MEFMI

Macroeconomic and Financial Management Institute of Eastern and Southern Africa

HIGHLIGHTS OF THE 2023 MEFMI GOVERNORS' FORUM

THEME:

CLIMATE CHANGE AND CENTRAL BANKING

Venue:
Livingstone, Zambia (Hybrid)

Dates:
5 August 2023

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TABLE OF CONTENTS

1. Introduction

The subject of climate change is topical amongst policymakers as it is increasingly becoming a key source of risks to economies across the globe. The United Nations Sustainable Development Goal (SDG) number 13 on Climate Action, recognises the importance of coming up with measures to address the challenging effects of climate change, worldwide. SDG 13 resolves to “Take urgent action to combat climate change and its impacts”.

Climate change-related disasters have resulted in annual average economic losses of hundreds of billions of dollars. Geophysical disasters, which are 91 percent climate-related, killed 1.3 million people, and left 4.4 billion injured, between 1998 and 2017[1]. To this end, SDG 13 aims to address the needs of developing countries to adapt to climate change and invest in low-carbon development. Over time, countries have started developing policies and strategies in response to these emerging challenges. However, the progress in developing countries, including those in the MEFMI region has been inadequate. This can be attributed to limited technical and financial capacity on the subject matter and resources to implement the proposed migratory measures.

As part of its ongoing initiative to raise awareness on emerging issues impacting macroeconomic and financial stability, the Macroeconomic and Financial Management Institute of Eastern and Southern Africa, (MEFMI), held its 2023 Governors Forum on the 5th of August 2023, on the sidelines of the 45th conference of the Association of African Central Banks (AACB) held in Livingstone, Zambia. The event was supported by Ninety-One and Oxford Martin School, who provided both financial and technical support, respectively. The Forum, which ran under the theme *Climate Change and Central Banking*, aimed to provide a platform for central bank governors to discuss and share experiences on issues relating to climate change, as well as proffer ideas on how to mitigate its devastating impact on financial stability.

2. Official Opening

Welcome Remarks by the MEFMI Executive Director

Dr. Louis Kasekende

The welcome remarks for the Forum were given by Dr. Louis Kasekende on behalf of the MEFMI Secretariat. In his remarks, he welcomed the governors from the MEFMI member countries in participation and also extended a warm welcome to the central bank governors from The Gambia and South Sudan who participated in the Forum as observers.

The Executive Director noted that the theme of the event was very timely as the MEFMI member countries were also, like the rest of the world, grappling with climate change challenges and this was a stark reality affecting every region.

He presented that in the recent past, the MEFMI region, particularly Malawi and Mozambique, was hit by Cyclone Freddy which saw hundreds of people losing their lives and massive destruction of infrastructure such as shelter, road and rail networks, schools, and other amenities. These effects put pressure on the already constrained fiscal space in the member countries.

The Executive Director called for stronger action and accountability in the fight against climate change. He emphasised the need for central banks to actively respond to these emerging challenges by going beyond their traditional role of ensuring price and financial stability to integrate climate change risk in financial sector management. He presented that the ability of the central banks to better appreciate climate change-related issues is of great importance, and the call for action is more urgent than before.

The Executive Director further highlighted the objectives of the Forum, which were:

- To enhance understanding of the nexus between climate change and central banking, explore the risks and opportunities that arise from the transition to a low-carbon economy.

- To discuss the tools and methodologies available to central banks to assess and manage climate-related risks within their mandates.

- To gather information on the existing gaps which will subsequently form the basis of MEFMI's future interventions in developing capacity-building and technical assistance interventions to support sustainable macroeconomic policy formulation.

Dr. Kasekende also advised the Forum of the deliberate initiatives being undertaken by the Secretariat as part of its effort to respond to climate change-related issues. Specifically, he informed the meeting that the Institute was at an advanced level in its application to become a Stakeholder of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). The Institute intends to participate in outreach sessions or events organised by the NGFS's workstreams on supervision and monetary policy as well as by the taskforce on capacity building and training.

In addition, the Executive Director also highlighted the interventions being made by the Secretariat in developing climate change knowledge products. He noted that MEFMI will soon launch two research papers entitled: *(i) Climate Change and Macroeconomic Performance: Evidence from MEFMI Countries, and (ii) Climate Change and its Impact on Macroeconomic and Financial Management.* The second paper was developed by the Oxford Martin School as part of the implementation of the Memorandum of Understanding between the two institutions while the first paper was developed by a team from the Secretariat. He indicated that Secretariat plans to disseminate the knowledge products before the end of 2023. Further, he noted that the Institute, in collaboration with Oxford Martin School, are exploring areas of capacity building in the area of climate change going forward.

Remarks by the Ninety-One Managing Director for Africa (excluding South Africa)

Mr. Eino Emvula

The Ninety-One Managing Director for Africa (excluding South Africa), Mr. Eino Emvula also gave remarks during the Forum's opening session. He commended the partnership between MEFMI and Ninety-One which dates back to 2015 for the important role in supporting the building of capacity among high-level officials in pertinent central banking and macroeconomic management issues. Mr. Emvula reiterated that climate change was not a distant future but rather a present reality causing havoc on the continent and beyond, thus it was befitting for MEFMI to have this theme for the Forum. He further proposed the need for the traditional mandate of central banks to evolve in the wake of the emerging climate change challenges. He also gave a brief profile of Ninety-One and its main areas of focus. Founded in 1991 in Cape Town as part of the Investec Asset group and demerged in 2020, the global firm is listed on the Johannesburg and London Stock Exchanges and is a multi-strategy firm providing support to central banks in the management of sovereign reserves.

3. Session 1

CLIMATE CHANGE AND ITS IMPACT ON MACROECONOMIC AND FINANCIAL MANAGEMENT

Professor Christopher Adams

Presenter: **Professor Christopher Adams, Oxford Martin School**

Discussant: **Dr. Emmanuel Maluke Letete, Governor, Central Bank of Lesotho**

Moderator: **Dr Louis Kasekende, MEFMI Executive Director**

Introduction

The MEFMI Executive Director introduced the presenter, Professor Christopher Adams, from the Oxford Martin School (OMS), who joined the meeting virtually. In his introductory remarks, Professor Adams highlighted that the focus of the session was to present an issues paper that OMS jointly with Institut français des relations internationales (IFRI) as well as one author from the South Africa Reserve Bank and another from the University of London had developed on behalf of MEFMI. He indicated that the platform presented a great opportunity for the authors to receive feedback on the draft issues paper to allow them to further revise and refine it. He also noted that the platform provided a great opportunity to carry out a diagnosis of climate change-related issues and look at broader implementation issues.

Summary of the key issues presented by Professor Christopher Adams

Below is a summary of the issues raised in the presentation:

- Climate change poses a great risk to financial stability, especially regarding financial intermediation, the pricing of risk and macroeconomic stability. Climate change risks occur through two main channels namely: (i) physical climate change risks; and (ii) transition risks which emanate from policy choices made in the efforts to move towards sustainable economies, i. e. net zero positions.

- Governments are faced with challenges mobilising capital to support the transition toward net zero. For most countries in the MEFMI region, the required funding to support transition and adaptation is mainly available from external sources. The main issues, therefore, relate to mobilising the right set of financing and allocating it effectively without destabilising the macroeconomic environment. To this end, central banks play a crucial role in facilitating access to the markets as well as in the management of capital flows while ensuring that financial risks remain at desirable levels.

- MEFMI's initiative to join the NGFS is of great importance as it will assist the Institute in participating in a platform where debate on emerging climate change issues is deliberate and proposed actions are discussed. It will also facilitate engagement with countries in the global north from where the climate change agenda is being driven.

- In as much as climate change has implications for macroeconomic management, the emerging risks do not radically change the existing frameworks for macroeconomic management. What is critical going forward is to identify areas of deficiencies in terms of capacity, data, and technology, among others, to help in shaping the appropriate policy design under the existing frameworks.

- It is also critical to note that the interventions by countries in transition and adaptation are not defined by individual countries. There is an urgent call for global action due to the increased frequency of climate change events.

- Policymakers should employ a holistic approach in addressing the medium to long-term issues relating to adaptation, mitigation, and transition as well as addressing the high frequency of climate change issues being faced by countries.

- The *Introduction section* of the issues paper observes that the global economy is not on course to achieving the Paris 2015 Agreement to hold global temperatures at no higher than 1.5C above pre-industrial levels. Developing countries will be the most severely impacted as they bear the substantial cost despite being low emitters. For example, the MEFMI region accounts for only 2% of global emissions mainly from agriculture, forestry, and land use change. Important to note is that policies by MEFMI countries in relation to climate change are not based on the low emission levels, rather, they are informed by developments in the global arena, as dictated largely by the global north.

- The climate change effects in the MEFMI region have mainly been increased temperatures and uncertain rainfall patterns. These have had implications on health and labour productivity and also affected crop yield and consequently, food security and employment. The impact on the macroeconomy is made worse because most economies are agriculture-based. Further, there have been high flood risks, increased sea levels leading to intense tropical storms, and changes in the hydrological and ecosystem of the Zambezi basin.

- In light of the highlighted challenges relating to physical and transition risks, central banks and ministries of finances should start thinking through:

  - o How to mobilise the required financing for mitigation and adaptation.
  - o How to manage the increased volatility that will come from the international arena both through the price channel and cost of capital.
  - o How to take advantage of the global financing architecture and leverage the existing options.

- The *first chapter* of the issues paper speaks to issues of *Financial Stability*. It notes that central banks, supervisors, and financial regulators globally are beginning to take action on climate change risks. The main challenge faced by these institutions globally is the ability to account, price, and manage climate change risks. However, it is important to note that there are emerging interventions being observed though progress is slow. Some of this notable progress has been pushed by the interventions of the NGFS.

- The chapter also outlines the transmission mechanisms between climate change and the financial sector. For instance, the implications of extreme weather events on the relative prices, comparative advantage, labour market, and capital, among other issues. Central banks and financial regulators should think through issues relating to implications on the valuation of balance sheets, valuation of banks, pricing of pensions and insurance, as well as feedback on the real economy.

- In terms of financial stability and transition risks, (i.e., climate change policy, technology changes, changes in consumer preferences in response to climate risk, and changes in relative prices), the transmission mechanisms focus on the implication of balance sheet, asset classes, investment, profit and loss, relative prices, and real estate, among others.

- Important to note is that there has been increased focus on tariffs policy in carbon in traded goods. This relates to the tax on traded goods imposed by the European Union on imported goods. This negatively impacts African exports based on a hypothetical simulation recently undertaken by the African Climate Change Foundation which highlights negative implications on most exports except for agriculture. This is an important aspect to look at given the implication on the balance of payments.

- A key challenge going forward is how central banks can incorporate these numerous climate change-related risks in the conduct of monetary policy design. To bridge this challenge, the NGSF developed a Guide to Scenario Analysis. The guide aims to identify the risks as well as policy responses to these issues. The guide also provides responses to a survey of NGFS members. The survey broadly highlights that most of the interventions thus far have been in macro-prudential issues and not much in analysing macroeconomic impact. Going forward, it is key for MEFMI and its member countries to take key lessons from the Guidelines and adopt as well as customise tools and techniques that the region can employ.

- The *Second Chapter* of the issues paper focuses on *Mobilising Capital*. It recognises the huge funding gap for adaptation, mitigation, and transition. Notably, according to the 2022 IMF Global Financial Stability Report, Africa and the Middle East require an average of USD 300 - 400 billion dollars annually to support investments in adaptation and mitigation. This highlights an extremely high level of investment requirements in the region when taking into account other broader investment needs outside of those related to climate change issues.

- Looking at the financing landscape, there have been increasing global ESG financial flows in recent years. A sharp increase was registered in 2021, mainly relating to investments in green bonds, though not much in the emerging and developing countries, and Africa in particular. Also important to note is that the flow of funds is still significantly small compared to the required investments.

- The *Third Chapter* of the issues paper looks at *Implications for Macro Policy Formulation and Management*. Macroeconomic challenges in the wake of climate change are not significantly different from the challenges that the region has faced over the past 20 years. The focus of economies over the years has been on stabilisation, driving economies toward potential output, ensuring low and stable prices, and fiscal sustainability, among other key issues.

- What has emerged in recent years is the need for structural reforms as economies transition from being primary to secondary producers. The focus has been on stimulating growth and formal employment, as well as placing greater focus on the external sector. Important climate change issues to consider going forward will include the change in comparative advantage, how to efficiently allocate domestic resources, and the adequacy of skills set to enhance productivity. It is equally important to ensure that capital moves towards more resilient sectors of the economy and that governments are increasingly aware of the need to mobilise sufficient resources to support the change in economic structure in a way that minimises broad distortions in the economy.

- Key issues for macroeconomic formulation and policy design will relate to how countries can harness the insights from vast knowledge reserves on climate science to inform public policy. More specifically, it is on how to customise or adapt global models in coming up with domestic policies or models. The paper provides the linkages from the global to regional and local implications of key variables in formulating models. It also provides areas of focus in terms of capacity and investments by the MEFMI region in the medium to long term in response to climate events.

- A request was made by the authors of the issues paper for additional comments on how to further enhance the document.

Summary of issues raised by the discussant for Session 1

The Governor for the Central Bank of Lesotho, Dr Emmanuel Maluke Letete, was the discussant for the first session of the Forum. Below is the summary of issues he raised in response to the presentation by Professor Adams.

- Climate change-related issues are relatively new to everyone, and the world is currently in a difficult environment where it is facing continuous climate change threats.

- Climate change provides a new set of supply-side shocks. However, historically policies have been formulated to respond to demand-side shocks. This presents a challenge on how to respond to this new set of shocks.

- There is an urgent call for intervention, given the devastating effects that climate change has had on the road networks and other infrastructure across the region. A huge gap exists between financing requirements and actual financing flows for adaptation and mitigation. Thus, the key issue for central banks is how to mobilise the required resources.

- The paper alludes to the fact that Africa, including the MEFMI region, is a low carbon emission region, however, it is silent on the compensation-related issues.

- An important element in defining interventions by central banks is to understand the transmission channels between climate change and its implications on the financial system. Notable implications relate to, underwriting losses, credit losses, and liquidity risks, among others.

- Private sector contribution is still very low in terms of climate finance flows in Africa. The current ratio is at 86% public and 14% private sector.

- The Governor called for actions by the central banks to come up with interventions for managing climate change-related financial risks, highlighting that guidance can be taken from the BIS principles for effective management and supervision of climate-related financial risks. He also noted that despite the modest progress registered to date, there is scope for peer learning from some African governments, for instance, South Africa, Kenya, Nigeria, and Egypt, among others.

- The Governor also spoke about the building blocks of addressing climate change by central banks. Of greater importance, he highlighted the need for central banks to put more effort into getting relevant data which is vital in conducting simulations.

- He also reiterated that the mandate of central banks had not changed but what is required is for central banks to apply their minds and come up with measures on how to address climate change risks. For instance, climate change imposes supply-side shocks on monetary policy. This has implications on the output and price. As such, interventions to smoothen output and tightening of policy to reign inflation become important. The key will be for central banks to make an assessment first on their specific countries which will inform the necessary interventions.

- Emphasis was also made on the need for MEFMI to formulate relevant training programmes based on the outcomes of the issues paper being developed by the Oxford Martin School.

- The Governor concluded by reiterating the key messages from the paper noting that:

  o Central banks need to build analytical capabilities in the areas of mitigation and adaptation of climate change risks.

  o There is a need to conduct locally relevant research that speaks to the country-specific contexts.

  o Central banks ought to leverage their role as providers of information to lead discussions and share informed insights on climate change issues with other government institutions.

- o Central banks are mandated to facilitate public and private financial flows towards climate change interventions including checking AML/CTF issues noting that it is not the responsibility of central banks to mobilise resources.

- o There is a need for engagement with organisations such as NGFS in efforts to strengthen financial systems and central banking in the wake of global warming. The key is the need for central banks in Southern and Eastern Africa to also contribute to the development and application of relevant codes for taxonomy, disclosure, and measurement which apply to their context, thus the need to engage more on the continent to discuss these pertinent issues.

Summary of plenary discussions

The first session ended with a plenary session where the floor provided input to the issues raised by the presenter and the discussant. Below is a summary of the issues raised during the plenary.

- The Governor of the Bank of Mozambique, Mr. Rogrio Zandamela, gave insights from Mozambique, noting that the country is among those that have suffered the most from the effects of climate change. This has had significant effects on assets and growth. He highlighted that recent cyclones have led to a loss in GDP of about 9 to 10 percent and the country has experienced the lowest growth in two decades. He highlighted that the country is in a crisis mode, noting that there are limited resources domestically and internationally to respond to the challenges. He also indicated that the available resources are often of a charity nature, which is not adequate to deal with medium-term issues. The Governor also noted that climate change disasters of different magnitudes occur in Mozambique annually. He also shared an experience which occurred in 2009 when the country was hit by the first cyclone resulting in the loss of communication between the central bank's head office and the branches in Beira and Chimoio. He further indicated that from experience, cyclones do not hit the entire country but rather different provinces at a time. He posed a question on how central banks can calibrate tools to respond to issues affecting provinces. He further asked the floor how to bring the analysis presented in the issues paper to respond to concrete needs, knowing that the climate change risks often hit only segments and not the entire country.

- The Governor of the Bank of Zambia, Dr. Denny Kalyalya, posed a question relating to resource mobilisation. He noted that countries are faced with huge resource requirements, and that there seem to be limited resources available indicating dwindling traditional financing sources. His question was on whether funds are available and if developing countries can easily access these, and what they need to do to access the availabe resources given that most are perceived to be very risky.

- The Governor of the Bank of Botswana, Mr. Moses Dinekere Pelaelo, commended MEFMI's initiative to discuss climate change issues, noting that no one had a clear understanding of the issues. He referenced a seminar by the BIS Financial Stability Board in the past year where the panel shared their perspective on climate change issues and his observation was that there was a fragmented understanding of the subject matter. A common language on the

variable is needed with the starting point being having in place a taxonomy that everyone agrees to. In addition, he also called for the need for global leadership in these discussions, posing the question of who is manning the command centre. The Governor raised two issues: (i) Scenario analysis and stress testing require that there be a reference point, and that statistical distribution is important in modelling, yet there is a lack of observable data on climate change issues; and (ii) the establishment of the Commonwealth Access Hub in Mauritius where Eswatini, Zambia, and Namibia may have accessed support. He requested Zambia to share insights on this so that the region can also see if it can access funding from this initiative

- When addressing the issues raised by the Governors in plenary, Professor Adams responsed as follows:

    - There is a need to coordinate monetary and fiscal policy in the face of extreme events as well as foster closer collaboration and discussions on the instruments most relevant to deal with the local impact of climate change risks.

    - On issues relating to financing, there is a need for a blended approach in utilising locally available resources and contingent financing availed by international financial institutions. He alluded to the highlighted disconnect between available financing and the flow of funding to developing countries.

    - The need to make the most use of NGFS-availed resources was emphasised as it provides a bit more insight into the untamed climate change territory.

4. Session 2

Impact of Climate Change on Central Banking: Emerging Risks and How to Manage Them.

Ms. Ann-Maree Tippo

Presenter: Ms. Ann-Maree Tippoo, Ninety-One

Discussant: Mr Moses Pelaelo, Governor, Bank of Botswana

Moderator: Dr. Rogerio Lucas Zandamela, Governor, Banco de Moçambique

The Second session of the Forum on the impact of climate change on central banking focused on the emerging risks as well as innovations to address them. Ms. Ann-Marry Tippoo from Ninety- One delivered a presentation with the highlights summarised below.

- 190 countries have signed up to the 2015 Paris Agreement which set a global framework for combating climate change. Progress towards net zero emission has not been the same amongst countries and investors owing to different policies and the pace of implementing the interventions. It is important to note, however, that the deviation from the expected trend of achieving the Paris 2015 Agreement to hold global temperatures at no higher than 1.5C above pre-industrial levels, will result in several losses, economically and environmentally.

- Emerging countries including Africa, require about USD 1 trillion for adaptation interventions. However, research has shown that over 80% of global financing is currently focused on developed countries and the amount being deployed to emerging markets for transition financing is still minimal, estimated at between 10-20% of the required. It is critical to note that investment in climate change adaptation interventions in emerging countries is important in achieving the objectives being set in the global north and the achievement of the 2015 Paris Agreement targets. To this end, there is a need to step up initiatives to ensure that climate finance finds its way to emerging countries, including Africa. Growing appetite among asset owners for transition financing is being noted as this presents a major commercial opportunity.

- Central banks are increasingly positioning themselves and implementing climate change-related interventions. In a survey conducted across 135 central banks to gather information on the green initiatives they have embarked on, the results noted the following:
    - o 12% had a direct mandate for sustainable growth.
    - o 46% had a mandate to support government policy in which sustainability goals are embedded.
    - o 24% indicated that they had embarked on addressing climate-related risks and sustainability challenges through various initiatives although these are not directly provided in their mandates.

- There is a need for urgency in implementing mitigatory and adaptation measures because the cost of not doing anything will be much greater losses. For example, the cost of non-action by the Southern African governments may result in a 10% loss in GDP by 2050. In addition, Africa will lose up to 30% of the growing area for maize and 60% for beans by 2050 if temperatures continue under the current 3C warming trend.

- Liability risks have been on the rise owing to climate change risks. These are costs to financial institutions that may occur if parties seek compensation for damages suffered from climate change impacts, which affect their underwriting margins and subsequent profitability. There is a need to build capacity to model insurance products, including calculating premiums taking into account climate change consideration.

- Low-carbon companies and countries have scope to access borrowing at a lower cost.

Summary of issues raised by the discussant for Session 2

The Governor of the Bank of Botswana, Mr. Moses Pelaelo, was the discussant for the second session of the Forum. The Governor highlighted that the presentation by Ninety-One was of great importance as it helped in bridging information gaps between the central banks and market expectations around climate change issues. Below is the summary of issues the Governor raised in response to the presentation by Ninety-One:

- There are growing concerns about the need to take action, especially being aware that climate change has the potential to affect the core mandates of central banks. In addition, a lack of action by African policymakers will be more costly to the continent than investing in adaptation now. For example, non-action may result in increased loss of arable land, impacting negatively on food security.

- Climate finance opportunities remain largely untapped.

- Demarcation of roles is shaping up and stakeholders agree with central banks on the importance of incorporating sustainability in their agenda.

- There is a growing need for central banks to assume a more active role in climate change policy, especially in their roles of rapid stabilisation response units. However, it is key to note that central banks are not entirely responsible for climate change issues as the most important tools are outside their mandates.

- There is a need for the financial sector within the region to be more innovative in coming up with sustainable financing products, including tapping into the diaspora.

- The Governor gave a synopsis of how climate change issues affect the core mandates of central banks:

  - o **Monetary policy:** Climate change risks result in volatile output and inflation, resulting in supply-side shortages. The frequent short-term climate change-induced shocks make it difficult to come up with an appropriate monetary policy stance.

  - o **Financial stability:** There is a need to ensure that stress testing mechanisms and other tools for monitoring financial stability incorporate climate change issues. This may include

making the necessary amends to the Basel III capital standard, pillar 2 of the supervisory review process. The NGSF could tap into the work done by standard-setting bodies like BIS and leverage its information pool.

- o **Promotion of money and capital markets:** Central banks can take advantage of their role in developing the domestic debt market to ensure the availability of green financing.

- o **Foreign exchange reserves management:** key issues related to ensuring that investment in carbon-intensive investments should be minimised. In addition, the government can consider utilising reserves in sustainable social projects.

- The need to understand sustainable products such as green bonds was emphasised as once these products are issued; they will be subjected to a rating.

- Central banks need to make progress on the sustainability front, including integrating sustainability issues in the various policies under their mandates.

- Data issues remain the main constraint in developing models and stress testing scenarios, taking into account climate change.

Summary of plenary discussions

The following issues, comments, questions, and observations arose from the plenary discussion of the second session:

- The Deputy Governor for the Bank of Tanzania highlighted the need for capacity building in the area of climate change as notable gaps exist. In addition, he also requested that the Oxford Martin School expand the paper presented into a full book, if possible. To this request, Oxford Martin School noted that the issues raised in the Paper were still at the earliest stages and there exists room for further debate until a point at which these can be synthesised into a book at a later stage. The current priorities relate to focusing on critical areas of analytical input, as well as capacity-building needs. A request was also made for Botswana to share their experiences. Further, the Deputy Governor requested clarification on the incentive that is available to the private sector if they participate in financing sustainable initiatives.

- The Governor of the Central Bank of The Gambia also shared experiences from his country and noted that the government had incorporated climate change in its National Development Plan. One of the key mandates of the central bank in The Gambia is to participate in economic development and in doing so, part of the interventions include initiatives to increase climate change finance including the development of sustainable instruments. He, however, noted that access to the internationally available innovative financing options is hard as most countries are in distressed debt positions. He posed a question on how to make the financier consider the unique circumstances of most low-income countries. In addition, he also noted that most of the discussions by the presenter had been centred on emerging countries, further questioning what is there for low-income countries.

- There is no uniform way to determine carbon credits. Emerging countries including Africa need to establish pathways for transition.

- Ninety-One has ensured that one of its main roles is to source funds and support the mitigation and adaptation initiatives in emerging countries, including Africa.

- Issuance of sustainable bonds requires that the instrument is also rated separately over and above the country's credit rating. In addition, it is also assessed to ensure that it is ESG compliant. It becomes pertinent that central banks continue to place greater emphasis on strengthening their regulatory and institutional environment.

- The Governor of the Bank of Zambia gave an update on the establishment of the Ministry of Green Economy in Zambia, mandated to coordinate climate change issues. To this end, the new ministry coordinated the development of an implementation framework where key performance indicators, outputs, and outcomes were outlined for the various institutions mandated to implement climate change interventions including those in the financial sector.

- The Deputy Governor of the Central Bank of Eswatini noted that the available tools allow central banks to respond to a wide array of risks including those that are induced by climate change. However, she noted that the main reason why governments face challenges in reacting to climate change risks is mainly because most of the economies are not strong enough and there is a need to ensure a balance between the achievement of the country's development agenda and building climate resilience.
- Scope exists to tap into financing availed by higher carbon-emitting countries. Ninety-one shared the experience of Namibia, whereby the country is implementing the Green Hydrogen project estimated at USD10 billion. Important to note is that most of the funding is coming from the global north from countries such as Germany and the Netherlands, including the private sector from that region. They noted that it is key for countries to engage in these discussions to access the available resources.

5. Vote of Thanks

Presenter: Dr. Denny H. Kalyalya, Governor, Bank of Zambia

Moderator: Mr. Patrick Mutimba, MEFMI Secretariat

The Governor of the Bank of Zambia, Dr. Denny H. Kalyalya, delivered the vote of thanks for the forum. He paid special tribute to the partners for the forum namely, Oxford Martin School and Ninety-One, as well as the presenters for the Forum.

Further, the Governor also expressed gratitude to the participants of the forum, noting that their input enriched the outcomes of the event. He also extended appreciation to the Governor of the Central Bank of The Gambia and the Governor of South Sudan for participating in the Forum. Special thanks were extended to the Governor of the Central Bank of Gabon, the immediate past president of the AACB, for allowing MEFMI to host the Forum on the sidelines of its event. Appreciation was also extended to the MEFMI Executive Director and his team for organising such an important event.

In conclusion, he noted that the forum was of great importance as it explored the relationship between climate change and central banking and called for the urgent need for action among central banks in implementing interventions aimed at addressing climate-related risks. He further urged participants to continue the fight against climate change, calling on the need for collective action through fostering the relevant partnership.

6. Key takeaways from the Forum

1. Climate change and its devastating physical risks and cost implications are real. This calls for urgent action as non-action will result in a lot more losses for countries.

2. The area of climate change is relatively new and institutions, particularly those in the MEFMI region do not have the requisite skills to put in place policies for adaptation and transition.

3. A huge amount of resources is required to support climate change interventions, however, most countries have a constrained fiscal space.

4. Resources being channelled toward emerging countries including Africa remain minimal, estimated at between 10-20 % of the required amounts.

5. Sustainable financing options are available, however, there is limited capacity to access them.

6. MEFMI should step up its interventions in climate change-related issues. The steps to join the NGFS are commendable and provide a platform for member countries to benefit from the vast resources available.

7. Central banks need to integrate climate change variables in their tools and models.

7. Programme

MEFMI
Macroeconomic and Financial Management Institute of Eastern and Southern Africa

CLIMATE CHANGE & CENTRAL BANKING

TIME	TOPIC	PRESENTER	MODERATOR
09:00 – 09:15	Welcome and Introductions	**Dr. Louis Kasekende,** Executive Director, MEFMI	**Ms. Zinhle Mkhari** Public Relations Manager, MEFMI
09:15 – 09:30	Remarks by Ninety One	**Mr. Eino Emvula** Managing Director, Ninety One	**Dr. Louis Kasekende,** Executive Director, MEFMI
09:30 –10:15	**SESSION 1** **Climate Change and its Impact on Macroeconomic and Financial Management**	**Dr. Nicola Ranger/ Professor Christopher Adam** Oxford Martin School	**Dr. Louis Kasekende,** Executive Director, MEFMI
10:15 – 10:30	**Discussant**	**Dr. Emmanuel Maluke Letete** Governor, Central Bank of Lesotho	
10:30 – 10:50	**Floor Discussions**	**All**	
10:50 –11:15	**Health break**		
11:15 –12:00	**SESSION 2** **Impact of Climate Change on Central Banking: Emerging Risks and How to Manage Them.**	**Mr. Eino Emvula,** Managing Director, Ninety One	**Dr. Rogerio Lucas Zandamela** Governor, Banco de Moçambique
12:00 – 12:10	**Discussant**	**Mr. Moses Pelaelo** Governor, Bank of Botswana	
12.10 –12:30	**Floor Discussion**	**All**	
12:30 –12:40	**Vote of Thanks**	**Dr. Denny H. Kalyalya,** Governor, Bank of Zambia	**Mr. Patrick Mutimba,** MEFMI Director, Financial Sector Management Programme
13:00	**Lunch**	**All**	**Ms. Zinhle Mkhari** Public Relations Manager, MEFMI

Rapporteur – MEFMI Programme Manager – Ms Josephine Tito
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