REMARKS BY LAMIA MERZOUKI

11 July 2021

Let me start by congratulating the G20 Italian Presidency for its continued support and leadership. as they have been involved in the FC4S since its inception in 2017, initially in the framework of the G7 presidency, and continuously committed to the development of the network, including to the progress of Africa's regional platform. Under its Italian presidency, the G20 has recognized that mobilizing sustainable finance is essential not only for global growth and stability but also to transitions towards greener, more resilient and inclusive economies.

FC4S is a partnership between the world's financial centres, comprised of 36 financial centres across Europe, Asia, Africa, and the Americas. Today our network represents over 80 % of Global equity markets. It was launched on African grounds, with the signing of the Casablanca Declaration. Our objective is to enable financial centres to exchange experience, drive convergence, and take action on shared priorities to accelerate the expansion of sustainable finance, in other words to enhance the role of financial centres in funding sustainable economic growth and development.

FC4S has supported some financial centres in their sustainable finance roadmap development process, and helped them put in place this roadmap from scratch. In this regard, three years ago it has put in place a tool to develop a Baseline Assessment which allowed for an understanding of the financial industry ecosystem structure, including both the private and the public sectors. This has helped financial centres to track their progress to support the expansion of sustainable finance markets, and it has proven to be a relevant exercise to understand the frameworks and standards which are being used by private sector actors to measure, track and integrate sustainability factors. Also, it has facilitated the identification of potential pathways to advance sustainable finance and design strategies based on a Benchmarking exercise with international best practices. This exercise has been developed both for Ireland (with nearly 100 public and private sector actors are involved), and is shortly going to be developed in Malaysia.

The first regional platform that was launched, within the FC4S, was Africa. The process was not that easy because by and large, Africa is at an early stage of the sustainable finance transition. Notwithstanding, FC4S made a special effort to agree a special work program for the African continent since it has the greatest potential to make massive leapfrogs in sustainable development. Today, the African chapter encompasses 6 countries: Casablanca, Cairo, Nairobi, Kigali, Abidjan and Lagos. I must say it was a great learning experience with several partnerships that have been put in place. This FC4S African chapter is a unique platform because it is really accelerating the emergence of new financial centers bodies. It has been a catalyst for new financial center bodies (Abidjan, Cairo, Lagos...etc.) that adopted sustainability as a strategic priority in their DNA from the start.

It is essential to have certain considerations when developing and implementing sustainability standards. On the one hand, it is necessary to be aligned with international standards, since global principles have already been agreed upon within different forums and organizations. On the other, considering that efficient guidelines should give rise to transactions and promote a market, local specificities regarding sustainability and economic issues should be considered. There is a clear trade-off between credibility and flexibility, and the challenge to develop efficient standards and frameworks is that of balancing them. I believe it is important to identify and prepare for the possible unintended consequences of the convergence of the taxonomies. I am referring to the indirect impact this could have in particular on developing and emerging markets which are usually the most affected by climate change and represent the weakest link in green finance. In fact, what could seem like an easy rule/framework to implement in a mature economy, could end up jeopardising the development of a less mature one, deepening the gap between rich and poor countries. Going forward, we could consider regional specificities, for example by:

- Anticipating the impacts of this convergence, and therefore putting the emphasis not on uniform definitions or thresholds, but rather on aligned processes and acceptable methodologies to define sustainable activities in each jurisdiction. This can be done by means of the well-established international practice of technical equivalence and mutual recognition;

- In parallel, we need to support and assist those countries with building human and institutional capacity. It is important to engage countries with weaker institutional capacity and less developed financial sectors, which makes implementing sustainable finance frameworks and definitions more challenging. Coordination efforts are already being developed by many international organizations, including by many involved today.