



Meeting Report

High-level regional meeting, Arab Central Bank Governors and Banking Executive Managers

Thursday 24th June 2021

12:00 – 14:00 CET

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Meeting Rationale:

Sustainable finance awareness and engagement of banking regulators in the MENA have been highlighted as a “perquisite and a boost” for further banking sector engagement in sustainable finance. Therefore, the League of Arab States (LAS), the UN Environment Programme Finance Initiative (UNEP FI), and the Union of Arab Banks (UAB) organized the first closed-door meeting for regulatory stakeholders and banks in the Arab region to collectively help define a vision on advancing sustainable finance in the region and how banks could be better informed and empowered to contribute to the sustainable development of the local and regional economy. The invitation was extended to six Central Bank Governors and 17 Banks’ Executive Management from Bahrain, Egypt, Jordan, Morocco, and Saudi Arabia, and Tunisia.

Meeting Specification:

Venue: Virtual Event Platform - Zoom

Organizers: League of Arab States (LAS), UN Environment Programme Finance Initiative (UNEP FI) and the Union of Arab Banks (UAB)

Participants: Central Bank Governors and Banks’ Executive Management from Bahrain, Egypt, Jordan, Morocco, and Saudi Arabia and Tunisia.



Background Information:

The Arab region is highly vulnerable to climate change. There are pressing needs related to issues such as water scarcity, rising sea levels, drought, land degradation, and desertification. Climate change is expected to have serious repercussions on the region's food, energy, and water security through its negative impact on vital sectors including—but not limited to—water, health, coastlines, tourism, and agriculture in a region where more than 50% of food is imported and most of its vulnerable population is still rural and dependent on agriculture for its livelihood (UNEP FI 2021)¹.

The financial industry is expected to play an instrumental role in financing the 2030 sustainable development agenda by transitioning to a more resilient, inclusive, and green economy. Financial institutions and markets would support the ongoing global structural transformation towards sustainable development by efficiently re-directing public and private resources towards more socially, environmentally, and economically sustainable activities. The financing gap in Arab countries for achieving the SDGs is estimated to be at least USD 230 billion annually, which highlights the need for action in the region (UNEP FI 2021).

As a result, it is important to enhance the role of the financial industry and to work collectively to advance sustainable finance in the region. Unlocking financing and building capacity are crucial to drive green and social economic development across communities and businesses, improve livelihoods, achieve inclusive growth and address climate change.

¹ UNEP Finance Initiative (2021), Promoting Sustainable Finance and Climate Finance in the Arab Region

Meeting Flow:

On Thursday 24 June 2021, senior-level participants comprising Central Bank Deputy Governors and Banks' Executive Management from six different countries: **Bahrain, Egypt, Jordan, Morocco, and Saudi Arabia, and Tunisia**, met virtually to initiate together a dialogue, which addresses specifically the finance sector's role in supporting the transition to a low-carbon, resource-efficient and resilient economy.

The meeting started with an opening remark from the Secretary General of LAS, H.E. Dr. Ahmed Aboul Gheit, followed by Mr. Eric Usher, Head of UNEP FI, and Mr. Wissam Fattouh, Secretary General of UAB.

The Secretary General of LAS, H.E. Dr. Aboul Gheit, stressed on the role of Central Banks, as a strong pillar in economies and for the stability of countries, to mobilize the necessary resources to improve livelihood and address climate change. The desire of LAS in supporting all countries in the Arab Region that are establishing sustainable finance strategy was expressed. This is in addition to the willingness of LAS to initiate the first sustainable finance platform on a regional level that will convene representatives from financial regulatory bodies, banks, and organizations to design a framework to advance sustainable finance practices in the region.

Mr. Eric Usher, head of UNEP FI, shed light on the urgent need to move from the old ways of doing business and on the collective responsibility of the financial sector to accelerate a just transition. The efforts of financial institutions in promoting sustainable finance and their commitment to joining voluntary frameworks from the region were recognized. He mentioned that joining forces is a valuable opportunity to strengthen strategies and set forth desirable action steps to advance the sustainable finance agenda to achieve the Sustainable Development Goals and the Paris Climate Agreement.

Mr. Wissam Fattouh, Secretary General of UAB, highlighted the prominent role of Central Banks in maintaining economic stability in the Arab region and he included

that the financial sector in the Middle East and North Africa (MENA) is expected to play an instrumental role in financing the 2030 sustainable finance agenda. Finally, he expressed the desire of UAB to join the LAS Sustainable Finance Platform and support banks to invest in sustainable development.

Session Details:

Session1: The role of the banking system to build a strong approach for sustainable finance – the scope in MENA

The first session, **the role of the banking system to build a strong approach for sustainable finance – the scope in MENA**, focused on the importance of collective actions of national and regional financial institutions, policymakers, and regulators to align finance with the Paris Agreement and contribute to the SDGs. The session highlighted the necessity for emerging markets to implement responsible banking systems to boost the future economy that is environmentally and socially aware and maintain a competitive advantage in the global economy.

The various instrumental initiatives for banks and regulators were briefly presented covering Central Banks and Supervisors' [Network for Greening the Financial Systems \(NGFS\)](#), the [International Finance Corporation \(IFC\) Sustainable Banking Network \(SBN\)](#), and the [UNEP FI's Principles for Responsible Banking \(PRB\)](#), the largest bank coalition that represents 40% of the total banking industry. Also, the newly launched [Net-Zero Banking Alliance \(NZBA\)](#) was featured in the meeting, shedding light on the Commercial International Bank (CIB), Egypt one of the founding leading banks for this initiative. CIB is the first bank in the Middle East and North Africa region that commits to align the lending and investment portfolios with net-zero emissions by 2050.

During this session, the CIB, Al Baraka Bank, and the Central Bank of Egypt (CBE) shared their experiences and discussed the complementarities among these initiatives and how they enable and contribute to advancing sustainable finance in the sector.

Dr. Dalia Abdel Kader, Chief Sustainability Officer at CIB, (founding signatory member of the PRB and NZBA) mentioned that sustainable finance is a key prerequisite for banks to sustain their growth. Also, the PRB is a comprehensive framework that helps banks better understand risks associated with their activities, and the steps for the transition to sustainable business models. She highlighted the need for banks to engage in international frameworks such as PRB to align their activities with the SDGs and identify their strategic plans. Sustainable finance remains at its infancy levels for banks in the region, and international assistance is required to accelerate its growth and maturity in the region.

Dr. Ali Adnan Ibrahim, First Vice President, Head of Social & Sustainable Finance of Al Baraka Bank, (PRB Signatory Bank), stressed the importance of implementing sustainable finance strategies to protect long-term shareholders' interests. Also, he emphasized the necessity for banks to respond to this global momentum triggered by the PRB banking framework and to embed sustainability on a strategic level. The desire of Al Baraka Bank to entrench the circular economy and digital transformation to improve access to finance among the most vulnerable groups was expressed.

Ms. May Abulnaga, First Sub-Governor at the CBE presented the benefits to the Central Bank resulting from joining the SBN. These benefits included the available opportunities for knowledge sharing, peer-to-peer learning, and exchange from other countries, which allow for access to good-case-practices, as well as taking part in an important stride for issuing sustainable finance regulations and climate finance framework. Currently, the CBE with the help of SBN and IFC is developing guidelines and principles to promote sustainable finance operations and business models across the banking sector in Egypt based on best international practices. Also, CBE is implementing plans to encourage the private sector to engage in sustainable finance by i) directing banks' investment portfolios towards low carbon, renewable energy, and irrigation projects that are less water intense; ii) issuing low-interest-rate initiatives targeting small and medium enterprises (SMEs); iii) guiding all institutions to measure

their efforts to gather data, that could be used as a supervisory tool or to develop an impact assessment framework. CBE is currently partnering with various ministries and regulatory bodies to implement a just transition that incorporates diverse economic contributors in a more holistic approach. However, the application of the sustainable finance concept must be undertaken gradually to minimize and possibly avoid transitional risks and crowding out existing lending practices.

Session 2: Round Table Discussion, the role of regulators and central banks in unlocking finance mechanisms for scaling up sustainable finance in the region.

Twelve participants from Central Banks and Banks discussed the key priorities and opportunities to mobilize the financial sector in supporting the transition to a sustainable economy. The participants shared their views on how to establish partnerships and explore solutions to support the transition of the banks in the region.

The Central Bank representatives acknowledged the instrumental role of regulators in issuing guidelines, ensuring a national framework, conducting capacity building, and providing technical assistance to support banks in their sustainable transition. Also, they acknowledged the effort of leading banks in the MENA region in advancing the sustainable finance agenda on a local level through their demonstrated commitment to aligning with international sustainable frameworks. The banks' Executive Managers addressed the necessity to follow the market shift towards sustainability and the need to implement a sustainable strategy however this transition requires a:

- deep alteration in strategy, processes, and methodology to embed sustainable strategy on an institutional level,
- development of education and training programmes to enable senior managers and on-ground practitioners to better identify, assess, mitigate environmental and social risks associated with sustainable finance,
- technical assistance to oversee climate-related issues and support the scale up of the low-carbon projects.

As pioneer banks in the region, they have the moral responsibility to lead by example, show the benefits of embedding sustainable finance strategies in their business plans to their peers and coordinate with the regulators. Also, attendees mentioned the challenges that are hindering the advancement of sustainable finance such as the shortage of data, the low level of awareness, the absence of policies, and the lack of incentives for investing in green alternatives.

The discussion shed the light on the actions needed to be implemented by the Central Banks to ensure guidance for achieving an equitable transition while mitigating the transitional risks:

- Sustainable finance continues to grow on a regulatory level. It is vital to build capacity and make access to knowledge on this topic available on national and regional levels. This can be effectively achieved with the support of international initiatives that are key to reaching this transition.
- Banks from the same country are not necessarily at the same level of sustainability adoption, therefore capacity building, knowledge sharing, and technical assistance are required to increase the level of awareness and readiness and minimize the adoption-level gap.
- Engagement with other regulatory institutions (e.g., the Ministry of Agriculture and Environment) is necessary to support banks in evaluating the technical knowledge across industries and sectors capitalizing on the financial sector's role as a mediator between industries.
- Incentives such as tax redemption should be issued to encourage the development of sustainable bankable products and projects to limit the dependency on the brown economy. These initiatives can include - but are not limited - to renewable energy, irrigation, agriculture, transport, and infrastructure projects.
- Issue supporting guidelines, regulations, and/or policies when a majority of banks from the same country demonstrate industry readiness to implement sustainable finance.

Outcomes and Recommendations:

During this first high-level regional meeting for Arab Central Bank Governors and Banking Executive Managers, a desire to develop a roadmap for sustainable growth and implement sustainable finance practices on a local and regional level was expressed by attendees. The discussion resulted in the following outcomes and recommendations presented:

- A call for the development of regional sustainable finance working groups to establish a platform of dialogue between banking institutions and the financial regulators to explore the development of a collective Arab region sustainable finance approach. The aim of this working group is to foster knowledge exchange, encourage peer-to-peer learning among different financial industry stakeholders to accelerate and advance a just transition.
- A call for the development of a regional capacity-building sharing platform to leverage opportunities and mitigate transitional risks. The transition to low-carbon green economies requires changes to markets and technology that may disrupt various industries that depend on the brown economy such as oil and gas and manufacturing industries, as a result, the transition must be undertaken gradually on a regional level.
- A call for a holistic collaboration between relevant stakeholders (Ministry of environment, agriculture, Banks, and Central bank) and the private sector to support the financial sector with technical knowledge and contribute to national dialogues on sustainable finance. This collaboration will lead to developing mitigation and adaptation strategies, plans, and programs to address climate change risks and risks resulting from delayed action to address the SDGs.
- A call for collective efforts among countries in the region to support data availability and address its shortage. The aim is to urge banks to capitalize on sustainable and climate-change-related investment opportunities.

- A call for establishing a mechanism for knowledge sharing to showcase regional and global best practices that can be replicated in the region. The aim is to promote the various frameworks for sustainable finance and encourage the industry to align accordingly.

Appendix

High-level regional meeting – Agenda

Time	Program
12:00 - 12:15	Opening remarks
	<ul style="list-style-type: none"> H.E.Dr. Ahmed Aboul Gheit, Secretary General, LAS Mr. Eric Usher, Head of UNEP FI Mr. Wissam Fattouh, Secretary General, UAB
12:15 - 12:45	Session 1: The role of the banking system to build a strong approach for sustainable finance – the scope in MENA
Session Objective	<p>This session will explore good case practices from the region discussing the opportunities that result from shifting from traditional banking to a more sustainable and responsible business model. The session will also focus on the importance of collective action of national and regional finance institutions, policy makers, and regulators to align finance with the Paris Agreement and contribute to the SDGs.</p> <p>As the opening session, it will set the pace for the roundtable discussion that will follow by presenting the existing sustainable finance scene in the MENA region from a regulatory and institutional perspective. The session would highlight the necessity for emerging markets to implement responsible banking systems to boost future economy that is environmentally and socially aware and maintain competitive advantage in the global economy.</p> <p>Moderator:</p> <ul style="list-style-type: none"> Ms. Tumelo Puleng Ndjwili-Potele, Banking Lead UNEP FI <p>Panellists:</p> <ul style="list-style-type: none"> Ms. May Abulnaga, First Sub Governor, Central Bank of Egypt (SBN Member) Dr. Dalia Abdel Kader, Chief Sustainability Officer Commercial International Bank (CIB) Dr. Ali Adnan Ibrahim, First Vice President - Head of Social & Sustainable Finance, Al Baraka Bank – Bahrain
12:15 - 12:25	A brief presentation on the various instrumental initiatives for Banks and Regulators. It will shed light on the PRB's instrumental role in the transition to a more sustainable banking approach and a more resilient economy, as well as on regulatory initiatives and networks in setting national and regional strategies and aligning with the SDGs and Paris Climate Agreement.
12:25 - 12:45	Invite panellists to share their experiences and views on sustainable finance. Banks and regulators will share their experiences and discuss about the complementarities about these initiatives and how these

		initiatives can help in maintaining competitive advantage in the global economy.
12:50 13:45	-	Round Table Discussion : The role of regulators and central banks in unlocking finance mechanism for scaling up sustainable finance in the region.
Session Objective		<p>This interactive session will discuss key priorities and opportunities to mobilize the financial sector in supporting the transition to a low-carbon, resource-efficient and resilient economy. The aim is to explore a mechanism of dialogues and/or partnership among relevant regulators, financial institutions, and international organizations to provide guidance and support to banks in the region The session will invite speakers to share their views on how to establish partnerships and explore solutions to support the transition of their economies.</p> <p>Moderator:</p> <ul style="list-style-type: none"> • Mr. Eric Usher, Head of UNEP FI <p>Discussants Central banks representatives and Banks' Executive Managers</p>
13:45 14:00	-	Closing remarks