

## PMR PROJECT IMPLEMENTATION STATUS REPORT (ISR)

### 1. SUMMARY INFORMATION

Implementing Country/Technical Partner:	Kingdom of Morocco
Reporting Period:	From 10/01/2016 to 9/30/2017
Report Date:	4/9/2018
Implementing Agency:	State Secretariat in charge of Sustainable Development (SEDD) under the Ministry of Energy, Mines and Sustainable Development of the Kingdom of Morocco
Contact Person:	Mr. Firadi Rachid, Director of Partnership, Communication and International Cooperation Division (SEDD); Mr. Boucham Abdelrhani, National Coordinator of GHG National Inventory System (SEDD).
Grant Executed By:	Kingdom of Morocco
Grant Effectiveness and Closing Dates:	10/20/2015–12/31/2018
Grant Amount (USD):	USD 3,000,000
Funding Mobilized (USD):	USD 710,000 (from the Moroccan government (USD 200,000) and from other sources of funding (USD 510,000 <sup>1</sup> ))
Funding Committed (USD)	USD 2,400,000

### 2. OVERVIEW

The overall objective of the project is to support the definition of a national strategy for the implementation of the appropriate market-based instruments of climate policy in Morocco. The project is examining the different mitigation instruments available to the government of Morocco and the relative weight of the MBIs in the possible mix of instruments.

The main activities under the PMR Morocco project are organized around a central axis of Greenhouse Gases (GHG) emissions data management and Monitoring, Reporting and Verification (MRV) systems in the three concerned sectors: power generation, cement production, and phosphates extraction and processing. The focus on specific sectors allows an in-depth evaluation of opportunities and approaches to the implementation of MBIs that are appropriate to the sectoral specificity and needs.

To achieve its objectives, under **Component 1**, the project aims to:

<sup>1</sup> In the framework of other initiatives supported by GIZ, PNUD, PNUE, UE (4C, SNI-GES, LECB, TCN, FIRM, Climatsouth). Please see details in the section of coordination with other development partners.

- *Identify and suggest, with support of national consultations, the appropriate governance, regulatory frameworks, and institutional systems, to increase readiness for the implementation of use of MBIs in Morocco as part of a broader package of climate policy instruments. This axis focuses also on sectoral activities engaged to build market readiness in the three sectors covered in the PMR and enable the development of the institutional and operational tools needed for MBI implementation.*
- *Support the development of a sectoral crediting mechanism, to allow Morocco's participation in the carbon market(s) through the cooperative mechanisms established under the Article 6 of the Paris Agreement. These activities will support the creation of a regulatory framework needed for mitigation in each sector, the definition of sectoral baselines, and the evaluation of the mitigation potential of each sector.*
- *Support the establishment and piloting of an MRV system for GHG emissions. The activities of this axis will strengthen the capacity in Morocco in terms of GHG emissions data collection, management and processing at the level of national institutions and the facilities in each sector. The focus is on developing an MRV system that is appropriate for a preferred MBIs and for a sectoral crediting mechanism, while ensuring flexibility to allow its future alignment with the evolving national and international context (i.e., Article 6 Rulebook, Paris Agreement).*
- Strengthen relevant stakeholders' capacities in both the public and private sectors.

**Component 2** of the PMR project is dedicated to capacity building related to regulatory, institutional and operational aspects of MBIs. This activity aims to strengthen the capacity of Moroccan stakeholders in the key areas supported by the PMR Morocco. The targeted stakeholders include: representatives from various Ministries and government agencies, industry sector associations and operational personnel at the level of the industrial facilities. The capacity building programme will consider the wide range of actors and their different needs and will be carried out in coordination with other capacity building initiatives on mitigation.

**Component 3** of the PMR project concerns the logistic, consultants and communication aspects to manage all the activities included in this project.

### 3. IMPLEMENTATION REPORT BY COMPONENT

#### ***Differences between the Objectives/Activities in the Market Readiness Proposal and the Grant Agreement***

Are there any important and material differences between the objectives/activities proposed in the Market Readiness Proposal and endorsed by the Partnership Assembly of the PMR and those agreed to in the Grant Agreement with the Delivery Partner and described in the Project's Results Framework?	No
There are no important differences between the objectives and corresponding activities proposed in the MRP and those agreed in the grant agreement. Nevertheless, with the purpose of effective project	

management, and to facilitate the planning for procurement of consultant services to support the planned activities in the MRP, the following consolidation of the MRP activities has been suggested in the grant agreement:

- **Component 1- *Design and piloting of the MRV and data management system and supporting analysis of appropriate market-based instruments*** – is regrouping the Activities 1 (Analysis of appropriate mitigation instruments and MBI governance for Morocco), 3 (Design of a MRV system, and piloting of the MR in the three sectors covered: electricity, cement and phosphates), 7 (Establishing a baseline in each of the three sectors covered), 8 (Evaluation of mitigation potential in the three sectors) and 10 (Support for the establishment of a regulatory framework for mitigation measures in the three sectors) of the MRP that represent the totality of the analytical activities included in the current phase of the project and supported by the current PMR implementation grant.
- **Component 2 - *Capacity Building***: Activity 14 (Capacity building in both the private sector and in government) is consolidating all the project activities relevant for the preparation and implementation of a plan to build the capacity of the Government and the private sector. This component will be closely coordinated and build on the outcomes of Component 1 and serve as an overarching knowledge sharing and engagement platform for the project.
- **Component 3 – *Project Management***: Activity 13 (Establishment and Operation of a Project Management Unit) includes the establishment and operation of the PMU to implement and manage PMR activities and to coordinate with related programs and initiatives. The PMU is expected to support the preparation of an institutional framework for the MBIs in Morocco in the period following the PMR project.

### **Implementation Progress by Component**

<b>Component 1: Design and piloting of the MRV and data management system and supporting analysis of appropriate market-based instruments</b>	
Status	Ongoing
Comments:	<p><b>1. Analysis of appropriate market-based instruments for Morocco</b></p> <p>Progress has been achieved under this analytical component that includes several elements described below. The preliminary recommendations of the studies are based on (i) a detailed analysis of the international experience in selected reference countries; (ii) the consultations with the stakeholders, including interviews and in- depth assessment of existing practices and systems in Morocco; (iii) the series of technical workshops to discuss the outcomes of the work.</p> <p><b>1.1. Review of existing approaches to carbon pricing</b></p> <p>This study provided an overview of the emerging experience in other countries by undertaking a comparative analysis of the use of MBIs and other carbon pricing instruments, key challenges and lessons learned across different countries and regional systems. The benchmarking was focused on the EU, California, Quebec, Mexico, Kazakhstan, and China.</p> <p><b>1.2. Analysis of the Moroccan context</b></p>

The study includes an in-depth analysis of the Moroccan context, its emission reduction targets, policies framework and its expected interactions with different MBIs or other carbon pricing approaches that could be deemed appropriate for Morocco. The study highlights a successful experience of inter-agency coordination put in place for the preparation of the Third National Communication to the UNFCCC, led by Ministry of Energy, Mines and Sustainable Development. Such a collaborative model could be used to support the decision-making process on the future design and implementation of carbon pricing approaches and ensure their compatibility with a broader policy framework in Morocco.

#### *Preliminary recommendations*

The study suggests that an appropriate approach for the introduction of the market-based instrument in Morocco could be based on a **phased-out (“two-speed”) hybrid model**:

- The first step could consist in introducing a *carbon tax* to achieve a short-term impact on GHG emissions, and allow a progressive set-up of critical elements for GHG management, such as infrastructure, governance and capacity building for emitters.
- In the longer term, an *emission trading mechanism* (ETS) could be introduced to ensure a more sustainable impact on emissions. A precondition for efficient emissions trading in Morocco (due to the limited number of participants and high concentration of emission sources) would be to orient the national ETS towards the integration/linking with the EU-ETS.
- The proposed carbon pricing approach would need to be *complemented by other policy instruments*, such as investment subsidies and grants.

#### *Next steps*

- A briefing note is under preparation for the consideration of the Secretary of State in charge of Sustainable Development, based on the preliminary recommendations;
- A national workshop will be organized to discuss selected recommendations, with a focus on the socio-economic risks and impacts, as well as on the suggested institutional and administrative structures;
- Development of a communication strategy to reach out to a broader set of stakeholders and other key Ministries and Agencies in Morocco is envisaged;
- A training and capacity building event will be delivered to stakeholders.

## 2. Design of an MRV system and its management in the electricity, cement and phosphate sectors

This analytical effort is structured in two phases: (1) a conceptual design of the MRV system; and (2) piloting of the selected design in the three targeted sectors. The first stage of work, that aims to inform the choice of the system design, its functional and technical specifications and governance, has been delivered and presented to stakeholders at the workshop that took place in December 2017. The elements and recommendations of this analytical work are summarized below:

### *2.1. Study on the international experience on the MRV systems and the assessment of needs in Morocco*

The aim of this study has been to assess existing experience with MRV systems to identify relevant benchmarks and good practices to inform the selection of an appropriate MRV GHG emission systems in Morocco, with a focus on the three sectors mentioned above. The study included an assessment of the approaches/systems currently in place in Morocco to (i) highlight the progress already made in terms of the MRV systems on which Morocco can build its future system; and (ii) identify the points that still need to be developed seeking to achieve an effective and efficient MRV system.

### *2.2. Options for the design of the institutional framework and the functional and operational requirements of an MRV system*

This study aimed to provide recommendations on the design options and related institutional framework, and functional and operational requirements of the MRV system in each targeted sector and at the national level.

Based on the in-depth study of the existing governance systems in the selected countries, several proposals in terms of governance of the MRV systems have been formulated. For two main elements of the governance system, several possible options have been identified for the consideration of the Moroccan stakeholders and decision-makers:

- *A regulatory and institutional framework* (to be analyzed in depth in Sub-component 4 described below);
- *An operational framework for the piloting of the MRV systems.* The study highlights the essential role of the National Coordinating Entity (NCB) in piloting the MRV system. An efficient and empowered NCB makes it possible to attract the technical capacities and supervise the operationalization of the system. The NCB can either assume or delegate the accreditation of the auditing bodies, collection and analysis of data reported via the IT reporting platform, verification of monitoring plans, and support to the reporting companies. The NCB would be reporting to the executive branch, either to the head of government or to a minister. The study provides pros and cons for the three alternatives: (i) centralized management by an administration within the executive power; (ii) inclusive collegial management by an inter-agency entity; and (iii) decentralized management at the regional level. From the institutional perspective, it is suggested that the Moroccan GHG National Inventory System (SNI-GES) over time could build necessary capabilities to fully ensure management of the MRV systems at the national level, building upon the 4C platform (Climate Change Center of Competences).

The analysis also identified key criteria contributing to the definition of MRV processes and recommended options to apply these criteria in the Moroccan context: scope and fields of applicability; eligibility thresholds; covered scope of emissions; coverage of GHG gases; emission measurement and calculation processes; and reporting and verification process.

### *2.3. Development and planning of an MRV Data Management Platform*

The study provided an in-depth assessment of the reporting platforms in place in five benchmark countries (European Union, France, California, Quebec and Mexico), as well

as the UK, for their applicability for the Moroccan context. The analysis highlighted the advantages and disadvantages of different IT systems to suggest the most efficient system, adapted to the constraints of Morocco. Two options have been identified: (i) a fully automated system with integrated calculation models allowing the calculation of emissions from input data; and (ii) a semi-automated tool requiring the users to carry out their own emission calculations. The preliminary recommendation focuses on the first option, which is considered more reliable and more robust. This sophisticated model would offer the advantage of limiting the risk of error and reducing the administrative cost. Despite a longer implementation time and increased capital expenditure (CAPEX), operating expenses (OPEX) for such system would be considerably reduced thanks to the automation of calculation methods, thus allowing for better efficiency and effectiveness for Morocco and the obligated operators, in the long term.

#### *2.4. Planning of the GHG emission data verification and accreditation system*

This study provided a detailed analysis of the verification processes and the requirements imposed on the verifiers in several reporting mechanisms for GHG emissions, including the sectoral reporting mechanisms used in Morocco, set up by the main actors in the cement, electricity and phosphate sectors.

#### *Next steps*

- The recommendations of the first stage of the work will be presented for consideration of the Secretary of State in charge of Sustainable Development;
- A national workshop will be held to collect a final set of feedback and inform the second phase of the work that will focus on piloting of the selected MRV system design in the three targeted sectors;
- The detailed concept and implementation of the piloting exercise will be developed, taking into consideration the possibility to extend the duration of the PMR project. Such an extension could allow sufficient time to implement the piloting exercise (provide trainings, collect and assess data and feedback from the implementing entities) and provide recommendations for further improvement of the MRV system design and operation.

### **3. Establishment of baselines and assessment of the mitigation potential for the targeted sectors**

The study is ongoing and focuses on the development of mitigation potential assessment methods. It is based on the recommendations of the PMR technical notes on the development of baseline scenarios and puts the emphasis on the interaction between the Business-As-Usual (BAU) and the reference scenarios in the NDC Morocco.

The initial outcomes of the study include the recommendations to adopt 7 Morocco-specific emission factors for the phosphate sector, 2 emission factors for the cement sector and a unique emission factor for the national power sector. The originality and the challenge of the study is that the development of the GHG inventory in the phosphate sector in Morocco has little to no international precedence/benchmark and this work will be a first-of-its-kind.

	<p><b>4. Development of a regulatory and institutional framework for the implementation of the MBIs in the targeted sectors</b></p> <p>The study is ongoing (at the initial stage of implementation) and aims to support the identification of needs and suggest options to create the legislative and institutional framework for the implementation of MBIs in targeted sectors. A benchmarking study of 5 countries (European Union, France, California, Quebec and Mexico) will be implemented to identify and assess international best practices in terms of the regulatory framework and recommend ways for their implementation in Morocco, taking into account the existing national regulatory framework (policy aspects, financial instruments, fiscal system). The study will provide recommendations on the needs to adapt the existing regulatory framework in Morocco to support the implementation of the selected MBIs and suggest draft regulatory texts.</p>
<b>Component 2: Capacity Building</b>	
Status	Ongoing
Comments:	<p>The capacity building component of the project is being implemented and is building upon the outcomes of the Component 1. It serves as an overarching knowledge sharing and engagement platform for the PMR Morocco project and is conceived as a combination of technical participative workshops.</p> <p>As part of a broader capacity building, the SEDD organized the <i>national conference on the role of the carbon market in helping Morocco to achieve its NDC mitigation targets</i>. The conference was held on June 8, 2017 in Rabat. It was an opportunity to provide a large diffusion of the objectives of PMR project and raise the awareness of a broad range of national stakeholders on climate change mitigation agenda in Morocco. The PMR Morocco is considered as an important contribution and a key step to support the implementation of Morocco's climate commitments and its efforts to reduce GHG emissions.</p> <p>The SEDD has also organized a <i>carbon pricing training for the sectors involved in PMR project</i>. The training was delivered by the I4CE on 13-15 September 2017 in Rabat, Morocco. The objective of this training was to prepare for the identification of carbon pricing approaches relevant for Morocco, in view to support the implementation of mitigation policies, meet the climate ambition and maximize the contribution of carbon pricing instruments and MBIs to achieve the NDC. The training recalled the provisions of the Paris Agreement and the economics of the carbon pricing schemes. It covered different approaches and instruments, such as carbon taxation, market mechanisms such as ETS, and project mechanisms.</p>
<b>Component 3: Project Management</b>	
Status	Ongoing
Comments:	The project is governed by a Steering Committee (that includes SEDD, Ministry of Economy and Finance, Ministry of Governance (MAGG) and Ministry of Foreign Affairs

	<p>and Cooperation) and a Technical Committee (that includes the members of the Steering Committee and the representatives of the three targeted sectors).</p> <p>The project management unit (PMU) was set up within the State Secretariat in charge of Sustainable Development (SEDD) in November 2016. The procurement consultant and the technical support consultant joined the PMU in January 2017, almost a year after the starting date of the project, due to the difficulties in identifying suitable candidates and the delays in the selection and procurement process. The SEDD has also committed to contribute to the functioning of the PMU by establishing an “extended PMU” that includes several ministerial experts.</p> <p>In this reporting period, the PMU continued to face a few important challenges in terms of the overall project management which led to a low rate of disbursement and recently accumulated delays in the regularization of payments due for the services provided by the consulting firms (under Component 1).</p> <p>To resolve these issues, and as a result of continuous interactions with the WB on the way to improve the project performance, the SEDD has undertaken several important actions to strengthen the managerial capacities of the PMU. A new project director was nominated in December 2017 and additional SEDD staff have been allocated to support the PMU. The PMU is also in the final stage of hiring an experienced administrative staff who will support the team in the budgeting process, processing of payments and compliance with administrative and approval processes established by the government of Morocco and the WB. Furthermore, support from the “extended PMU” has been strengthened to accelerate the resolution of issues faced by the project. As the result of these actions, at the time of the preparation of this ISR, substantial progress had been achieved to resolve the issue of past due payments and are currently in the final stages of processing.</p> <p>As part of the WB-led mid-term review of the PMR Morocco, held in January 2018, a successful resolution of the current issues and a sustainable strengthening of the PMU managerial capacities, has been identified as a critical pre-condition for the WB to consider the extension of the project duration to allow successful attainment of the project objectives identified in the grant agreement.</p>
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#### 4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

##### **Important policy or regulatory developments related to the Grant’s objectives and activities:**

##### **Developments:**

Several important national and international policy and regulatory developments took place after the finalization of the MRP (in May 2014) and the establishment of the grant agreement (October 2015) and were considered in current implementation of the PMR project in Morocco.

In 2017, Morocco has adopted a National Sustainable Development Strategy (NSDS) which build on the Kingdom's policies and foster convergence, complementarity and coherence between the different frameworks and planning processes. The NSDS is an instrument of convergence and operationalization of all the sustainable development policies initiated in Morocco. The NSDS aims to: consolidate the

governance of sustainable development; allow a successful transition to a green economy, and accelerate the implementation of the national climate change policy.

In its first NDC, Morocco set a target of reducing GHG emissions by 42%, compared to projected emissions for the year 2030 in a "normal course of business (CNA)" scenario. Morocco is also committed to achieving an unconditional target of 17% emission reduction against the CNA emissions in 2030. These GHG reduction targets will be achieved through action in all sectors of the economy.

A Low-emission Development Strategy (LEDS) is being developed and will coordinate mitigation objectives for all sectoral strategies and action plans, including energy, agriculture, transport, water, waste, forests, industry, housing and infrastructure. Morocco's ambition to mitigate GHGs is, to a large extent, based on a major transformation of the energy sector. This transformation is being conducted with the greatest political determination and aims to reduce the country's high energy dependence on imports, increase the use of renewable energy sources and meet the growing energy demand to support socio-economic development and the well-being of its population.

The main objectives that stimulate the energy transition and which are included in the National Energy Strategy are as follows:

- Achieve 52% of installed electrical power from renewable sources, including 20% solar, 20% wind and 12% hydropower by 2030;
- Achieve 15% energy savings by 2030, compared to trends;
- Reduce energy consumption in buildings, industry and transport by 12% by 2020 and by 15% by 2030. The breakdown of expected energy savings by sector is 48% for industry, 23% for transportation, 19% for residential and 10% for the tertiary sector (two industrial sectors targeted by the PMR Morocco - cement and phosphates – are expected to reduce their energy consumption by 15% by 2030 through the implementation of more efficient industrial processes);
- Install an additional capacity of 3900 MW in combined cycle technology operating on imported natural gas by 2030;
- Supply major energy industries with imported natural gas.

At the COP22 held in Morocco, a few important initiatives and new assessment tools have been launched on energy, cities, forests, water, transport, businesses, oceans or agriculture. Morocco presented its Blue Belt initiative, which aims to preserve coastal communities and promote sustainable fisheries, as well as the Adaptation of African Agriculture (or Triple A) initiative, which brings together 27 countries and aims to help African farmers to cope with climatic hazards through better management of soil, water and risks. On the business side, the "We Mean Business" coalition, which has more than doubled since COP21, announced that 471 companies with a market capitalization of more than \$8 trillion have undertaken more than a thousand commitments for climate action. The COP22, held in Marrakech, also saw the launch of the Global Clean Technology Alliance by the Solar Impulse Foundation, known for having organized the first round of the world by a solar airplane.

On 16 September 2016, the committee responsible for organizing the COP22 and the General Confederation of Enterprises of Morocco (CGEM) signed a partnership agreement which defines the contribution of the CGEM within the framework of the organization of the COP22-CMP12 by the Kingdom of Morocco. Since COP22, CGEM has also initiated initiatives to support the private sector for a transition to a low-carbon economy through the establishment of the Coalition on Water, the launch of the local chapter Global Compact Morocco and the development of the Morocco Climate Business Initiative, etc.

**Challenges:**

Several important observations could be made in this context regarding further implementation of the PMR project:

- The PMR project should take into account the targets and the approaches outlined in the National Sustainable Development Strategy (NSDS) and the NDC, and also endeavor to timely inform the assessment of the role and contribution of the envisaged MBIs in the targeted sectors to the implementation of the targets set in the NDC of Morocco.
- The development of the regulatory and technical work, in particular, under Component 1 needs to take into account both the national regulations, policies and actions envisaged under the NSDS and NDC and by other low-carbon development policies and actions to ensure the consistency and transparency of the recommended approaches in the broader context of national policies in Morocco.

On the other hand, if successfully integrated in the PMR project implementation and coordinated with the preparation to the NDC implementation, these challenges can also be considered as strengthening the relevance of the project for the Government's policy and to the technical efforts to define relevant mix of policy instruments and actions to achieve its mitigation targets, considering the role of MBIs.

**Lessons learned:**

The project is being implemented in a rapidly evolving context of international and national climate policies and action that should be reflected in the project design, as well as in the planning and conceptualization of its specific activities. For example, the project is undergoing a continuous alignment, through its active consultative process, to ensure its relevance and added value to the growing body of expertise and practical experience in the three sectors targeted by the PMR Morocco, in terms of GHG emissions data management and MRV systems, as well as climate action planning. Continuous coordination is also undertaken with other initiatives that are supporting the implementation of the climate policies in Morocco (see below).

**Important changes in the technical design or approach related to the Grant's activities:****Developments:**

Implementation of PMR project activities seek to align with the emerging requirements of the Paris Agreement in terms of the different frameworks for the cooperative actions/new mechanism (such as established in the Article 6 of the Paris Agreement and relevant COP21 decisions), including in terms of accounting and transparency.

As mentioned above, the project is also building on an inclusive consultative process to consider and adjust to:

- the growing experience in the three sectors targeted by the PMR Morocco, in terms of GHG emissions data management and MRV systems, as well as climate action planning;
- the outcomes of other initiatives that support implementation of the climate policies in Morocco and its NDC in particular.

In comparison to the initial approach outlined in the Grant Agreement, the preliminary outcomes of the Component 1 may lead to a re-focusing of the project from sectoral crediting as a main instrument targeted by the PMR Morocco toward a broader set of carbon pricing approaches.

**Challenges:**

The design and development of sectoral crediting under the PMR project will be implemented in the context of significant regulatory uncertainty at the international level. At the same time, the technical design developed in the MRP allows to cope with the uncertainty through the review process embedded in the implementation approach.

**Lessons learned:**

Despite the potential re-focusing of the project from sectoral crediting as a main instrument targeted by the PMR Morocco, toward a broader set of carbon pricing approaches, the focus of the project on the MRV systems remains robust and of a high relevance in the Moroccan context to allow building a “win-win” readiness for the implementation of the MBIs that will be prioritized by the Moroccan government in a due course.

**Key capacity issues (implementation, technical, financial management, procurement) related to the Grant’s activities:****Developments:**

One of the main objectives of the PMR project is to build and improve the capacity of the Government and the private sector in terms of design and piloting MRV systems in selected sectors and to establish core technical components for the design of the sectoral crediting mechanism in Morocco, with support from an international grant.

As indicated above (please see Component 3), to improve the project management and its overall performance, the SEDD has undertaken several important actions to strengthen the PMU that allowed a substantial progress in resolving the issue of the past due payments (currently at the final stage of processing):

- a new project director has been nominated in January 2018;
- an additional SEDD staff have allocated to support the PMU;
- an experienced administrative staff is being hired to support the budgeting process, processing of payments and compliance with administrative and approval processes established by the government of Morocco and the WB;
- the support from the “extended PMU” has been strengthened to accelerate the resolution of the issues faced by the project.

**Challenges:**

The experience accumulated by the project outlines the relative complexity in terms of financial and administrative management of the project to ensure compliance with the requirements of the WB, and the procedures established by the Government of Morocco. To overcome some of these challenges, the members of the PMU attended several World Bank trainings for the project managers, including the training held on 7-10 November 2016 in the framework of the reform of the WB Procurement Policy. Other trainings and consultations have been provided as needed by the WB Country Management Unit to support the PMU in resolving the project management issues.

A continuous dialogue between the SEDD/PMU and the World Bank is being maintained to identify and support solutions to improve project performance and strengthen the capacities of the PMU.

As part of the WB-led mid-term review of the PMR Morocco, held in January 2018, a successful resolution of the current issues and a sustainable strengthening of the PMU managerial capacities, have

been identified as critical pre-conditions for the WB to consider the extension of the project duration to allow successful attainment of the project objectives identified in the grant agreement.

**Lessons learned:**

The capacity in terms of the management and implementation of the technical assistance projects with support from international funding is a critical pre-condition to their success. An insufficient allocation of human resources to fulfill the PMU tasks and a slow coordination with the implementing agency can impede the progress of the analytical work.

**Coordination with other carbon pricing initiatives, including those funded by other donors:**

**Developments:**

PMR project implementation will be informed by the developments and outcomes of other initiatives implemented or under consideration in Morocco that are relevant to the project activities. For instance, in continuation of the dialogue established during the preparation for the MRP, the PMU and the WB coordinate with the following initiatives:

- Initiatives on GHG inventory and accounting (project FIRM supported by UNEP and 'Climasouth' supported by UE, and National GHG Inventory System (NIS-GES) supported by GIZ);
- Initiatives supporting the implementation of the NDC of Morocco, including the technical assistance provided by the World Bank with the support of the PMR Policy Analysis work stream and the WB NDC Support Facility on (i) the improvement of energy performance of buildings in Morocco; (ii) assessment of carbon pricing options for Morocco through green fiscal reform and development of a roadmap; (iii) support to the Ministry of Economy and Finance in using Computable General Equilibrium (CGE) models to evaluate the socio-economic impacts of climate change policies; and (iv) an assessment of policy alignment options in the water-energy-agriculture nexus;
- Initiatives supporting the Competence Center of Climate Change in Morocco (Morocco 4C), which is a capacity building and information exchange platform (supported by GIZ, PNUD and the WB NDC Support Facility);
- LEDS project (Low Emission Development Strategy) focused on the integration of NDC objectives into the various sectoral policies as part of a broad process of consultation between policy makers and stakeholders.

The SEDD is facilitating coordination and synergies between these initiatives and the PMR Morocco.

**Challenges: N/A**

**Lessons learned:**

The PMR project is maintaining a systematic coordination between several ongoing initiatives. This effort helps to: (i) ensure relevance and contribution of the project to the NDC implementation process; and (ii) create synergies and maintain necessary level of consistency between the recommendations coming out from different initiatives on similar issues. The project also established itself as a consolidated source of knowledge for other initiatives on the potential contribution and role of market-based instruments to the efficient implementation of climate policies in Morocco.

**Stakeholder engagement related to the Grant's activities:**

**Developments:**

The partners of the three sectors targeted by the PMR project are committed to achieving the objectives of PMR and to contribute to the next steps in implementing the project.

**Challenges:**

The challenge is to maintain relevance and demonstrate clear value-added of PMR project outcomes, including in terms of capacity building to the private sector. A few challenges were experienced in terms of access to the data on GHG emissions and mitigation potential at the sector level. Therefore, close attention has been paid by the PMU to ensure systematic and coordinated engagement of the stakeholders in targeted sectors as compared to the outreach at the final stage of the project.

**Lessons learned:**

Given the new and innovative nature of the topics addressed by the PMR Morocco (in particular in terms of policy analysis of the carbon pricing approaches and MBIs), further strengthening of communication and outreach strategy, and delivery of targeted trainings for the key project stakeholders is envisaged. This will help to increase capacities and timely assimilation of the analytical and technical outcomes of the project, as well as to build the ownership by the targeted sectors, critical to fostering the support for the introduction of carbon pricing approaches and MBIs in Morocco.

**Other issues related to the Grant's activities****5. ADDITIONAL INFORMATION**

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