors with all relevant information necessary to make sound investment decisions. Hence, we believe it is essential for regulators and exchanges to establish specific means to disclosure requirements for green-labeled financial instruments, in particular:

- Mandatory disclosure requirements on green securities' issuers to report regularly and thoroughly all relevant information on their activities, so that investors can conduct necessary due-diligence and investment qualification.
- Voluntary disclosure requirements on listed companies and securities issuers to disclose information on their activities' environmental impact as part of their standard financial and business reporting.

Subsequently, we will work individually and collectively, as a coalition of African Capital Markets Authorities and Exchanges, on defining and implementing the adequate rules, regulations and guiding principles on green investments qualification, on use of proceeds, and on the progress and third parties verification requirements and controls.

In doing so, we will consider in particular the work and recommendation of the The Task Force on Climate-related Financial Disclosures (TCFD) in relation to voluntary climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.