

Abdellatif Jouahri: Financial stability in Africa in the face of geoeconomic uncertainties and emerging risks

Opening remarks by Mr Abdellatif Jouahri, Governor of Bank Al-Maghrib (Central Bank of Morocco), at the 4th Regional High-Level Symposium On Financial Stability, Rabat, 26 November 2024.

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Mr. Governor of the Bank of Mauritius and Chairperson of the Association of African Central Banks,
Dear colleagues, Governors and Deputy Governors of African central banks,
Madam Chair of the Africa and Middle East Regional Committee of the International Organization of Securities Commissions,
Mr. Deputy Secretary General of the Financial Stability Board
Mr. Deputy Secretary General of the International Association of Insurance Supervisors,
Ladies and Gentlemen, Presidents and Representatives of African Regulatory Authorities and International Institutions,
Distinguished Guests,

It is with great pleasure that I welcome you today in Rabat for the 4th edition of this Regional High-Level Symposium on Financial Stability. On behalf of the Moroccan Committee for Coordination and Systemic Risk Monitoring, which brings together the three regulators, I would like to thank you for accepting our invitation to take part in the discussions and share your experiences.

In particular, I would like to express my gratitude to Mr. Rama Sithanen, who, just a few days after his appointment as Governor of the Bank of Mauritius, kindly agreed to participate in this symposium via videoconference. I take this opportunity to extend my heartfelt congratulations and best wishes for success in his new responsibilities as Governor and as President of the Association of African Central Banks. I also wish to commend the unwavering commitment of the AACB to the various editions of this forum, which has significantly contributed to elevating it to the ranks of premier pan-African events.

My thanks also go to the representatives and experts from the Financial Stability Board, particularly its Deputy Secretary-General, as well as those from the World Bank, the International Association of Insurance Supervisors, the International Association of Deposit Insurers, the BIS Financial Stability Institute, and the Prudential Supervision and Resolution Authority.

Ladies and Gentlemen,

For this edition, the first of the post-pandemic era, we have chosen the theme "Financial Stability in Africa: in the Face of Geoeconomic Uncertainties and Emerging Risks." Through this choice, we aim to shed light on the complex challenges we have faced in recent years, particularly since 2020. Besides the pandemic and its aftermath, we have witnessed a series of shocks stemming from the proliferation of conflicts, the recurrence of extreme climate events, and the resurgence of inflationary pressures.

At the same time, numerous profound changes and paradigm shifts are underway, continually reshaping the global economic, social, and financial landscape. These include geoeconomic fragmentation, the rise of protectionism, digitalization, the development of artificial intelligence, and demographic dynamics. These developments result in high levels of uncertainty and the emergence of new, complex risks that are difficult to predict and manage. In such a context, decision-making-both private and public-becomes a true challenge.

As we all know, the 2020 pandemic triggered an unprecedented response from public authorities, with health measures that had significant implications for supply chains, contributing to the rising inflationary pressures we have observed in recent years. Similarly, the extensive fiscal efforts to support the population and economic activity have led to higher levels of debt and reduced budgetary margins, raising concerns about the sustainability of public finances in many countries.

In response to rising inflation, central banks initiated the fastest and most widely synchronized monetary tightening cycle in history. While they successfully curbed inflation without triggering a recession-a historic achievement-this came with potential risks to financial stability. This was evidenced by the turmoil in the banking systems of Switzerland and the United States, which, fortunately, were quickly brought under control.

Ladies and Gentlemen,

In Africa, the impact of these shocks and transformations is evident. Many countries on the continent are suffering the severe effects of climate change, despite their relatively minimal contributions to greenhouse gas emissions. Also, the Continent has been particularly affected by the rise in food prices following the outbreak of war in Ukraine, driving inflation to exceptional levels and eroding the already weak purchasing power of the population. According to IMF data, inflation in sub-Saharan Africa averaged 16.2 percent in 2023. While there has been a notable decline in recent months, price levels remain high.

On another note, according to IMF data, African public debt reached nearly \$1.8 trillion by the end of 2023, representing 60 percent of GDP for Sub-Saharan countries and almost 77 percent for North African countries-double its level in 2010. Over the past decade, Africa's external debt has increased from less than 20 percent of GDP to nearly 30 percent, while its ratio to exports has almost doubled to 140 percent.

Furthermore, given the pace of the digital revolution and the rise of artificial intelligence, many African countries, ill-prepared to capitalize on the opportunities it presents, are instead facing the risks it generates, particularly the cybersecurity threat. As a result, the gap with the north unfortunately continues to widen.

Faced with these challenges, Africa has the means to continue its development and emergence. Its most important asset is its human capital, with a young and rapidly growing population. It also boasts abundant natural resources, arable land, and rich deposits of minerals and precious metals.

While aligning with various global agendas, Africans are well aware of the need to take their destiny into their own hands, as evidenced by the numerous initiatives launched in recent years at the continent level, namely the Continental Free Trade Area.

Ladies and Gentlemen,

The few examples of emerging risks I have just mentioned show the intricate challenges that macroprudential policy encounters in achieving the goal of financial stability.

In Morocco, climate change manifestations are evident and recurrent. We are facing successive years of drought and severe water stress, alongside recurrent floods and river floods, the most recent of which affected several regions in the south of the country.

Against this backdrop, financial sector regulators are particularly attuned to climate risk. They have been engaged in global efforts and launched numerous initiatives aimed at integrating the climate dimension into strategies, decision-making processes, and financial regulatory frameworks.

Thus, Bank Al-Maghrib issued in March 2021 a directive calling on Moroccan banks to fully incorporate climate risk into their governance and risk management mechanisms, as well as their investment and financing strategies. It also conducted, in partnership with the World Bank, a study on climate risks in the banking sector, the first of its kind in the region, the results of which were published in April 2024.

For its part, The Moroccan Capital Market Authority published a series of guides on sustainable financing instruments and socially responsible investment. It also issued a circular making it mandatory for all issuers on the capital market to publish an annual ESG report in 2019. In a related effort, the Supervisory Authority of Insurance and Social welfare has issued an instruction to insurance and reinsurance companies on the management of financial risks linked to climate change and the environment.

Beyond risk management, mobilizing the financial resources required to achieve climate change mitigation and adaptation goals is also a monumental challenge. This remains a sticking point in international meetings, as evidenced by the stark divergences during discussions at the recently concluded COP29. In Morocco, investment needs have been estimated by the World Bank at approximately \$78 billion for the period from 2022 to 2050. To address this, we have developed a national strategy for the development of climate finance through 2030 and are actively working to mobilize private funds and international donors. In this regard, and thanks to an ambitious program of policies and concrete measures, the country has secured financial support from the IMF amounting to approximately \$1.3 billion under the Resilience and Sustainability Facility.

On this same note and at a global level, the growing awareness and clear commitment from international agencies such as the United Nations and multilateral development banks provide a sense of optimism in light of the vast financing needs. However, as we have emphasized repeatedly, such funding must not come at the expense of financing for development, which the continent still critically requires.

Ladies and Gentlemen,

I would not conclude my remarks without sharing some reflections on the implications of the digital revolution and the rapid rise of cryptoassets and digital currencies.

In Morocco, we became aware of the issue as early as 2017 and initially focused on raising public awareness about the associated risks. Later, taking into account developments in international regulation, the Moroccan authorities adopted a regulatory approach aimed at ensuring adequate protection for users and investors, while preserving the opportunities to capitalize on these innovations.

In this regard, Bank Al-Maghrib, with the participation of all stakeholders and the support of the World Bank, has prepared a draft law regulating cryptoassets, which is currently in the adoption process.

Regarding central bank digital currencies, and like many countries around the world, we are exploring to what extent this new form of currency could contribute to achieving certain public policy objectives, particularly in terms of financial inclusion. We launched the CBDC project more than three years ago with the aim of anticipating and guiding the strategic choices and decisions of Bank Al-Maghrib in this area. The project also seeks to strengthen our capacity and expertise on this complex and multidimensional issue.

It is a long-term endeavor that must take into account the national socio-economic context, the evolution of the regional and international environment, as well as the impact on some of the missions of the central bank, particularly monetary policy and financial stability.

There remains one final aspect related to cybersecurity, which is of particular concern to financial sector regulators. At Bank Al-Maghrib, recognizing the need for a collective approach, we have established a dedicated community led by the financial ecosystem and regulators. On the international stage, the Bank has joined a number of specialized organizations in the field of cybersecurity, facilitating the sharing of experiences and the exchange of information.

It seems essential to me that, at the level of our continent, we combine our reflections and efforts to fully harness the benefits of technological innovations while ensuring the mitigation of the associated risks.

Ladies and Gentlemen,

I am sure that the panels scheduled for this symposium and the ensuing discussions will greatly enrich our reflections and enable us to further strengthen our cooperation in the fields of financial stability and macroprudential supervision.

In closing, I wish our work great success, and I hope that those of you who came from abroad will have the opportunity to enjoy your stay in Rabat, a city listed as a UNESCO World Heritage site and explore its rich and ancient heritage.

Thank you.