

Phil Mnisi: Green Indaba Conference

Speech by Mr Phil Mnisi, Governor of the Central Bank of Eswatini, at the Green Indaba Conference, Durban, 28 August 2024.

* * *

- Programme Director
- His Excellency The Right Honourable Prime Minister
- The Minister of Tourism and Environmental Affairs
- The Acting Minister of Finance
- Ministers present heretoday
- Hhohho Regional Administrator
- The UN Resident Coordinator
- Representatives of UN Agencies; UNDP, FAO, WFP, UNICEF
- Members of the Diplomatic Corps
- Board members of FSRA and CBE
- CEO of FSRA
- Captains of industry
- Government Ministries Representatives
- Our Partners
- Representatives of the media
- Distinguished Guests
- Ladies and Gentlemen present here and those who have joined us virtually. All protocol observed. Good Morning!

It is with great pleasure and a deep sense of responsibility that I stand before you today at this esteemed 2024 Green Indaba, where we gather to discuss, deliberate, and forge a path towards a greener, more sustainable future for Eswatini and beyond. My presentation would be on the topic; "Promoting Climate and Sustainable Financing Mechanisms Across The Financial Sector in Eswatini".

Ladies and gentlemen, our nation, Eswatini, nestled in the heart of Southern Africa, faces unique challenges brought about by climate change. We are witnessing the effects of global warming first hand through rising temperatures, erratic rainfall patterns, and an increase in extreme weather events. These changes are not just environmental concerns; they carry profound implications for our economy, our communities, and indeed, our financial sector.

According to the 2024 World Economic Forum Global Risks Report, the top ten risks facing the global economy over the next 2 years includes natural disasters, extreme weather patterns, and the failure of climate change adaptation. The implication is that the transition towards a carbon-neutral economy is more important now than ever. Mobilizing funding to facilitate the transition remains one of the key pillars of the 2015 Paris Agreement and the financial sector, in addition to public resources, is expected to play its role in this regard.

In response to these pressing challenges, Eswatini has made a solemn commitment to the global community through our Nationally Determined Contributions (NDCs). These contributions outline our dedication to reducing greenhouse gas emissions and

adapting to the inevitable impacts of climate change. According to the UNDP, Eswatini needs around USD 1.3 billion in resources to fund its climate transition agenda. In order to turn these NDCs commitments to tangible and impactful actions, we must empower our key financial sector institutions, with the Central Bank of Eswatini at the forefront.

Concerted effort towards climate change mitigation and adaptation is therefore required from all stakeholders, including the financial sector, which the Central Bank regulates. In our increasingly interconnected world, the idea of partnership goes beyond traditional limits.

Operating independently and relying solely on traditional financial resources is not enough. To succeed, collaboration and diverse funding sources are essential.

We must instead adopt innovative financing instruments that not only supply capital but also promote collaboration among a diverse array of stakeholders; including governments, private sector entities, NGOs, and communities.

Various innovative climate finance instruments can be employed to bolster climate resilience and facilitate a just energy transition. New funding sources should also be developed to complement existing tools. These instruments include green bonds, sustainability bonds, and sustainability-linked loans.

Options such as debt-for-climate swaps and climate-linked debt can also be considered. Despite its potential, private sector climate finance continues to lag public financing in Africa and more work is needed in this area.

The financial sector in Eswatini can be the main driver of galvanizing financing for green and related projects. The Central Bank, as regulator, needs to develop an appropriate regulatory and supervisory framework, while banks will need to integrate environmental and climate change risks in their strategies and risk management systems.

Policymakers like central banks should prioritize a better understanding and measuring of climate-related risks. This includes implementing methodologies for quantifying and reporting such risks, promoting their transparent disclosure by financial institutions, and strengthening frameworks for their forecasting and analysis.

Central banks and other regulators can provide guidance on integrating green finance into investment decisions and enforcing green investment disclosure standards. They can work towards promoting the deepening of domestic capital markets, improve regulatory frameworks and address barriers to accelerating green finance.

While there is no one-size-fits-all approach to promoting inclusive green financing policies, some common themes have emerged. In some cases, existing policy tools and techniques for promoting the financial inclusion of low-income populations and small and medium sized enterprises can be refined and repurposed with a green focus as well.

The following points outline some common areas that can be addressed to create a more conducive ecosystem for the development of green finance:

- i) Setting up climate strategies and support for sustainable finance frameworks;
- ii) Developing a climate sustainability classification system and promote enhanced disclosures. This includes a Green Taxonomy that clearly defines eligibility and classification of activities, assets, and/or project categories that deliver on key climate, green, social, or sustainable objectives;
- iii) Translating climate strategies into a pipeline of green bankable projects, with enhanced cooperation between public and private sectors as well as international financial institutions and multilateral development banks;and
- iv) Development of new tools and markets; for example, leveraging the international carbon market and the development of domestic carbon pricing frameworks (including carbon markets). We see this as a good opportunity for Eswatini to explore given the recent signing of cooperation agreements in this area with the country's key development partner (Taiwan). We urge all stakeholders involved to speed up the regulatory framework that will govern the carbon markets initiative and ensure this opportunity is fully exploited.

I am delighted to announce that the Central Bank of Eswatini, in partnership with the United Nations Development Programme, has embarked on a significant initiative - the Central Bank of Eswatini Greening Project (CBEGP). This project is a testament to our broader commitment to global climate action and the transition to a sustainable economy.

The CBEGP is not just a project; it is a transformative journey with five principal objectives:

- i) **Developing a Green Taxonomy:** This tool will create a clear definition of "greening" for Eswatini, preventing greenwashing and guiding green growth-related activities, policies, and strategies;
- ii) **Strengthening the Central Bank's Capacity:** We aim to build the capacity of the Central Bank to lead and implement green finance initiatives effectively, ensuring that our financial sector is aligned with sustainable development goals;
- iii) **Conducting a Diagnostic Study:** This study will assess the climate change risks and opportunities facing Eswatini, review the Bank's current greening status, identify capacity gaps, and determine strategic entry points for greening the Bank and the financial sector;
- iv) **Addressing Knowledge Gaps:** The project will identify and address gaps in knowledge and skills related to green finance within the Central Bank and among other stakeholders, ensuring effective participation in green finance initiatives; and
- v) **Creating a Greening Roadmap:** The project will result in a detailed roadmap for the Central Bank and the broader financial sector. This roadmap will provide specific recommendations, goals, and timelines for reducing environmental footprints and offer clear guidelines for financial institutions.

The CBEGP represents a critical step forward in aligning our financial systems with the nation's NDCs and broader climate resilience initiatives. As we move forward, the Central Bank will proactively manage climate-related risks to our financial system and channel funds towards sustainable investments to drive our nation's green transition.

In conclusion, the Central Bank of Eswatini Greening Project is more than a response to climate change - it is a commitment to our future. A future where our financial systems are resilient, our economy is sustainable, and our nation thrives in harmony with our environment.

I invite all stakeholders, partners, and citizens to join us on this transformative journey. Together, we can build a greener, more prosperous Eswatini for generations to come.

I Thank You ALL Ladies and Gentlemen!!!