Development and Application of a Methodology on Climate Finance as Part of Morocco’s Transparency Framework

Scoping Report for Morocco

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Initiative for Climate Action Transparency - ICAT

SCOPING REPORT FOR MOROCCO

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1. INTRODUCTION

The Initiative for Climate Action Transparency (ICAT) has initiated the development of a climate finance transparency guide in order to facilitate the integration of climate finance data into the transparency framework at the national level. Four ICAT partner countries have been selected for the application of the methodology on climate finance within the country’s transparency framework.

In this context, this document contains the scoping report for Morocco. It addresses the state of climate policy, climate finance experience, and related country-specific challenges and needs, as well as any previous assessment or data available through international sources. Furthermore, it maps key country actors, including policy makers, entities in charge of finance and planning, relevant research institutions, private sector associations and key monitoring, reporting, and verification (MRV) personnel in relevant ministries. Any other international support programmes and activities running or planned in the country are also mapped and potential overlaps and areas of collaboration with ICAT activities are identified.

The scoping report is based on the information reported in Morocco’s updated first nationally determined contribution (NDC), third biennial update report (BUR3), and fourth national communication (NC4). When different sources are used, these are referenced in the text.

2. COUNTRY CONTEXT

The Kingdom of Morocco, situated in the extreme northwest of the African continent, boasts a strategic geographical location between the Atlantic and the Mediterranean. It spans latitudes 21°N to 36°N and longitudes 1°W to 17°W, with the Strait of Gibraltar separating it from the European continent, making it only 14 km away from Spain. With a vast latitude extension, Morocco enjoys a significant Atlantic Ocean coastline of 2,934 km and an additional 512 km on the Mediterranean Sea to the North, providing it with a prime strategic position.

Covering an area of 710,850 km², Morocco shares land borders with Algeria to the East and South-East and with Mauritania to the South-West. The country experiences a climatic transition zone,contending with competition between temperate low-pressure systems and the Azores subtropical anticyclone, resulting in varied meteorological events. Morocco encompasses two primary climatic zones:
• Northern Regions (North of the High Atlas): Influenced by a Mediterranean and Atlantic climate, these regions display climatic nuances between coastal areas, the interior, and the Atlas Mountains. A temperate and humid period prevails from the beginning of October to the end of April, with a peak during December to February. The dry season lasts from May to the end of September.

• Southern Regions (South of the High Atlas): Subject to a semi-arid to arid climate, these areas experience predominantly tropical and erratic precipitation.

The country exhibits significant interannual variability in precipitation, especially in the northern regions. Annual average rainfall ranges from less than 100 mm in the south to 1200 mm in the north, with two seasonal peaks in winter and spring.

Climate change is one of the most serious threats to the sustainable economic and social development and poverty reduction agenda in Morocco. The country faces challenges related to water resources, marked by scarcity, spatial irregularity, and temporal fluctuations, all exacerbated by the impacts of climate change. Increasing pressure on water resources stems from demographic growth, the expansion of irrigated agriculture, and development in urban, industrial, and tourism sectors. The impact of climate change, coupled with an ongoing imbalance between water supplies and demands, poses a growing threat to Morocco’s water resources. By 2030, a significant deficit is anticipated, reaching approximately 2.3 billion m$^3$. This projection is based on a forecasted demand of around 14.8 billion m$^3$, surpassing the available resources, which are estimated to be nearly 12.5 billion m$^3$. The alteration in precipitation distribution aligns with a warming trend evident at both seasonal and annual scales. This phenomenon is accompanied by the intensification of extreme weather events, including heat waves, powerful storms, and violent winds. Besides, the advantage that Morocco derives from its privileged position and its coastline can become a handicap due to the risks of rising sea levels.

Morocco’s net greenhouse gas (GHG) emissions in 2018 amounted to 90,944.5 Gg CO$_2$e, or 2.58 metric tonnes CO$_2$e per inhabitant. This represents a 25% increase from 2010 emission levels of 72,979.0 Gg CO$_2$e, equivalent to 2.27 tonnes Gg CO$_2$e per inhabitant. Despite these growing emission trends, Morocco’s contribution to the global increase in GHG concentrations remains relatively low.

The energy sector dominates the national emissions profile, contributing to approximately 89.8% of net carbon dioxide (CO$_2$) emissions and 67.3% of overall net GHG emissions in the country in 2018. Following closely is the agriculture sector, contributing to 22.8% of net 2018 GHG emissions,

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$^1$ These emissions account for the net anthropogenic balance, considering both gross GHG and CO$_2$ removals by natural ecosystems.
with a particularly significant impact on national nitrous oxide (N\textsubscript{2}O) and methane (CH\textsubscript{4}) emissions. The industrial processes and product use (IPPU) and the waste sectors play a relatively minor contribution to national net GHG emissions, at 6.2% and 5.6% of 2018 net emissions, respectively. On the other hand, removals from the land use and land use changes (LULUCF) sector account for 1.9% of overall net emissions in 2018.

Morocco’s per capita gross domestic product (GDP) as of 2022 is approximately US$3,442\textsuperscript{2} and its Human Development Index (HDI) as of 2022 is 0.683\textsuperscript{3}, ranking the country 123 out of 191 countries and territories. The two main sectors contributing to the economy in Morocco are industry and agriculture, whereby the export of goods and services surpass a third of the national economy thanks to free trade agreements with the United States, Turkey, Tunisia, Egypt, and Jordan, in addition to a growth in market share throughout the African continent. Tourism has also recently become an important source of economic growth in the country. These economic sectors are particularly.

Over the past decade Morocco has posted very respectable economic growth rates, which has contributed to the elimination of extreme poverty and a significant reduction in overall poverty rates. However, this growth is marked by high volatility, due in particular to its productive sectors’ high vulnerability to exogenous shocks such as market demand fluctuations, dependence on external energy sources, natural resource strains exacerbated by climate change, and uncertain climate conditions inducing sharp contractions in agricultural production since 2016.

In 2022, Morocco faced a series of additional interconnected challenges, primarily driven by a severe drought that accounted for nearly half of the economic slowdown that year. This difficult period coincided with a global economic slowdown and rising international commodity prices, triggered by Russia’s invasion of Ukraine. As a result, the real GDP growth declined from 8% in 2021 to 1.3% in 2022. However, as the impacts of these shocks diminish, Morocco is experiencing a rebound in 2023, supported by the partial recovery of agricultural production, the rebound of the tourism sector, and the positive contribution of net exports.

### 3. Climate Change Policy Framework

Morocco is committed to transitioning to low carbon development while strengthening its resilience to the effects of climate change and has mainstreamed climate change considerations

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\textsuperscript{2} The World Bank – GDP per capita (current USD). Available at: \url{https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?name_desc=false}

\textsuperscript{3} Human Development Index Database. Available at: \url{https://hdr.undp.org/data-center/human-development-index#/indicies/HDI}
into its national policy framework. The key cross-cutting national climate change strategic documents and policies are summarized below.

- **Updated First NDC (2021):** The updated first NDC of Morocco enshrines the country’s climate change goals for the period of 2021 to 2030 as part of its commitment under the Paris Agreement, including conditional and unconditional targets for mitigation and adaptation. It summarises the plans for implementing the actions set out, including activities to finance and monitor progress, and links each action with the Sustainable Development Goals (SDGs) thereby increasing synergies. The updated first NDC sets ambitious mitigation targets, aiming for an unconditional reduction of 18.3% and an additional conditional reduction of 27.2% in emissions by 2030 compared to the business-as-usual scenario. Adaptation remains a priority under Morocco’s updated first NDC, seeking to diminish vulnerability and increase resilience across water resources, agriculture, fishing and aquaculture, forestry, health, and priority ecosystems (oasis, coastlines, and mountains).

- **Investment and Financing Plan for the NDC (2018):** This project portfolio for NDC implementation highlights various investment opportunities offered by Morocco to mobilize private financing. The country developed this plan after the submission of the Intended Nationally Determined Contribution (INDC) to the United Nations Framework Convention on Climate Change (UNFCCC) secretariat on June 2015, previous to the elaboration of the first NDC, and outlines the Morocco’s financial commitment to address climate change up to the year 2030.

- **Long-Term Low-Carbon Strategy 2050 for Morocco (2021):** Long-term low emission development strategies (LT-LDS or LTS) present an important opportunity for countries to place the NDCs into the context of countries’ long-term planning and development priorities, providing a vision and direction for future development. Through its LTS, Morocco is committing to an 80% renewable energy share by 2050 and exploring net-zero emissions scenarios targeting carbon neutrality by the end of the century. The LTS is structured around seven key strategies, including 1) scaling renewable energy; 2) expanding electrification and exploring green hydrogen; 3) boosting energy and resource efficiency; 4) advancing a circular economy; 5) enhancing sustainable agriculture and forestry as carbon sinks; 6) developing multimodal transport and infrastructure; and 7) promoting digital, low-carbon urban development.

- **National Sustainable Development Strategy (NSDS) (2017):** The NSDS serves as a coherent and strategic framework, fostering synergy among programs, plans, and sectoral policies in pursuit of sustainability and inclusive participation. It prioritizes the respect for Morocco’s territories, natural and cultural heritage, the aspirations of its youth, and the rights of future generations. The NSDS is also a concrete response to Morocco’s
international commitments and a means to gain recognition from donors and the international community.

- **Climate Public Expenditure and Institutional Review (CPEIR):** The CPEIR aims at supporting the Government of Morocco in improving its climate governance as well as its climate public expenditure efficiency. It includes the development of a Medium-Term Climate Spending Framework (MTEF) for Morocco, that serves as a guiding document for systematically integrating climate-related expenditures into the country’s budgetary planning, emphasizing the commitment to sustainable and climate-resilient development.

- **National Climate Plan (PCN) for 2030 (2019):** The PCN serves as a comprehensive framework, bringing together strategies for the medium- and long-term development of climate policy. This policy encompasses actions focused on adaptation, specifically addressing resources such as water, agriculture, and fisheries. Simultaneously, it emphasizes mitigation efforts targeting greenhouse gas emissions, with a particular focus on key sectors such as energy, agriculture, transport, waste management, forests, industry, and housing. By integrating territorial objectives, the plan aims to tailor climate initiatives to the unique needs and contexts of different regions, reinforcing a holistic and locally relevant approach to climate policy. The plan operates through the following five pillars: 1) ensuring a reinforced climate governance; 2) reinforcing climate resilience; 3) accelerating a low-carbon economic transition; 4) involving regions into the climate dynamic; and 5) strengthening, human, technological, and financial capacities for climate action.

- **Territorial Plan to Combat Global Warming (PTRC) in the Souss Massa Region (2019):** is the first regional climate plan in Morocco that operationalizes the National Sustainable Development Strategy (NSDS) at the regional level. The PTRC constitutes an instrument for planning climate change mitigation and implementing environmental governance and ties directly into the climate change efforts as formulated by the NDC.

- **Climate Finance Strategy (2019):** This instrument identifies climate financing needs in Morocco for implementing the PTRC. Moreover, it assesses climate finance trends and develops a framework for enhancing the country's capacity to access climate finance. The core objectives are providing an integrated approach for resource access, the improvement of national capacities for priority actions and to maximise synergies with other development plans. The strategy also identifies prevalent challenges and barriers, relating to the national economic situations, capacity gaps, tracking and private sector engagement.

- **National Strategic Adaptation Plan (NSAP) (2022):** The principal aim is to facilitate the implementation of essential measures to adapt Morocco’s territories to climate change for the period 2020-2030. This objective is aligned with the long-term aspirations of the Paris Agreement and the Nationally Determined Contributions (NDC), fostering adaptation with
concurrent advantages in terms of mitigation and sustainable development. The foundation of the PNSA lies in the National Sustainable Development Strategy, drawing insights from a suite of recently formulated strategies and programs, including the National Program for Drinking Water Supply and Irrigation 2020-2027, the agricultural strategy “Generation Green 2020-2030,” and the "Forests of Morocco 2020-2030" strategy.

- **Green Morocco Plan (2008):** Centred on enhancing the income of rural farms and addressing precarity in rural Morocco, solidarity agriculture stands as a strategic pillar within the Green Morocco Plan. This approach has empowered small-scale farmers to access financing and subsidies, while also receiving more informed agricultural guidance and advice.

4. **CLIMATE FINANCE PROCEDURES AND MECHANISMS**

Key to climate change mitigation and adaptation is an appropriate financing framework. To that end, Morocco has been conducting several activities related to the identification and assessment of climate finance needs, and tracking climate finance.

4.1. **Climate Finance Landscape**

4.1.1. Identifying and Assessing Climate Finance Needs

As previously mentioned, key to the implementation of climate change policies and strategies is the access to sufficient financial resources. An important element in the process of obtaining financial resources for the implementation of climate change mitigation and adaptation activities is for countries to identify the climate finance needs.

Morocco's updated first NDC demonstrates a strengthened commitment to mitigating climate change through 34 unconditional at 27 conditional measures. The total estimated cost for NDC mitigation measures is US$38.8 billion, with US$21.5 billion allocated to conditional measures. The cost to implement adaptation measures in across the ensemble of NDC priority sectors is estimated to be nearly US$40 billion. The country has established an online MRV platform dedicated to monitoring NDC implementation, demonstrating its commitment to transparency under the enhanced transparency framework (ETF) of the Paris Agreement. Sectoral focal points have been formed to monitor the implementation of their respective actions.

NDC implementation demands considerable investments that surpass the capacity of any singular actor, emphasizing the need for intensified collaboration between the Moroccan government, the private sector, and international financial institutions and development banks. This collaborative
effort extends to fortifying existing and leveraging new climate financial mechanisms. To meet the diverse financial needs associated with this endeavour, a comprehensive and multi-faceted approach is recommended, engaging with regional and sectoral authorities, forming strategic partnerships with national and local banks, creating dedicated local/regional climate funds, exploring opportunities for international financing through established funds, and mobilizing private sector investments.

The methodology followed by Morocco to estimate the climate finance needs to reach each NDC target is well developed for the mitigation component, as it captures not only the key mitigation measures, but also the cost estimates and funding gaps of the individual activities and projects under each. The focus of the costing exercise is therefore not only to determine the total cost of achieving the relevant targets, but specifically to estimate the financing gap that remains after these activities have been considered. Given the significant differences between targets and sectors, there isn’t a singular standardized methodology applied universally for the costing exercise.

This approach aligns with the updating cycles of the NDC, wherein the assessment of resource needs for NDC implementation undergoes repetition and can draw on stakeholder consultations conducted during the NDC updating process. This iterative process is consistent with broader national strategies that involve evaluating the financial requirements for priority climate actions in Morocco.

The Climate Fund Update (CFU) database\(^4\), housing over 1800 projects, reveals that over US$1.2 billion has been allocated to Morocco between 2003 and February 2018 by various multilateral and bilateral international public funds dedicated to climate-related projects. This funding has been distributed across 28 projects. The majority of this financial support originates from public funds specifically dedicated to combating climate change. Notably, significant concessional loans have been granted through the Clean Technology Fund (CTF) as part of the broader Climate Investment Funds. Additionally, smaller grants have been provided by the Global Environment Facility (GEF), the Adaptation Fund (AF), the Green Climate Fund (GCF), and the Program for the Adaptation of Smallholder Agriculture (ASAP). Until February 2018, a mere 7.5% of the climate-related funding directed towards Morocco has been allocated to adaptation measures. This indicates a predominant focus on mitigation initiatives rather than adaptation strategies within the climate financing landscape for Morocco, despite the priority expressed on adaptation by key national policy documents.

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4.1.2. Scoping Climate Finance Sources

Following the identification of the climate finance needs, it is essential to obtain clarity on potential climate finance sources. An overview of climate finance sources for Morocco is presented below, including both international and domestic sources.

**International sources**

Climate finance in Morocco is heavily dependent on external financing. Securing international support is one of Morocco's ambitions as an integral part of climate finance whether for climate change mitigation or adaptation. Through NC4, Morocco communicates the following set of enabling conditions to be met by the country for securing climate finance:

- Establish a clear articulation of climate change between State actors to enhance their operation and access to financing.
- Stimulate research and development in the private sector.
- Improving mechanisms for pooling resources at domestic and international level.
- Strengthen efforts to attract funding from international donors.
- Mobilise funding to priority sectors historically receiving limited external support.

The primary international sources of financing for addressing climate change actions and projects are the Global Environment Facility (GEF), the Adaptation Fund (AF), and the Green Climate Fund (GCF). A crucial step in preparing projects for these funds involves early consultation with their representatives at the national level, including the National Designated Authority of GCF, the Designated Authority of AF, and the GEF Focal Point. Initiating discussions at this stage, even with a preliminary project identification note or concept note, facilitates project preparation with guidance from competent national authorities and ensures strategic positioning within the relevant project pipeline.

Moreover, the selection of accredited entities or implementing agencies is of paramount importance, demanding a strategic approach. The System of Transparent Allocation of Resources (STAR) serves as a performance-based framework for the allocation of resources from the GEF Trust Fund to countries over a replenishment period. STAR is meticulously designed to allocate resources transparently and consistently, considering global environmental priorities and the specific capacity, policies, and practices of individual countries crucial for the successful implementation of GEF projects and programs. The overarching objective is to ensure the efficient and effective distribution of resources to address environmental challenges on a global scale.
Among the various international public financing opportunities available to project and program promoters focusing on climate action in Morocco, several entities play a crucial role. These include the International Climate Initiative (ICI) and cooperation agencies such as, GIZ, the Global Green Growth Institute (GGGI), the Korea International Cooperation Agency (KOICA), the Global Fund for the Development of Cities (FMDV), and the Platform for Sustainable Mobility (PMD).

In the realm of development multilateral banks, several institutions contribute to climate finance, including the World Bank, the European Bank for Reconstruction and Development (EBRD), the African Development Bank (AfDB), the Japan International Cooperation Agency (JICA), KfW (Kreditanstalt für Wiederaufbau), the French Development Agency (AFD), the European Investment Bank, and the Islamic Development Bank.

Additionally, United Nations agencies serve as another significant public source of climate finance. Examples include the Food and Agriculture Organization (FAO), the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP) and the International Fund for Agricultural Development (IFAD). This diverse range of international partners and institutions collectively supports and funds climate initiatives in Morocco, reflecting a concerted effort to address environmental challenges and promote sustainable development.

The International Fund for Agricultural Development (IFAD) primarily concentrates on supporting disadvantaged rural populations by providing funding for agricultural and rural development projects aimed at improving the living conditions of rural communities. IFAD initiatives contribute to enhance the resilience of rural communities to the impacts of climate change, emphasizing sustainable agricultural practices, natural resource management, and other relevant measures.

A capacity-building measure could align with the types of support that UNDP and/or GIZ could provide. During the year 2018, the overall GIZ/CF-Ready program, within the framework of ProGEC-GIZ, engaged several international and national experts and trainers to support the members of the regional “climate” committee. The capacity-building actions focused on initiating resource mobilization, understanding donors, relevant regional opportunities, and assisting in the development of logical frameworks for six key programs from the overall PTRC portfolio.

Various private funds play a significant role in financing climate action projects. Some notable examples include impact funds, the Althelia Climate Fund, Land Degradation Neutrality (LDN) Fund, the Moringa Fund, the Terra Bella Fund and Crowdfunding initiatives. These private financing mechanisms contribute to the advancement of climate initiatives by providing crucial capital for sustainable projects. Additionally, innovative approaches such as crowdfunding harness the collective support of individuals, including tourists, in contributing to climate action projects within specific regions like Souss-Massa (SM). Overall, the combination of public and
private funds and innovative financing models is essential for driving climate resilience and sustainability.

**Domestic sources**

The national financing sources in Morocco address climate change at various administrative levels. By incorporating regional and local budgets, establishing specialized funds, and leveraging taxation and financial institutions, Morocco aims to mobilize resources for effective climate action within its borders.

At the national level, Morocco has implemented diverse public financing opportunities. The allocation of funds within regional or provincial budgets specifically dedicated to climate-related initiatives ensures that climate projects receive targeted financial support. Regional or local funds designated for climate-related projects and activities, such as the Climate Trust Funds, have been established in the country. Moreover, the Ecosystem Services Payments (PSE) consists of mechanisms where payments are made for the services provided by ecosystems, promoting sustainable environmental practices. The implementation of Green/Climate Taxation represents a forward-thinking strategy, by incorporating green or climate taxes to generate revenue for climate-related projects and incentivize environmentally friendly practices. Additionally, by forging partnerships with national development banks, like CDG Capital (Deposit and Management Fund), Morocco enhances its capacity to undertake ambitious projects with significant financing needs.

In parallel, there are also several private financing opportunities, including local banks, such as Morocco Agriculture Credit (CAM), and participatory financing or crowdfunding. These two financing approaches can be complementary. For example, local banks can provide funding on a larger scale, while crowdfunding can help mobilize funds from a broader base of contributors. This can be particularly useful for local projects that benefit from strong community support.

Morocco Agricultural Credit (CAM) and the Agricultural Development Agency (ADA) play vital roles in financing agricultural businesses and small farmers. Additionally, the national agency ADA have shown interest in supporting projects that contribute to a resilient rural development. In order to develop a megaproject with significant financing needs, which could possibly be provided by development banks, national entities like CDG Capital. Other entities, such as the Rural Tourism Development Network (RDTR), the Regional Implementing Entities (RIE) for the Environmental Fund, and the Local Development Company (SDL) can also be valuable partners.
It is crucial to maintain an ongoing dialogue between the stakeholders and the Technical and Financial Partners (TFPs) to define and formalize the envisaged relevant partnerships to facilitate the mobilization of resources for climate-related initiatives in the country, ensuring a collaborative and coordinated approach to climate finance in Morocco. It promotes inclusivity, transparency, and accountability, reinforcing the commitment of all parties involved to work together towards a sustainable and climate-resilient future.

The Climate Change Competence Centre of Morocco (4C Morocco) functions as a platform to enhance the skills of relevant stakeholders across diverse sectors, including public, economic, research and education, civil society, and local authorities. It serves as a hub for the development and dissemination of expertise in the field of climate change (CC) and is open to engagement within both its national and African context. 4C Morocco offers customized training sessions on Climate Finance upon request. In 2018, the centre organized several workshops dedicated to climate finance. These included capacity-building sessions for regional stakeholders on accessing Climate Finance in cities such as Casablanca, Beni Mellal, and Marrakech. Additionally, 4C Morocco conducted a workshop on South-South Cooperation, fostering the exchange of experiences among French-speaking African countries on climate finance, held in Bamako.

4.1.3. Tracking Climate finance

The ETF established under Article 13 of the Paris Agreement seeks to build mutual trust among nations, enhance climate ambition, and rigorously monitor progress towards attaining Paris Agreement goals under the principle of common but differentiated responsibilities. Among other things, ETF reporting requirements aim to provide clarity on the support needed and received by developing country Parties for climate change mitigation and adaptation in the realms of financing, technology transfer, and capacity building. The overarching objective is to ensure transparency, accountability, and confidence in the collective efforts to combat climate change.

Both to meet ETF reporting requirements and to enhance planning processes for NDC implementation, it is fundamental to track where climate finance is flowing, what areas are receiving insufficient climate finance, and understanding the amount of climate finance received. An analysis of the status of climate finance tracking efforts in Morocco, both in terms of domestic and international sources of finance is presented in this section.

**International sources**

As a signatory to international agreements and frameworks, including the UNFCCC for the implementation of the Paris Agreement ETF, Morocco is obligated to report on its climate finance contributions. To facilitate accurate monitoring of progress in implementing and achieving its
NDC), Morocco has recently developed an online transparency platform.\textsuperscript{5} This platform comprehensively addresses various aspects, enabling the effective data management in a multi-user environment, spanning across different sectors and levels, including national, regional, and local levels.

The platform operated under two principal modules enabling the comprehensive monitoring of the updated first NDC of Morocco:

- **GHG inventory**: includes the MRV framework for estimating national GHG emissions.
- **Mitigation action and support**: includes the MRV framework of mitigation actions linked to the MRV support needed and received for their implementation.

While the effectiveness of this platform has not yet been analysed and is under ongoing development, this platform will help the country in establishing a strengthened and more structured governance framework and also in preparing its first Biennial Transparency Report (BTR) to be submitted by December 2024.\textsuperscript{6}

**Domestic sources**

The Regional Monitoring Centres on Environment and Sustainable Development (ONEDD) oversee the management and dissemination of environmental data to partners and the public. The Ministry of Economy and Finance ensures the compatibility of the budgetary and fiscal process with the requirements of decarbonization, adaptation, and resilience, and defines a green taxonomy for investments and expenditures relating to mitigation, adaptation, and resilience.

The current public investment management framework in Morocco lacks a structured selection or prioritization process that considers the climate finance dimension. Both the 2016 Public Expenditure and Financial Accountability Assessment (PEFA) and the 2017 Public Investment Management Assessment (PIMA) identified significant gaps, including the absence of a legal or regulatory framework, standard criteria for project selection, a unified investment evaluation process, and a centralized database for investment projects.

Furthermore, effectively sharing best practices among a diverse network of stakeholders continues to present persistent challenges, and there is currently no established interregional framework explicitly designed for facilitating the exchange of best practices on tracking climate finance.

\textsuperscript{5} Available: [https://mrv.environnement.gov.ma/](https://mrv.environnement.gov.ma/)

\textsuperscript{6} Ministry of Energy Transition and Sustainable Development (2023). Facilitative Sharing of Views. UNFCCC. Available: [https://unfccc.int/sites/default/files/resource/Morocco_14th%20workshop%20of%20FSV.pdf](https://unfccc.int/sites/default/files/resource/Morocco_14th%20workshop%20of%20FSV.pdf)
That being said, the Secretariat of State in charge of Sustainable Development has initiated a comprehensive project to provide each region with a Regional Information System on Environment and Sustainable Development (SIREDD), within the Regional Climate Committee. In line with this, Morocco has initiated the development of a pilot subnational MRV system, within the context of the Territorial Plan to Combat Global Warming in the Souss-Massa Region (PTRC). This pilot subnational MRV system is designed to track GHG emissions and assess the effectiveness of climate action projects at the local level, but lacks the integration of climate finance components. The effectiveness of this tool has not yet been analysed.

4.2. Institutional Arrangements for Climate Finance

Morrocco is currently in the processes of establishing the institutional arrangements for operating its new transparency platform, involving all departments and institutions concerned by the implementation, monitoring, reporting, and verification of the updated first NDC of Morocco within the context of the ETF of the Paris Agreement. These institutional arrangements will specify, through a regulatory framework, the responsibilities and roles, interactions, procedures, to effectively operationalize the platform, including the three interlinked dimensions of GHG inventories, mitigation actions, and support needed and received. 7

Concerning the broader climate change and climate finance architecture in the country, the Designated National Authority (DNA) of Morocco is hosted by the Department of Climate Change, Biodiversity and Green Economy in the Ministry of Energy, Transition and Sustainable Development, whose key element is the National Commission of Climate Change and Biodiversity, established in 2020 and. The Secretariat of the DNA is delegated to its Division of Climate Change and Green Economy. However, it is important to highlight that no explicit institutional framework has yet been adopted or integrated within existing roles and responsibilities pertaining to climate finance budgeting, planning, monitoring, reporting, and verification.

At a sub-national level, Morocco established in 2007 the Souss-Massa Regional Climate Committee to address the climate action on within the region under the institutional framework illustrated in Figure 1. It is in fact an appropriate governance body whose mission is to ensure support and monitoring the implementation of the Territorial Plan to Combat Global Warming in the Souss-Massa Region (PTRC), the development of partnerships and incentives for climate action.

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To ensure effective climate change tracking in the region, the Regional Climate Committee relies on the System Regional Information for the Environment and Sustainable Development (SIREDD). Additionally, it will contribute to the development of the sub-national pilot MRV system. Thus, and relying on existing governance structures, the financing climate strategy proposes to establish a concerted vision for sustainable climate financing of key programs from the PTRC, and beyond for the PTRC as a whole. This vision identifies funding international and national opportunities and outlines mechanisms for establishing relevant technical and financial partnerships.

In the context of these institutional arrangements, collaboration extends to key regional entities such as the Regional Directorate of Agriculture (DRA), Regional Directorate of Environment (DRE), Regional Directorate of Water, Forests, and the Fight against Desertification (DREFLCD), Intercommunal Cooperation Establishment (ECI), and Regional Office for Agricultural Development (ORMVA).

This collaborative approach also involves engaging with Technical and Financial Partners (PTF) and streamlining processes through a Simplified Approval Process (SAP). The emphasis aims to foster a comprehensive and inclusive approach to climate finance that involves diverse stakeholders at regional and international levels.

On another note, the National Business Environment Committee (CNEA) is currently coordinating reforms aimed at enhancing institutional dialogue mechanisms between the public and private sectors. These reforms also focus on streamlining administrative procedures for businesses, establishing an organizational framework to facilitate and digitize measures benefiting business
practices, and strengthening the legal framework for business operations in accordance with international best practices. These advancements, achievements, and prospects position Morocco as a favourable environment for private investment and the implementation of Public-Private Partnership (PPP) projects. These endeavours aim to benefit both the population and the environment.

Moreover, an institutional framework has been established to support the development of renewable energies and the oversight of projects. This includes the institutionalization of renewable energy and energy efficiency management at the national level through the creation of dedicated agencies, such as the Moroccan Agency for Sustainable Energy (MASEN), the Energy Investment Company (SIE), the National Agency for Renewable Energies (ANRE), the Moroccan Agency for Energy Efficiency (AMEE), and the Research Institute for Solar Energy and New Energies (IRESEN), along with the establishment of a Fund to Support the development of the energy sector, with a total amount of US$ 1 billion.

4.3. Climate Finance Strategies

At a regional level, Morocco developed a Climate Finance Strategy in 2019 as a central instrument identifying climate financing needs for implementing the PTRC in the Souss-Massa region. In tandem with the Regional Climate Committee, the creation of a Regional Financing Platform has been proposed within the Climate Finance Strategy to create a collaborative network for climate finance in the Souss-Massa region under the umbrella of the PTRC.

This collaborative framework is centred on a digital platform (Figure 2) that would operate under the supervision of the Regional Climate Committee and incorporates a Regional Climate Finance Experts Pool and a Compact Coordination Team. The objective is to harness the collective expertise of regional experts, particularly involving Technical and Financial Partners (TFPs) such as development banks, GCF-accredited entities, and Adaptation Fund implementing entities. Furthermore, it includes the establishment of a Project Portfolio under the PTRC initiative, involving project owners, regional leaders, and sector representatives.

The frameworks of regional institutions such as the Regional Project Execution Agency (AREP), among other possibilities, could be exclusively dedicated to the Regional Financing Platform. Moreover, employing a lightweight legal form, such as a Memorandum of Understanding (MoU), could aptly formalize the engagement of various parties within the regional financing platform for climate action.
The current climate financing strategy revolves around five key orientations, as follows:

1. Consider the Territorial Plan for Combating Climate Change (PTRC) to address the entirety of the financing needs.
2. Advocate for an awareness of the significance of domestic funding for the sustainability of climate action financing.
3. Specify financing approaches for identified key projects/programs, particularly through international funding.
4. Enhance the capacities of regional stakeholders in climate financing to promote empowerment in funding.
5. Propose guidelines for establishing a regional financing platform for climate action.

Further climate finance strategies beyond the Souss-Massa region have not yet been fully developed or adopted.

On another note, progress is lacking regarding overarching national-level climate finance planning linked to the NDC.
An Investment and Financing Plan was developed in 2018 for the first NDC submission of Morocco. This plan highlights the significant contribution of low-carbon and resilient growth. It emphasizes the crucial need for coherent actions, advocating for a comprehensive and systemic approach. The critical role of water, essential for the Moroccan economy, extends its impact across various sectors such as agriculture, electricity production, waste management, forestry, and coastal zones. Likewise, energy efficiency emerges as a cross-sectoral concern, paralleling the multifaceted nature of forestry. In this plan, Morocco identifies four essential drivers for the transition to a green and low-carbon economy: the active involvement of the government, encouraging participation from the private sector, raising awareness among the public, and engaging civil society.

However, this investment and financing plan has not yet been revised in accordance with the update of the first NDC of Morocco in 2021. The updated first NDC of Morocco includes cost estimates for NDC implementation, categorized by conditional and unconditional sums, disaggregated per measure, per sector, and for national totals. Nevertheless, no updated investment finance strategy has yet been adopted for the implementation of the updated first NDC of Morocco, outlining the potential sources of domestic and international funding to satisfy the identified cost estimates for conditional and unconditional measures, respectively, nor the approach for promoting access to and mobilization of these resources, including associated institutional arrangements for this purpose.

5. SYNERGIES WITH INTERNATIONAL SUPPORT PROGRAMMES

National climate change policy and actions are well interlinked in Morocco, enabling synergies between the NDC and the climate finance plans and strategies. The national strategies and actions are further supported by wider international development and climate change support programmes.

The European Bank for Reconstruction and Development (EBRD), Bank Al-Maghrib and Professional Grouping of Banks in Morocco (GPBM) are joining forces to support climate and environmental risk management and to promote green finance in Morocco. This agreement constitutes a partnership to support implementation of the new central bank Directive on financial risk, and it demonstrates a commitment to incorporating sustainability into the core functions of the financial sector, contributing to broader efforts for climate resilience and responsible finance.

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The Clima-Med project\(^9\) has played an important role in formulating the “Coordination Strategy for Climate Action” (CAS) across eight partner countries in the Southern European Neighbourhood: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestine, and Tunisia. This CAS serves as both an analytical tool and a guiding framework for national authorities to effectively integrate commitments to the UNFCCC with public policies and projects related to climate change. Emphasizing both mitigation and adaptation efforts, the CAS aims to provide comprehensive support by offering insights into climate finance to international donors and aid organizations. It stands as a holistic strategy, aligning climate actions with international goals, mobilizing financial support, and enhancing transparency, coherence, and integrated approaches to climate initiatives within the region.

Furthermore, under the UNDP Climate Promise, Morocco has been receiving support in the update of its first NDC, including associated aspects related to climate finance, inclusion, and transparency.

ICAT has also been very active in Morocco, particularly responsible for the above-mentioned notable advancements in terms of climate finance planning and MRV for the Souss-Massa region.\(^10\)

The first ICAT project supported the development of a MRV framework in the Souss-Massa region, aligned with Morocco’s national strategy of regionalization and as a pilot for the expansion to other regions. The project involved the establishment of institutional and legal requirements for the MRV framework, development of data collection and quality assurance and quality control procedures, and piloting the MRV framework for the energy and agriculture sectors.

A second project is deepening the Souss-Massa MRV framework, focusing on updating the Territorial Climate Change Strategy according to Morocco’s updated NDC. Under this scope, ICAT supports the (i) definition of adaptation trends and cost-benefit analysis of adaptation measures in the water sector, (ii) GHG inventory, projections, and policy impact assessment of mitigation measures for the agriculture and energy sectors in terms of GHG and sustainable development impacts, (iii) operationalize the MRV framework to track the PTRC.

This current ICAT project seeks to support Morocco in developing a climate finance tracking framework, which will allow the country to meet the national and international climate finance related reporting requirements. This initiative marks a crucial step toward addressing these challenges and strengthening Morocco’s climate finance capabilities. It will be fundamental to

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integrate all work conducted under the project into the national transparency platform, particularly the module on mitigation action and support currently also under development.

6. CHALLENGES AND NEEDS TO CLIMATE FINANCE

While Morocco has a relatively strong strategic framework for climate change action as well as a comprehensive climate finance strategy for implementing the Territorial Plan to Combat Global Warming (PTCR), there are several challenges to an effective system for assessing the finance needs and accessing and tracking climate finance.

Many of the organizations capable of financing climate actions are difficult for the target populations of projects to access, and they pose bureaucratic barriers that can be challenging, even for institutional entities. The transparency effort, from its inception, has been focused on the transparency framework for reporting on measures to fulfil NDC commitments. As for the transparency framework for support, particularly in terms of financial assistance, its guidelines still require substantial strengthening.

The evaluation of the transparency of climate funds allocated to Morocco from the Green Climate Fund (GCF), the Adaptation Fund (AF), and the Global Environment Facility (GEF) indicates that accessing information at the level of national entities, focal points, and designated national authorities for the various climate funds is challenging. The comparative analysis of funded projects underscores that, because there is no national institution centralizing the submission process to the three funding agencies (information, requirements, documentation, project funding summaries, etc.), the available information is dispersed.

It is observed that information is available and accessible directly through dedicated fund websites. Documents related to accreditation and submissions are also downloadable online. However, a majority of the information is presented in English, potentially serving as a language barrier for non-English-speaking countries.

Moreover, each fund has its own methodology and guidelines for accreditation, submission, and monitoring & evaluation, leading to a need for harmonization of processes and guidelines across funds to streamline the submission process and enhance efficiency.

A substantial challenge identified is the restrictive nature of co-financing requirements, placing a burden on numerous applicants seeking climate financing. To address this challenge, it is strongly recommended to explore opportunities for involving non-state actors, particularly the private sector, in meeting co-financing requirements. This strategic approach aims to alleviate the financial burden on applicants and diversify funding sources.
Through NC4, Morocco identifies the following priority needs to address as essential steps to enhance the effectiveness and accessibility of climate financing mechanisms:

- A persistent deficit in terms of raising awareness and mobilising the various stakeholders on climate finance.
- Enhanced understanding and assimilation of climate change metrics and financing and governance.
- Increased expertise on setting up project eligible for climate finance, as well as identifying plausible climate finance sources.
- Increased expertise on international negotiation processes.
- Greater performance and skills to secure international funding.
- Greater performance in compliance with international climate finance reporting commitments.
- Overcoming the language barrier.
- Promoting harmonization among different funds.
- Addressing co-financing constraints.
- Actively engaging non-state actors.