The effects of climate change are becoming more evident in Morocco: different regions are increasingly affected by changing rainfall patterns and drought, increasing average temperatures and heat waves, floods and sea level rise (as predicted by the IPCC, 2014 report). The areas that are the most vulnerable to climate change are the agriculture, fisheries, water resources, built infrastructure, human settlements and human health sectors. (AFDB, 2019)

One of the major climate risks for Morocco is the impact on declining water resources in a context of increasing water demand due to population growth, expanded irrigation schemes and the aforementioned climate-induced rise in temperature. In 2016, Morocco suffered from the worst drought in 30 years, reducing crop yields by 70% and contributing to a 1.7% deceleration in economic growth.

Rising sea level poses a high risk to coastal urban areas and to the tourism sector. Two-thirds of Moroccan beaches are already threatened by erosion and the risk of storms along the coast is increasing (MEME, 2016).

Morocco currently has a low Greenhouse Gas (GHG) emission rate, however, the emission levels are anticipated to increase significantly in the coming decades due to the country’s continuing economic development. The sector that accounts for the largest proportion of national GHG emissions is the energy sector (~69%). As a result, the government has prioritized in its 2015 National Determined Contributions (NDC) three priority sectors for mitigation measures: Energy, Agriculture Forestry Other Land Use (AFOLU) and Waste; and ten priority sectors for adaptation measures: Water, Agriculture; Fishing, Forestry and Fight against desertification, Biodiversity, Health, Tourism, Housing, Town planning and territories.

The implementation of Morocco’s 2015 NDC targets are a challenge. The Government has developed Key sectorial strategies for greening its economy. It has estimated that $50 billion in total funding is needed to achieve its 42% targeted emissions reductions by 2030; as well it has estimated that adaptation programs will cost a minimum $35 billion. The NDC targets will not be able to be achieved without private sector involvement.

Morocco is considered advanced in green investment in Africa, with examples of successful Public Private Partnerships (PPP) such as those of the solar power plants of Noor I, II, III (510 MW) in Ouarzazate and the Integrated Wind Farm in Midelt (with a potential of 850 MW). Furthermore, the Kingdom hosted COP22 in Marrakesh in 2016. However, some issues remain and need to be unpacked to be able to scale up green investment.

There is still a limited number of the right green financial incentives and capacity building for certain activities and sectors is encouraged. For example, for investment in solar rooftop applications for residential or professional sectors, there is a need to set up feed-in-tariffs, tax breaks or other similar instruments. Concerning thermal building regulation, there is a need for capacity building for the professionals and end-users as well as incentives and investment.

Adaptation projects are not well understood because the economic value is not always obvious. The business case for private companies’ involvement in adaptation projects is more challenging to prove even though some adaptation funds were created for Morocco (Cap Valoris, La Ligne Bleue, Green Value Chain).

The adaptation funds are still very limited and not as diversified in providing financial products (lack of guarantee for adaptation projects) compared to mitigation funds.
For Small and Medium Enterprises (SMEs), there is a gap in technical knowledge (of capable human resources with the requisite skills to develop climate-related projects and therefore to attract or access private finance.

The undeniable effect of the COVID-19 pandemic has been a major challenge for Morocco. The impact can already be felt in the tourism sector (restriction of travel) and agriculture (not being able to export). This could be an opportunity to invest in green projects with the support of IFIs. The government has already identified green projects for the recovery of the economy.

In 2014, Morocco ended subsidies on gasoline, fuel oil and diesel, which resulted in an increase of energy prices. This is an opportunity to further develop renewable energy (RE) and energy efficiency projects in the industry and transport sectors. Morocco has created the Solar Cluster to support companies in innovation and technology in the RE sector and GreenTech as well as to promote a more competitive and skilled industry.

There have been very good green private sector projects in Morocco however there has been limited tracking of green investment as well as communicating on success stories. It is recommended to set up a national monitoring and evaluation system to track green investment in private sector.

Private sector engagement approaches for green growth need to be centred on a good understanding of demand from the private sector for support from development partners. In order to scale up successful green projects, it is important to promote an integrated approach - i.e. support towards policies and regulations for climate change and the environment, as well as tools / instruments to leverage green private investment and funding for technical assistance on a local value chain approach. For instance, the example of the local manufacturing at Tanger Med of some of the components for wind turbines for the Midelt Integrated Wind Farm, such as the towers and blades.

In the concept of green cities, Morocco is currently developing one of the first green cities in Africa, Ben Guérir, where there is one of the first green technology hubs in Africa. Casablanca is also being developed as a smart city in particular for transportation and waste management, an initiative that can be replicated at the national level.

Morocco has put in place different programs in agriculture, water resources and irrigation which have the aim of using its resources in a sustainable manner, attracting private financing and developing specific public-private partnership (PPP) models to improve performance, maintenance and operation.

The National Waste Reduction and Recovery Strategy developed in 2019, where the government signed with the private sector a memorandum that encourages the creation of sustainable a waste management ecosystem, could create 25,000 jobs for an investment of $165 million.

A possible strategy is to make Morocco a green financial hub for Africa, helped by its location, which allows the country to act as a bridge to more affluent European markets, as well as Sub-Saharan Africa, and that could allow Moroccan companies to expand their horizons and grow the green economy.

There are very good green private sector projects in Morocco however there has been limited tracking of green investment as well as communicating on success stories. It is recommended to set up a national monitoring and evaluation system to track green investment in private sector.
RECOMMENDATIONS

> A regulatory framework should be established to develop financial incentives such as feed-in-tariffs or other incentives that set out criteria to ensure appropriate cash flows for green investments. It is suggested that financial institutions should diversify their financial offers (insurances, incentives, technical assistance, green bonds) and increase their capacity to take on risk, including making upstream investments to build a pipeline of mitigation and adaptation projects.

> **Capacity building** on the use of climate-related information, tools and access to climate funding.

> Development partners need to ‘**speak the language**’ of the private sector i.e. focus on the benefits of improving environmental performance such as increased competitiveness, reduced costs and exposure to risks, rather than environmental benefits.

> Morocco has developed a lot of **PPP** in various sectors. This experience can be leveraged and expanded for specific green projects besides in the RE sector.