THE WAY FORWARD

The current budget reform in Morocco constitutes a unique opportunity to integrate climate change concerns into the budget process and strengthen the management of climate related programs. Generalization of the integrated expenditure management system, as well as the development of a clear and sound climate strategy are also key factors to the success of the climate budget mainstreaming process. To take full advantage of the ongoing reform process it is advisable to focus on the following measures:

- **Issuing of a ministerial circular** for budget preparation encouraging climate expenditures and systematizing the climate dimension of projects at inception, coupled with the preparation of a ‘handbook on public climate expenditures’ to provide guidance;

- **Establishing a Climate MTEF**, in order to strengthen fiscal discipline, improve intersectoral allocation of climate resources as well as operational performance;

- **Introducing a Transversal Policy Document** as annex of the law of finances which allows for a structured assessment of the financial commitments by the State to actions aimed at climate change, but is also used in screening across several programs (to be set-up) covering the competence of different Ministries, in order to guarantee the implementation and monitoring of the climate mainstreaming process;

- **Improving budgetary performance** for key “climate priority” ministerial departments as well as special accounts such as the Natural Catastrophe Special Fund

- **Establishing a monitoring mechanism** for climate resources and expenditures by setting up “climate focal points” within each key department;

THE WAY FORWARD (continued)

- **Reinforcing the local to central “bottom-up” approach** in the project identification process;

- **Mobilizing additional climate resources** by considering (i) the adoption of climate-friendly innovative tools for development finance such as Climate Bonds and Cat-Deferred Drawback Options (DDO), and (ii) the creation of a National Climate Fund could support Morocco to strengthen its management of climate funds and to optimize access to climate finance at the international scene. The proliferation of global climate finance initiatives represents an opportunity for Morocco, but often requires a country to collect, combine, coordinate and report on the use of these funds.

Context

Morocco is highly vulnerable to climate change, particularly in two key sectors of the domestic economy – water resources and agriculture. Natural disasters pose a high risk for the country’s infrastructure in urban and coastal areas. But the climate challenge also allows the country to take advantage of growth and employment opportunities, notably by taking a regional lead in renewable energy. However, in a context of limited budget resources and competing national priorities, priority needs to be given to using climate resources efficiently and effectively.

Goals

The Climate Public Expenditure and Institutional Review (CPEIR) aims at supporting the Government of Morocco in improving its climate governance as well as its climate public expenditure efficiency. More specifically, the review intends to clarify: (i) the financial dimension of Morocco’s climate policy, (ii) the classification of climate change related expenditures, (iii) the mainstreaming of climate change aspects in the budget process, including the development of a “Climate” Medium Term Expenditure Framework (MTEF), and (iv) options to strengthen the country’s climate governance arrangements based on international best practices.

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METHODOLOGICAL LESSONS

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Address actual considerations and reforms

A methodological lesson to be taken from the study of the Moroccan PNRC expenditures is to determine how much of the government spending is actually devoted to climate action. The study found that only 13% of the national investment expenditures were devoted to climate action, indicating a clear need for reform and increased focus on climate change policies. The study also highlighted the importance of developing and implementing tools to monitor and evaluate climate action, such as the MTEF (Medium-Term Expenditure Framework) and the National Climate Change Strategy, which could be used to track progress and evaluate the effectiveness of climate action.

In addition to evaluating the effectiveness of current climate policies, the study also recommended the development of new policies and strategies to address climate change. The study noted that the current approach to climate action was largely reactive, with a focus on addressing immediate climate impacts rather than preventing future climate change. To address this issue, the study recommended the development of a comprehensive climate action framework that includes both short-term and long-term strategies.

Finally, the study recommended the establishment of a robust monitoring and evaluation framework to track progress on climate action and ensure that the government is meeting its commitments. This framework should include regular reporting and evaluation of climate action, as well as the development of indicators to track progress and ensure that the government is on track to meet its climate goals.