The ADCR 2011: Poverty in the Arab world Successes and Limits of Morocco’s Experience

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Successes and Limits of Morocco’s Experience

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Comments should be addressed by email to the author.
# Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>CCTs</td>
<td>conditional cash transfers</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>HCP</td>
<td>High Commissariat of Planning</td>
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<tr>
<td>MOHD</td>
<td>Morocco’s Observatory for Human Development</td>
</tr>
<tr>
<td>NGOs</td>
<td>Non-Government Organizations</td>
</tr>
<tr>
<td>NIHD</td>
<td>National Initiative for Human Development</td>
</tr>
<tr>
<td>PAGER</td>
<td>Programme d’Approvisionnment Groupé en Eau Potable des Populations Rurales</td>
</tr>
<tr>
<td>PERG</td>
<td>Programme d’Electrification Rurale Global</td>
</tr>
<tr>
<td>PNRR</td>
<td>Programme National des Routes Rurales</td>
</tr>
<tr>
<td>PPP</td>
<td>Purchasing Power Parity</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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</table>
Introduction

Morocco has made remarkable progress in reducing poverty over the past decade. Today, less than 9% of the Moroccan population qualifies as “poor” compared to 16.2% a decade ago. This is a notable achievement for a country of 32 million people that lacks significant natural resources. Poverty trends in Morocco deserve a deep investigation in order to understand the success factors and potential limitations and to draw policy lessons that can be useful for future course and may be shared with other countries inside and outside the region.

The decline of poverty in Morocco rests on seven factors. First, fertility dropped to 2.3 from 5.5 children per adult woman over the past three decades. This slowdown relieved pressure on household budgets and public spending and allowed for the allocation of more resources for investments in infrastructure. Second, Morocco achieved higher economic growth in the past decade than in the nineties. The country managed to grow while preserving the stability of its economy. It kept inflation under control while administering a sustainable budget deficit and manageable public debt. Third, the state invested intensively in basic infrastructure programs. The resulting expansion of access to clean drinking water, electricity networks and roads has improved well being, even in poor communities. Fourth, public investments in infrastructure would not have been possible without stable tax revenues secured, thanks to far-reaching fiscal reforms. Moroccan authorities also made wise use of their privatization revenues, allocating half of them to public infrastructure. Fifth, credit extension by banks and microcredit associations has expanded over the past years lifting liquidity constraints on individuals and firms. Unlike banking credit, which is limited to urban areas, microcredit has benefited people in small, isolated villages and has served as an effective tool to reduce poverty. Sixth, money sent by Moroccan emigrants to their families and relatives played a prominent role in reducing poverty. Some emigrants also supported socio-economic projects in their native regions, contributing to raising living conditions. Seventh, the active participation of non-government organizations (NGOs) in local development efforts contributed to help people move out of poverty.

In the last decade, about 1.7 million Moroccans moved out of poverty. Now the challenge for Morocco is to sustain this positive trend and prevent those who escaped poverty from sliding back into it. Achieving these goals requires that policy-makers tackle six limitations. First, illiteracy rates, in particular in rural areas and among females, remain very high. Second, although the poverty rate has dropped, inequality between the rich and the poor has not been reduced. Third, economic growth in Morocco remains volatile, mostly in agriculture, which provides four out of ten jobs at the national level and more than seven out of ten in rural areas. The high volatility of agriculture exposes farmers and their families to severe shocks with no formal tools of protection. Fourth, a large number of jobs offered in the economy are of low quality and cluster in informal and vulnerable occupations. Fifth, the contribution of emigrants may slowdown in the future due to barriers to new waves of migration, slow economic growth and high unemployment in the main hosting countries. Sixth, the vibrant role of civil society in local development is losing momentum with the state assuming a more centralized attitude with less scope for independent associations.

Policy-makers must review their approach to alleviate poverty if they want to take advantage of the existing strengths and reach a broader spectrum of the population. They should build their strategy on four key pillars. First, eradicating illiteracy must become a national priority. Morocco needs to build its human capital through appropriate adult literacy programs and provide incentives for poor families to educate their children. Second, policy-makers should reinforce income redistribution policies both by implementing a more progressive taxation policy and better targeting of public spending to the poor. Third, decision-makers need to provide incentives for informal entrepreneurs to integrate into the formal economy and
comply with fiscal and social obligations. This requires simplifying the procedures for establishing formal businesses and easing access to credit, training programs, and information on market opportunities. Fourth, policy-makers should strengthen political and fiscal decentralization and increase the participation of non state actors - local elected councils and civil society organizations - in shaping and implementing local development policies.

Poverty Dynamics in Morocco

The poverty rate in Morocco has decreased by more than 40% over the past decade. Based on the national poverty line, less than 9% of the Moroccan population qualifies as “poor” as compared to 16.2% a decade ago. In the cities, less than 5% of the population is poor compared to 9.5% a decade ago. The most remarkable progress Morocco achieved, however, was its ability to cut the rural poverty rate from 25% to 14% over a decade. Rural areas host 43% of Morocco’s population and seven out of ten poor.

International measures of poverty, namely the proportion of the population living with less than 1 and 2 US dollars a day confirms poverty trends in Morocco. The proportion of the population with less than $1 per day decreased to less than 1% from 2% a decade ago. The proportion of individuals living with less than $2 per day dropped from 20% to 8% at the national level and from 34% to 14% in rural areas. With these figures, Morocco has now reached its Millennium Development Goals set for 2015 with regard to poverty.

Table 1: Morocco’s poverty indexes, 1990-2008

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Level</th>
<th>1990</th>
<th>1999</th>
<th>2001</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty rate based on national poverty line (%)</td>
<td>National</td>
<td>13.1</td>
<td>16.2</td>
<td>15.3</td>
<td>8.9</td>
<td>8.8</td>
</tr>
<tr>
<td></td>
<td>Urban</td>
<td>7.6</td>
<td>9.5</td>
<td>7.6</td>
<td>4.8</td>
<td>4.7</td>
</tr>
<tr>
<td></td>
<td>Rural</td>
<td>18.0</td>
<td>24.1</td>
<td>25.1</td>
<td>14.4</td>
<td>14.2</td>
</tr>
<tr>
<td>Share of population living with less than 1 US$ per day in PPP</td>
<td>National</td>
<td>3.5</td>
<td>2.0</td>
<td>0.6</td>
<td>0.56</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Urban</td>
<td>1.2</td>
<td>0.3</td>
<td>0.1</td>
<td>0.07</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rural</td>
<td>5.7</td>
<td>4.0</td>
<td>1.2</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>Share of population living with less than 2 US$ per day in PPP</td>
<td>National</td>
<td>30.4</td>
<td>20.2</td>
<td>8.2</td>
<td>8.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Urban</td>
<td>13.3</td>
<td>8.7</td>
<td>3.6</td>
<td>3.4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rural</td>
<td>24.5</td>
<td>34.2</td>
<td>14.3</td>
<td>14.2</td>
<td></td>
</tr>
</tbody>
</table>


Factors behind the Decline in Poverty in Morocco

Slowdown of population growth

Demographic factors played an important role in the reduction of poverty in Morocco. The slowdown of population growth had a clear effect on the size and structure of the population, which in turn reduced the pressure on public services and led to better living standards.

Morocco’s average annual population growth was estimated at 1.7% over the past three decades; it stood at 2.15% in Egypt and 3.08% in Syria. If Morocco’s population, for instance, had grown at the same pace as Egypt’s, it would have exceeded 36 million people today.

Better access to education and fewer opportunities on the labour markets delayed the average age of marriage, particularly in the cities, and slowed-down population growth. On
average, the age of marriage for males increased from 28 to 32 years and from 23 to 27 years for females over the period 1987-2007. Fertility rates declined substantially from 5.5 children per female in the early-1980s to 2.3 in 2008 at the national level—2.05 in the cities and 3.06 in rural areas.\(^5\)

The share of total population under 15 years of age declined from 42.5% in the early-1980s to 28% by 2008. In comparison, the youth population continues to account for 32% of the total population in Egypt and almost 35% in Syria. As a result, dependency ratios\(^6\) substantially decreased in Morocco from 87% in 1980 to 50% by end of 2009 compared to 58% in Egypt and 61% in Syria.\(^7\)

**Economic growth and macro-economic stability**

Economic growth is a key factor in coping with poverty and a necessary condition for better living conditions. The High Commissariat of Planning (HCP) pointed out that 1% of per capita economic growth reduces the poverty rate by 2.9%. The impact is more pronounced for urban areas experiencing a 3.6% reduction in poverty as compared to a 2.7% reduction for rural areas.

Over the period 2000-2009 Morocco boasted a relatively impressive growth rate of its GDP per capita at an average of 3.6% per year compared to no more than 1.1% during the 1990s. This performance was achieved due to an acceleration of economic growth, which went up on average from 2.2% to 5% compounded by a sharp decline in population growth.

Morocco has also managed to keep its inflation under control despite the high price volatility of oil and foodstuff on international markets. Inflation decreased to an average of 2% over the period 2000-2009 as compared to 4.5% during the 1990s. Morocco significantly reduced the share of its external debt from 79% of GDP in 1999 to around 14% by the end of 2009.

**Intensive public investments in social sectors**

For decades since independence, policy-makers provided free education, healthcare and affordable access to basic food products without distinction between the rich and poor. This universal provision of public services had its limitations, however. First, the state budget was unable to keep up with the needs, increasing in number due to excessive population growth in the 1970s and 1980s. Second, the distribution of public spending was very unbalanced: three quarters of public spending benefited urban areas,\(^8\) while the rural areas hosted half of Morocco’s population and three quarters of the poor. Third, the better-off groups benefited more than the poor from public spending. Fourth, excessive centralization in the administration translated into costly and inappropriate investments in social sectors.

In the late 1990s, policy-makers initiated a new approach to public spending in basic infrastructure and social services. The new approach was explicitly dedicated to tackle poverty by shifting away partially public resources from universal programs to targeted ones and giving up excessive centralization by involving local councils and NGOs.

*Shift from universal to targeted public spending*

Targeted public assistance, namely public works and food aid to poor families and orphans, existed in Morocco since the 1960s but was extremely marginal. Policy-makers allocated less than 1% of GDP for targeted programs out of a budget of 12.5% of GDP, on average, allocated to social policies.\(^9\)
The “Social Priority Program” was the major case reflecting the shift from universal to targeted public spending in Morocco. The program was designed jointly with the World Bank in 1996, using geographic targeting of poverty by focusing on the 14 poorest provinces. The program comprised of an integrated set of projects consisting of basic education, healthcare, social assistance and creation of jobs.

Shift from state centralization to involvement of local partners

The program of basic infrastructure specific to rural areas including drinking water, electricity networks and roads is an outstanding case that involved a close partnership between the state, local councils and civil society.

The drinking water program (PAGER) built on a partnership approach, which involves the state providing equipment and handing over management and maintenance to beneficiaries. The state ensures 80% of investment costs. The local councils and beneficiaries finance 15% and 5%, respectively. At the 1994 launch date of PAGER, only 14% of the rural population had access to drinkable water. By 2009, the access rate increased to 43.4%. The achievement, although below expectations, improved health conditions and increased access to education, particularly for girls who are often assigned to bringing water kilometres away from their homes. The program allowed for a 50% to 90% decrease in the time allocated searching for water and freed females for schooling and income generation activities.

Policy-makers also set a large-scale program of electricity provision (PERG) with the objective of providing full access to electricity by 2008. In terms of financing, the state covered 55% of connection costs to electricity networks, while local councils and beneficiaries financed 20% and 25%, respectively. Beneficiaries paid their share by instalments over seven years interest free. Electrification rate has risen from 18% in 1995 when PERG was implemented, to 55% in 2002, then to 84% in 2009. Rural electrification has allowed greater access to information and created opportunities for individuals and small businesses.

Rural roads under the program PNRR created opportunities for the transport of people and goods. They brought markets within closer reach to sell agricultural produce, allowed people to commute to work and enabled better access to health services and education. The state covered 85% of the cost of rural roads, with the rest financed by the local councils. The first phase achieved 1000 km of rural roads per year and increased the access rate from 36% in 1995 to 54% in 2005. The objective of the second phase, launched in 2005, was to build 2000 km of roads per year.

The program of rural infrastructure represents a successful case of partnership between the state, rural councils and beneficiaries. The state designed the program and local partners have taken part in the co-financing. Decentralization of fiscal resources has facilitated the engagement of local councils. The partnership has improved wellbeing, even in poor and remote communities.

BOX 1

Fatna (22 years old) is married and has a baby. She lives with her husband, who is also her cousin, and her stepparents. Fatna says that before the village water tower was built, she used to go with other girls from the village to bring water 2 kilometres away from her house. A journey she used to make three to four times a day, and because of which she ceased going to school at the age of 10. Since the water tower was built by the “association”, life in the village became much more pleasant, especially for women. “I only have to turn the tap, and I get as much water as I want! Thank God! That enables me to remain clean, just as my baby.”

Source: Author’s selected interviews in Morocco, May 2010.
Box 2

Naima is 43 years old and has four children (3 girls and a boy). She is divorced. Her elder daughter is married. Naima is responsible for the two girls and the boy who left school at the age of 13. Naima lives in a hut with these three children and her widowed mother in a suburb of Rabat.

She works as a cleaning lady during the summer, and during the rest of the year she sells sandwiches and soup at the entrance of the vegetable and fruit market, 5 kilometres away from her hut. For the past two years, she has been connected to electricity because of the rural electrification program. Naima asserts that electricity has had a positive impact on her small business. She can now prepare and preserve food in the refrigerator. The electricity has also allowed her daughter, who is still in school, to study in the evenings.

Source: Author’s selected interviews in Morocco, May 2010.

**Tax collection efficiency and strategic use of privatization revenues**

Public investments and large-scale programs of infrastructure would have not been possible without large financial resources. Public investments in social sectors grew by an average rate of 8% per annum over the period 2000-2009. Two factors contributed in that regard.

First, Morocco began to reform its tax system in the 1980s, rationalizing exemptions and reinforcing tax administration. The reform led to higher tax compliance and significant growth of tax revenues. On average, tax revenues increased by 8% per year over the past decade and more than 15% over the period 2004-2008. Tax revenues account now for 24% of GDP compared to 22% in Tunisia, 19% in Jordan, and 15% and 11% in Egypt and Syria, respectively.

Second, Moroccan authorities, in 2001, created a special fund (Hassan II Fund) to which half of any privatization revenues are automatically channelled. By 2009, the fund had accumulated more than US $4 billion (over DH 35 billion) and contributed to the financing of more than US $27 billion of public investments.

**High state level engagement in poverty reduction strategy**

The personal engagement of Morocco’s king in the poverty reduction strategy, known as the “National Initiative for Human Development” (NIHD), has provided strong political support for fighting poverty since it began in 2005. The key motivation of the king’s initiative is the need for an effective social strategy targeted to the poorest urban and rural localities. Despite the amount of money allocated to social policies in Morocco, the shift to more targeting, and the involvement of local councils and beneficiaries, the impact has failed to trickle down to the poorest segments of the population, and wide disparities remain within and between different regions.

The budget of the initiative amounted to 10 billion DH over the period 2005-2010, shared equally among four programs: two targeted (one to urban exclusion and the other to rural poverty) and two untargeted (horizontal projects and vulnerability reduction programs). For targeted programs, around 400 rural localities, with poverty rates higher than 30% were selected using an HCP poverty map. Their populations account for 3.7 million, which is 28% of the rural population. The share of the poor represents 35% in targeted rural localities. In the cities, the targeting process was ad-hoc. The urban population covered by NIHD amounted to 4 million, among which 32% were poor.

By the end of 2008, total spending triggered by the initiative amounted to 9.2 billion DH, of which 59% was from NIHD budget and the rest through leverage mechanism. Out of the total, 61% of resources were allocated to the cities and 39% to the countryside.
Table 2: Allocation of resources among NIHD programs, end of 2008

<table>
<thead>
<tr>
<th>Programs</th>
<th>Budget in DH billion</th>
<th>Share covered by NIHD</th>
<th>Weight of the program</th>
<th>Share of urban</th>
<th>Share of rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted programs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program 1: Social exclusion</td>
<td>3.1</td>
<td>45.7</td>
<td>34.1</td>
<td>97</td>
<td>3</td>
</tr>
<tr>
<td>Program 2: Rural poverty</td>
<td>1.8</td>
<td>74.0</td>
<td>19.6</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Non targeted programs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program 3: Vulnerability</td>
<td>1.8</td>
<td>69.7</td>
<td>19.2</td>
<td>79</td>
<td>21</td>
</tr>
<tr>
<td>Program 4: Horizontal Program</td>
<td>2.5</td>
<td>56.2</td>
<td>27.1</td>
<td>45</td>
<td>55</td>
</tr>
<tr>
<td>Total</td>
<td>9.2</td>
<td>59.0</td>
<td>100</td>
<td>61</td>
<td>39</td>
</tr>
</tbody>
</table>

Source: Author’s construction based on MOHD report 2009

More access to finance by enterprises and individuals

Credit extension by the banking sector as well as microcredit associations expanded rapidly over the past decade in Morocco. Strong credit extension lifted credit constraints on small and micro enterprises and modest households, contributed to create more jobs, and indirectly reduced poverty.

Strong expansion of banking credit

Total banking credit to the private sector tripled in Morocco over the past decade and their share of GDP moved upward to more than 80% from less than 50% in the early-2000s. Credit to households for mortgages and for consumption increased, by an average rate of 26% and 18% per year, respectively, over the same period, much faster than the credits extended to firms.

The state established a special guarantee fund (FOGARIM) in 2005 to mitigate risk taken by bankers in dealing with low income and informal workers in order to allow them access to housing loans. More than 40,000 households benefited from this scheme. Although the number remains low in relative terms, it transformed the lives of beneficiaries and allowed them escape from the slums.

Impressive development of microcredit

Small loans emerged in Morocco in the early 1990s to ease access to finance of small “informal entrepreneurs” ineligible for banking credits. They have boomed since the adoption of the microfinance law in 2000. The total amount of outstanding loans in 2008 almost amounted to one billion US dollars and was more than 10 times their value from 2003. The number of microcredit beneficiaries increased from 300,000 to 1.3 million between 2003 and 2008. Over the same period, the average loan per customer has gone up from less than US $200 to US $500 allowing a number of poor households to overcome financial barriers and start a small business or consolidate existing ones.

Unlike banking credit, limited to urban areas, microcredit has benefited people in small isolated villages. Four out of ten clients of microcredit live in rural areas. Microcredit also allowed a number of females to start their own businesses, individually or within cooperatives. Two out of three microcredit customers were females by end of 2008. In the Arab region, Morocco leads in the area of microcredit with 55% of the region’s total loans granted and 48% of the region’s borrowers.

The important role of inheritance

Besides access to credit, inheritance seems to stand as a channel through which some people in Morocco moved out of poverty. Based on a survey, the World Bank found that
three out of five households that moved out of poverty acquired assets not by accumulating money from employment but from a lump sum they inherited and then invested in a productive asset. Although this finding may not be generalized, it provides an idea of the role of inheritance in poverty reduction.

The passage of wealth from one generation to the next does not increase total wealth but redistributes it among rich and poor family members. Evidence also indicates that some people in rural areas own land, and yet they still live in extreme poverty --"land rich, cash poor"--. They are very attached to their land and would never consider selling it; rather their priority is leaving land to their children. Inheritance would then, in this case, transform land into cash and lead to a reduction of poverty.

**Generous remittances by Moroccan emigrants**

Money transferred by the 3.3 million Moroccans working abroad to their families and relatives constitutes a major factor in cutting poverty rates in Morocco. A large number of emigrants originate from unprivileged regions, and their transfers represent a valuable source of income for their relatives.

On average, each Moroccan emigrant sends the equivalent of $100 to his family each month.25 Migration of one or more family members represents a key household strategy for moving out of and remaining out of poverty.26 Remittances represent the equivalent of 8% of GDP, compared to 5% and less than 3% in Egypt and Syria, respectively. Over the period 2000-2009, remittances in Morocco grew by an average rate of 9.1% per year, much faster than the growth of GDP and consumption. In addition to transfers to their families, migrants often created “home town associations” and supported community development projects in their native regions.27

**Dynamic role of NGOs**

The emergence of NGOs and their active involvement in local development through a formal partnership with state and local governments contributed to Morocco’s poverty reduction. Three factors contributed to their emergence. First, the state tolerated their actions as local organizations, because they focused generally on a single-issue28 and did not enter into any confrontational politics. The stress on public resources under the structural adjustment policy has strengthened the state’s positive attitude.29 The partnership of the state and local councils with NGOs in order to provide electricity, as well as water and to contribute to literacy campaigns are examples that reflect this positive attitude. However, traditional local elite, particularly in rural areas, perceived these NGOs as potential competitors for political representation and the privileges associated. Second, the advent of a new educated elite that lost faith in radical politics, opting for reformist, non-partisan local development was important.30 The third factor was the shift of donors’ aid to non-state local actors within the new policy agenda focused on good governance,31 which made an important pool of financial resources available to NGOs. The amendment of the legal framework on associations in 2002 allowed Morocco’s NGOs to take advantage of foreign funds.32

The engagement of NGOs in local development and their interventions in the delivery of basic services contributed to alleviate poverty.33 The number of NGOs increased dramatically over the past two decades and is estimated at 40,000.34 Their fields of intervention ranged from water and electricity management, microcredit, and literacy programs, to child care arrangements and information networks. The active role of NGOs compensated for the absence of state institutions and public services in a number of shanty towns and villages.35
Despite their limited resources, case studies of NGOs show that their actions made a real difference in the lives of the local population. Besides their role in the provision of basic services, the advent of local NGOs in many villages led to the redefinition of power relations among communities, shifting from the structure of domination by the elderly males to a system more inclusive of the youth and females driven by more consultative decision making processes.36

**Limitations of Morocco’s Experience**

In the last decade, about 1.7 million Moroccans moved out of poverty. Morocco remains far from a perfect model, however. The challenge for policy-makers in Rabat is to tackle the limitations, uphold the trend and prevent those who escaped poverty from sliding back into it. First, illiteracy rates, in particular in rural areas and among females remain very high. Second, although the poverty rate dropped, inequality between the rich and the poor has not been reduced. Third, economic growth in Morocco remains volatile, mostly in the agricultural sector. Fourth, a large number of jobs offered in the economy cluster in informal and vulnerable occupations. Fifth, transfers from emigrants may slowdown in the future. Sixth, the vibrant role of civil society in local development is losing momentum as the state assumes a more centralized attitude.

**Slow progress in the development of human capital**

The impressive decline in poverty indicators in Morocco by more than 40% over the past decade has not been matched by a similar improvement in human capital. Reducing poverty without increasing people’s capabilities by educating them does not prevent them from falling back into poverty and does not guarantee better living conditions.

At the national level, adult illiteracy rate only decreased by 14% between 1998 and 2008, from 52% to 45%, as compared to 33% and 17% in Egypt and Syria, respectively. Illiteracy rates in rural areas and among females are even much higher. More than 57% of females and 63% of the adult population living in rural areas are illiterate. As a result, the UNDP ranked Morocco 130 on the Human Development Index in 2009, lagging behind most other countries in the region.

Illiteracy is not only limited to the elderly. Among the young, ages 15-24, more than 20% were illiterate at the end of 2009, 28% among females and 35% in rural areas.

The reasons behind the persistence of high illiteracy rates in Morocco differ between urban and rural areas. In the cities, one quarter of young illiterates attended school for a short period of time; they left because they failed, dropped out or were expelled by the school. The rest never attended school due to the poverty of their families, which pushed them...
prematurely into the labour market. The absence of adequate schools and facilities for disabled children is another reason that concerns one urban illiterate child out of ten. In rural areas, most young illiterates never attended school either because they lived in remote villages too far away from a school or their families were poor and could not afford to educate them. The impact of culture and traditions on the decisions regarding schooling is very marginal. When the cost of sending a child to school is too high and its future return is very uncertain, poor parents are left with no choice but to employ their children in tasks that have an immediate impact on their wellbeing. The role of the government is critical in such situations to change the incentives of the poor in favour of education.

Table 3: Adult illiteracy rate (15 and above), 1998-2008

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>66</td>
<td>60</td>
<td>57</td>
</tr>
<tr>
<td>Male</td>
<td>37</td>
<td>34</td>
<td>32</td>
</tr>
<tr>
<td>Urban</td>
<td>38</td>
<td>33</td>
<td>32</td>
</tr>
<tr>
<td>Rural</td>
<td>72</td>
<td>68</td>
<td>63</td>
</tr>
<tr>
<td>Total</td>
<td>52</td>
<td>48</td>
<td>45</td>
</tr>
</tbody>
</table>

Source: HCP, Social indicators 2008

High dropout rates are another problem undermining human capital development in Morocco with potential impacts on poverty. The net enrolment rate in secondary education does not exceed 44% at the national level. Only 16% of girls and 22% of boys, between the age of 12 and 14 and living in rural areas, continued to attend school by the end of 2009. The rest had already left the schooling system, and it is very likely that dropout rates are much higher among the poor.

The government’s policy to crack down on illiteracy remains feeble and ineffective. The number of illiterates enrolled in literacy programs amounted to 656,000 people in 2008-2009. This number has more than doubled over the past decade. Yet, it remains very low compared to the needs, which are 15 times higher. No substantial improvements in literacy can be expected in the foreseeable future with the existing adult literacy policy.

Table 4: Coverage rates of literacy programs in Morocco, 2008

<table>
<thead>
<tr>
<th>Item</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (10 and above)</td>
<td>25.4 million</td>
</tr>
<tr>
<td>Illiteracy rate (10 and above)</td>
<td>38.5%</td>
</tr>
<tr>
<td>Number of illiterate (10 and above)</td>
<td>9.8 million</td>
</tr>
<tr>
<td>Share of illiterate (more than 45 years)</td>
<td>46.4%</td>
</tr>
<tr>
<td>Number of illiterate (between 10 and 45 years)</td>
<td>5.24 million</td>
</tr>
<tr>
<td>Number of beneficiaries of literacy programs</td>
<td>0.66 million</td>
</tr>
<tr>
<td>Coverage rate of literacy programs (population between 10 and 45)</td>
<td>12.5%</td>
</tr>
<tr>
<td>Coverage rate for females</td>
<td>16.3%</td>
</tr>
<tr>
<td>Coverage rate for males</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on HCP data

Policy-makers should incorporate the findings of the 2006 survey into the design and implementation of a new literacy policy. They first need to address the issue of poor information. One out of four illiterates doesn’t know about the existence of literacy courses, and those informed could not enrol either because of the lack of literacy centres in their neighbourhoods or due to the incompatibility of their commitments with the time schedule used by literacy centres. The three factors: information, localization of centres and time schedules are related to the supply of literacy programs, and policy-makers need to review them. Moreover, demand for literacy programs is a not a major issue. Only one out of five illiterates thinks he is too old to be educated; the remaining 80% of illiterates are interested in taking part in the literacy programs.
Persistence of high inequality

The wellbeing of people is to a large extent affected by how well off they are in comparison to others. In Morocco, inequality measured by the Gini index increased between 1990 and 2001 and remained persistently high over the past decade. The gap between rich and poor is larger in Morocco compared to Egypt and Syria.

The poorest 10% of the population account for 2.7% of total consumption in Morocco, as compared to 3.9% and 3.5% in Egypt and Syria, respectively. On the other extreme, the richest 10% make up one third of total consumption in Morocco, as compared to 25% in Syria and 27.6% in Egypt.

Figure 1: Inequality in Morocco measured by the Gini Index, 1990-2007

Consumption and income inequality is not part of the story as inequality of assets’ ownership may be even worse. In Morocco, data on the distribution of agricultural land indicates that 5% of the largest farmers own one third of all the land. HCP estimates show that a 1% increase in inequality can push poverty upward by an average of 6% (9% in urban areas and 3% in rural area). Unless policy-makers put effective policies of income redistribution in place, increasing trade and financial openness of the Moroccan economy may lead to further inequality and reverse the recent decline in poverty.

High volatility of agriculture

Agriculture, which accounts for 15% of GDP and 40% of jobs, remains volatile and extremely dependent on weather conditions. Only 15% of land is irrigated; the rest is rain fed. Nearly three quarters of arable land is used for growing cereals with an average output of $250 per hectare per year. Seven out of ten farmers own on average of 2.1 hectares of land and are exposed to frequent droughts with no formal mechanisms of protection. Moroccan farmers draw on a number of drought coping strategies depending on their income groups. For wealthier households, the strategy consists of drawing down on stored grain and the sale of small stock such as sheep or goats. For poorer households, their strategy is a combination of seeking or increasing off-farm work and borrowing money. They may also sell off their cattle and rent out their land. The latter strategy may be costly in the long run and keep the poorer households from improving their financial situation. As poor households sell their assets in troubled years, they limit future productivity in income generating seasons, pushing them into a repeating cycle of poverty.

The government of Morocco grants a number of incentives in the form of subsidies and premiums, preferential taxation, credit, and border protection to support agriculture. However, most of them don’t trickle down to the poor and instead benefit mostly wealthy farmers.
Informality and vulnerability of jobs

The decline of poverty rates in Morocco over the past decade is partly the result of the contraction in the unemployment rate from 13.4% in 2000 to 9.1% in 2009 at the national level and from 21.4% to 13.8% in the cities.

However, employment opportunities over the past decade were generated mostly in services and “construction” sectors, where 50% and 27% of total jobs were created, respectively. Most of them are of low quality and concentrate in informal and vulnerable occupations. The recent informal sector survey indicates that eight out of ten jobs in services are informal compared to nearly four out of ten for non-agricultural activities.

The HCP study on poverty dynamics shows that the contribution to a household’s living standards of an extra member being employed has decreased over time and became marginal. In 1985, per capita consumption improved by 4.1% when an additional household member entered the labour force as compared to only 1.5% in 2007. The impact is negative if the additional employed member is illiterate.

In addition, three out of ten wage earners have an employment contract with their employers; the rest of workers are uncertain about their ability to keep their jobs. Over the period 2004-2008, the trend has only worsened. Only one new wage-earner out of ten has a written open-ended contract as compared to eight out of ten without any contact.

Uncertain future of transfers by emigrants

Moroccan emigrants play a prominent role in cutting poverty by remitting money to their parents and relatives. Despite their high resilience over the past decade, the long-term
sustainability of remittances should not, however, be taken for granted. First new waves of migrants are critical for supporting the continued growth of remittances, but there are increasing policy barriers on migration to Morocco’s traditional destinations. The inability, so far, of the European Union member states to develop a common migration policy have seriously impeded legal migration flows to Europe. Second, ageing of former migrants and the migration of entire families tend to slowdown remittances. New generations, born abroad, continue to remit, but less than their parents’ generation. Most of them acquire the citizenship of their hosting countries and have different consumption and remitting behaviours. Third, more educated migrants tend to remit less, using their savings to invest in real estate in their country of residence. Finally, slow economic growth, high unemployment and austerity measures to cut down public deficits in the main hosting countries in Europe are likely to negatively affect remittances.

Dominance of top-down governance

Decentralization without local governance

In Morocco, local councils, elected by the population, have legal competence in a large number of areas, ranging from urban and land-use planning, hygiene, sanitation and the environment to economic and social development. They are in charge of local public services, namely local road network, water distribution, solid waste collection, public transportation and local healthcare offices. Morocco achieved important progress in decentralization compared to most other Arab countries. Yet, it has many weaknesses that limit the benefits decentralization can generate.

The “administrative proximity”, originally motivated by reasons of security, led to creating a large number of local councils some of them lack economic and financial viability and fail to perform their obligations effectively. Some sharing of fiscal resources exists between the state and local councils. But the state controls the tax base, tax rates and tax collection. Local councils depend on the state for the largest part of their revenues. Transferred state taxes account for 57% of local fiscal resources, 70 and 40% for urban and rural councils respectively. Their capacity to collect fiscal revenues is very limited, and taxes devolved to them have poor returns. Local councils can plan and draft their budgets but need approval from state representatives before implementation. Local councils’ staff represents the equivalent of 25% of total civil servants; however most of them are ill-equipped and fail to perform their tasks adequately. Moreover, clientelism has been a key factor in recruitments. Wages paid by local councils to their staff are significantly lower than those prevailing in the central government. This situation has led to frequent strikes in local councils with negative ramifications for the population.

From a governance point of view, decentralization in Morocco is mainly about local councils having some resources and responsibilities and being supervised by the central government from above. The culture of participation and advocacy is underdeveloped due to lack of proper bottom-up accountability tools. Mechanisms of transparency and accountability need to be reinforced to ensure that the benefits of decentralization flow to the population and are not hijacked by the local elite.

Re-centralization is not the solution

Since 2005, Moroccan authorities have put forward the National Initiative for Human Development (NIHD), often presented as the core strategy for fighting poverty and exclusion in Morocco. While the objectives of the NIHD have many merits, its design and implementation evolve against the decentralization trend and indicate some re-centralization of local development.
First, one of the key objectives of the NIHD is to promote the capacity and power of local councils and to support the decentralization trend. In practice, however, the state dominates the design of projects, their implementation, as well as their funding. In a recent survey conducted by Morocco’s Observatory for Human Development (MOHD), international donors and organizations interviewed pointed out that the NIHD runs the risk of impeding the process of decentralization instead of enhancing it.54

The state carried out and provided finance for most projects, and the involvement of elected councils has been very limited. Urban councils, endowed with a stronger financial base, participated by less than 10% of the projects’ value compared to 23% for their rural counterparts. The weak contribution of local councils raises the issue of sense of ownership and threatens the sustainability of projects beyond the NIHD term fixed for end of 2010. There seems to be no rationale behind the scantly local councils’ participation in the NIHD. Out of 29 urban localities that most benefited from NIHD, local councils have no contribution in 17 cases. Paradoxically, budget considerations don’t explain the meagre involvement of local councils in financing NIHD projects. By the end of 2009, local councils accumulated more than $2 billion surplus, which is the equivalent of 44% of their annual budget and 170% of the NIHD budget. Lack of technical and managerial capabilities explain this substantial underutilization of local financial resources.

Table 5: Selected indicators of local councils’ budget in billion DH, 2009

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available resources</td>
<td>43.7</td>
</tr>
<tr>
<td>Budgeted total spending</td>
<td>36.7</td>
</tr>
<tr>
<td>Actual total spending</td>
<td>24.5</td>
</tr>
<tr>
<td>Budgeted investment</td>
<td>19.6</td>
</tr>
<tr>
<td>Actual investment</td>
<td>9.5</td>
</tr>
<tr>
<td>Total surplus</td>
<td>19.2</td>
</tr>
<tr>
<td>Share of total surplus in the budget</td>
<td>44%</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance, Monthly bulletin of local finance (December 2009)

Second, NIHD projects benefit from special administrative treatment. They are subjected to simplified procedures to accelerate their implementation and enjoy state apparatus support at all levels. While these arrangements provide a strong advantage to NIHD projects, they have adverse effects on other projects and activities at the state as well as the local levels. If the standard procedures are cumbersome and inadequate, policy-makers need to amend them instead of creating an artificial discrimination between NIHD and non-NIHD projects.

Third, the vibrant dynamics of NGOs in contributing to local development has been losing momentum over the last few years. Local NGO participation in the NIHD’s Provincial Committees, in charge of project approval and follow-up, is very limited and when involved they only have the status of observers. In local councils,55 the president of the local council, jointly with the local authority, select NGOs to be involved. In rural areas, where the number of NGOs is very low, heads of local councils tend to monopolize NGO seats for their own organizations. In the cities, advocacy and development oriented NGOs are often excluded in favour of co-opted NGOs, some of them created with the single purpose of benefiting from state grants. Other more established associations are involved in NIHD projects as mere contracting bureaucratic agents for the state. The dynamics that emerged with the NIHD has had perverse effects on NGOs’ contribution to poverty reduction and their ability to advocate on behalf of their constituencies.
Lessons and Policy Options

Morocco has made notable progress in fighting poverty and deprivation over the past decade. Both state and non-state actors contributed to this achievement. But Morocco’s experience is far from a perfect model. It has its own limitations. Policy-makers in Rabat need to rethink their poverty reduction strategy. The human development dimension, although present in their discourse, needs to be effectively reflected as a priority. They should build their strategy on four key pillars. First, eradicating illiteracy must become a national priority. Reaching this objective requires that policy-makers allocate more human and financial resources to adult literacy programs. It also entails that they grant incentives to poor families to educate their children. Second, policy-makers should reinforce redistribution policies to reduce inequality and exclusion. They need to implement more progressive taxation policy and better target public spending to the poor. Third, decision-makers need to think beyond reducing poverty by providing incentives for informal entrepreneurs to join the formal economy and comply with fiscal and social obligations. This requires simplifying procedures of establishing formal businesses and easing access to credits, training programs, and information on market opportunities. Fourth, decision-makers should strengthen political and fiscal decentralization and increase the participation of non-state actors - local elected councils and civil society organizations- in shaping and implementing local development policies.

Expand capabilities

The ultimate objective of development is to improve human lives by expanding the range of things that a person can be and do. Illiteracy is without doubt a major obstacle to what a person can do in life, and literacy has a long-lasting ripple reward on wellbeing. In Morocco, a 1% increase in the proportion of adult literacy leads to a 9% increase in per capita consumption. High illiteracy rates represent a tremendous loss of human potential and undermine Morocco’s chances of overcoming development obstacles.

Revisit adult literacy and make it a national priority

Less than 10% of adult illiterates have access today to literacy courses. The government needs to allocate more human and financial resources to adult literacy strategy, increase its efficiency and extend its coverage. Closer partnership with a thriving NGOs landscape is a valuable asset that policy-makers need to make the best use of.

Policy-makers need to remove barriers to participation in literacy programs and adapt their content and time schedules to fit the needs and desires of recipients. They should also decentralize literacy policy and unlock it to innovative, flexible and responsive approaches and practices. Literacy can, for instance, be offered as a component of a package of services such as access to credit to start or expand a business, or as part of training and technical advice to small entrepreneurs. Appropriate incentives need to be granted to private employers, who today are reluctant to educate their illiterate employees. Policy-makers also need to assess the outcome of literacy programs and develop accountability measures. They can create positive competition among regions and localities in achieving literacy targets. Finally, building on their success in cutting poverty, policy-makers can claim stronger support from international donors and organizations to address the issue of illiteracy.

Ensure basic education for all children and prevent dropouts

In Morocco, the constitution stipulates that basic education is free and mandatory for all
children through the sixth grade. In practice, however, many children do not attend school or drop out at early stages. Poverty and remoteness limit educational opportunities due to demand on children's labour, low levels of parental education and lack of any public support. Policy-makers need to take action and improve the supply of education by building schools in far-isolated villages, and reward teachers who accept to work in them. Policy-makers also need to offer incentives to poor families to keep their children in the schooling system. Morocco needs to adopt an operational system of "conditional cash transfers" (CCTs). Such schemes allocate cash to poor families on the condition that they educate their children, which require the child's enrolment at school, a fair level of attendance and most likely achievement of some level of performance. CCTs represent a balanced combination of social assistance and human capital formation. In the absence of such transfers, children in poor families will stay out of school or leave it prematurely, which is individually and socially undesirable.

Reduce inequality and promote inclusiveness

Morocco did well in reducing poverty over the past decade. Inequality, however, remained persistently high. Policy-makers need to reinforce public redistributive policies to cut down inequalities among individuals and territories. They should implement a more progressive taxation system and collect higher taxes on property and wealth. Policy-makers need to amend the full tax exemption of the agricultural sector that is granted regardless of the size of the business and the income it generates. This exemption, in force since the mid-1980s, is socially unfair and economically inefficient. Government subsidies granted to agriculture today relate to investments that only large farmers can afford. These subsidies hardly benefit small farmers, who are most vulnerable to weather conditions and are most in need of the government's support.

Finally, public spending on education, healthcare, basic infrastructure and consumption subsidies benefits urban areas and the better-off much more than the poor. Policy-makers must reform the existing policies and channel more resources to rural areas and poor households.

Remove barriers to formality and improve business environment

The informal sector plays a key role in job creation, income generation, poverty alleviation and contributes to social stability. But on the other hand, it is accused of evading taxes, violating regulations and exerting unfair competition in the modern sector.

The rise of the informal economy in Morocco is fuelled by an institutional infrastructure that makes it difficult for small-sized entrepreneurs to formalize their businesses. They produce legitimate goods and services but lack the resources and knowledge to comply with regulations. Policy-makers should provide the right incentives to informal entrepreneurs to join the formal and modern economy. This requires revisiting regulations that inhibit small-sized enterprises by simplifying registration procedures and reducing the social and fiscal costs of formality.

Complex regulations are only part of the issue. The state loses tax revenues when small businesses are not registered, but informality has its cost for small businesses in the form of rents paid to fraudulent officials. Rent-seeking officials and their agents, who extract kickbacks from unregistered businesses for services or protection, gain from a flourishing informal economy. If the authorities don’t improve the quality of administration and put an end to bribery, small entrepreneurs are likely to remain informal.

The informal sector has no formal representation, and no party is in charge of advocating its
interests. NGOs, through advocacy, can bring the informal sector issue into the public spotlight and play a significant role in influencing public policy agenda in favour of a friendly business environment for micro and small-sized enterprises. They can do so by raising awareness among policy-makers on the vital role of an effective and transparent administration in supporting the process of formalization. They should also educate small entrepreneurs on business and labour regulations.

**Strengthen decentralization and the effective participation of civil society**

Decentralization is a key component of good governance as it provides an enabling environment in which decision making and service delivery are brought closer to the people they impact. Policy-makers in Morocco need to set rules and mechanisms to increase local councils’ transparency and accountability to their voters and ensure that the decentralization gains are not seized by the local elite. To strengthen decentralization, fiscal resources need to be transferred to local councils, which must have their own legal setup for local tax collection.

Local elected councils need highly skilled and motivated staff in order for services to be delivered efficiently and effectively. Ill-equipped and poorly paid support staff undermines local councils’ reputation and presents a negative image of what decentralization can offer to people. Local councils should invest in building the capacity of their staff and ensure that they acquire the necessary technical and managerial capabilities.

NGOs can boost participation and promote transparency and accountability, but their subordination to the local authorities for their existence and operations significantly limit their margins. Amendments to the legal framework on NGOs, although positive, have limited impacts. Discrepancy exists between the legal provisions and prevailing practices. Policy-makers need to ensure that provisions that grant more space and freedom for associations are enforced. The empowerment of NGOs can make them more effective in the advocacy and delivery of social services and provide local councils with an effective partner for development.

NGOs need to preserve their independence in order to have a distinctive contribution to development and good governance. They need to rethink their relationship with the central and local governments and focus on their advocacy role. NGOs should develop sectoral or national federative structures for pooling resources and expanding influence. The creation of a large number of small associations, although useful in dealing with local issues, is detrimental to their capacity to advocate at the national level.

Donors and international organizations should focus on developing advocacy skills of NGOs and building their capacity to formulate and promote innovative ideas and policies.
### APPENDIX

**Detailed information on incentives granted to agriculture in Morocco**

<table>
<thead>
<tr>
<th>Description of operations</th>
<th>Amount of subsidy granted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hydro-agricultural and farm property improvements:</strong></td>
<td></td>
</tr>
<tr>
<td>Sprinkling (for certain geographical areas only)</td>
<td>650 DH/ha</td>
</tr>
<tr>
<td>Localized Irrigation equipment</td>
<td>2,000 DH/ha</td>
</tr>
<tr>
<td>Laser levelling (for certain geographical areas only)</td>
<td>400 DH/ha</td>
</tr>
<tr>
<td><strong>Purchase of arable and livestock farming equipment:</strong></td>
<td></td>
</tr>
<tr>
<td>Tractors (horsepower &lt; 40 HP)</td>
<td>5,000 DH/unit</td>
</tr>
<tr>
<td>Tractors (horsepower ≥ 40 HP)</td>
<td>20,000 DH/unit for individuals</td>
</tr>
<tr>
<td>Mixers and rollers</td>
<td>12,000 DH/unit</td>
</tr>
<tr>
<td>Milking cans and trolleys</td>
<td>5,000 DH/unit</td>
</tr>
<tr>
<td>Milk tanks</td>
<td>8,000 DH/unit</td>
</tr>
<tr>
<td>Hives</td>
<td>120 DH/unit</td>
</tr>
<tr>
<td><strong>Fruit growing:</strong></td>
<td></td>
</tr>
<tr>
<td>Citrus fruit (for farmers using certified plants)</td>
<td>7,800 DH/ha.</td>
</tr>
<tr>
<td>Olive trees, rain-fed</td>
<td>1,800 DH/ha.</td>
</tr>
<tr>
<td>Olive trees, irrigated</td>
<td>2,600 DH/ha.</td>
</tr>
<tr>
<td>Date palm</td>
<td>Distribution of date palm vitro plants free of charge</td>
</tr>
<tr>
<td><strong>Value added for agricultural products:</strong></td>
<td></td>
</tr>
<tr>
<td>Construction and equipment of cold storage units</td>
<td></td>
</tr>
<tr>
<td>Not linked to port activities with a capacity from 500 to 5000 m³</td>
<td>150 DH/m³</td>
</tr>
<tr>
<td>Not linked to port activities, with a capacity less than 1000 t</td>
<td>150 DH/t</td>
</tr>
<tr>
<td>From 1,000 to 5,000 t</td>
<td>100 DH/t</td>
</tr>
<tr>
<td>Construction and equipment of fruit and vegetable packaging units</td>
<td></td>
</tr>
<tr>
<td>with a capacity of 2 to 4 t/hour</td>
<td>200,000 DH/t/h</td>
</tr>
<tr>
<td>more than 4 t/hour</td>
<td>140,000 DH/t/h</td>
</tr>
<tr>
<td>Construction and equipment of olive crushing units:</td>
<td></td>
</tr>
<tr>
<td>with a capacity of less than 50 t/day</td>
<td>5,000 DH/t./d.</td>
</tr>
<tr>
<td>from 50 to 100 t/day</td>
<td>3,500 DH/t./d.</td>
</tr>
</tbody>
</table>

Source: Ministry of Agriculture, Rural Development  
Survey: West Bank and Gaza Strip, Occupied Palestinian Territory

### Endnotes

1. I would like to thank Noha El-Mikawy, Mohammad Pournik and Paul Salem for their very useful comments on an earlier draft of this paper. Many thanks are also extended to participants to the event organized by Carnegie Middle East Center (CMEC) on July 29, 2010.

2. A person is considered “poor” if their consumption expenditure falls below the national poverty line. Poverty lines are made up of two components: (i) a food poverty line, which corresponds to the cost of a bundle of goods attaining a pre-determined minimum food energy requirement and (ii) an allowance for basic non-food goods. The exact level of both components usually varies from one country to another.

3. We are using the threshold of US $ 1 since it is used as one of the Millennium Developments Goals (MDGs), although it does not have much relevance in the case of Morocco. On the basis of this measure, there is simply very little poor in Morocco.

4. The most recent figure provided by the HCP is 1.08% for the period 2007-2008.

5. HCP 2008

6. Dependency ratio is the ratio of the economically dependent population to the working age population.
MDG report Morocco (2010). 43.4% is the share of households with access to water provided by public network.


MDG Report Morocco (2010). In some villages, however, some households are not connected to water and electricity as they cannot afford to regularly pay for them.

Special aids have, since 2001, been allocated by the state to rural communities underequipped and financially unable to meet their commitments under those infrastructure programs.

For instance, under PAGER and PERG all beneficiaries had to pay the same amount regardless of their income level. The absence of any formula that lessens the burden of access to water and electricity fees delayed these programs in some cases.

In Morocco, the process of decentralization went through different steps as laws and regulatory provisions have been passed to expand prerogatives and resources of local governments. The first Communal Charter dates back to 1960, replaced by Communal Charter of 1976. The later was amended in 1992 and 2002 (Law 78-00) before a new Communal Charter was adopted in 2009 (Law 17-08). One of the main pillars of the last charter is to provide local councils with margins and tools for an adequate financial base to cope with responsibilities devolved them by the state. There are three tiers of local government in Morocco: the Region (16), Province and prefecture (45 and 26) and Councils that can be either urban (249) or rural (1298). Total spending of all local governments represent the equivalent of 13% of the state budget. The total amount is shared as follows: regions 3%, provinces and prefectures 11%, rural councils 23% and urban councils 63%. Tax resources available to local governments are generated from two sources: taxes transferred from the state (30% of national VAT) and local taxes that are either collected by the state or by their own means. In 2009, transferred state taxes account for 57% of local fiscal resources (70% for rural communities and 40% for urban communities).

There is evidence that access to water and electricity and improved rural roads led to higher land prices with substantial wealth effect on the rural population.

Higher tax compliance allowed the government to reduce tax rates while increasing tax revenues. For personal income tax, which is a progressive tax, the highest marginal rate decreased from 44% in early 2000 to 38% in 2010. Corporate tax was set to 30% of profits in 2010 down from 35%. The share of direct taxes grew from 36% to 50% of fiscal revenues between 2000 and 2008 at the expense of international and local indirect taxes.

For instance, Hassan II Fund contributed in financing the Highway program with the objective of achieving 1500 km by 2010. The fund provided 12.3% of the investment cost, the state budget covered 9.7% and the rest (78%) was financed by loans.

FOGARIM is part of the government’s policy designed to promote social housing, to secure bank loans granted on preferential terms to low and seasonal income groups, for the purchase or the construction of social housing.

http://www.finances.gov.ma/portal/page?_pageid=93,17878110&_dad=portal&_schema=PORTAL

The government also granted tax incentive to entrepreneurs who offer “social housing” targeting low income families at a maximum of $ 16,000.

The law stipulates that only non-profit organizations can undertake microcredit activities defined by the 2000 law as the provision of credit for productive purposes to the poor. Recent amendments expanded the definition to include loans to purchase, build, or renovate a house by a low income person as well as loans to provide households with water or electricity. The loan ceiling is now set at 50,000 Moroccan Dirham ($5500 USD). Morocco has 13 licensed Micro Finance Institutions (MFIs). MFIs enjoy a variety of fiscal privileges, including tax exemptions for five years following licensing and the ability to raise capital from donations or any form of borrowing except deposits from the general public. MFIs are regulated by the Ministry of Finance and subjected to the Central Bank supervision. Some of them are also rated by international rating agencies.

Adam Smith in “The Wealth of Nations” wrote, “Money, says the proverb, makes money. When you have got a little, it is often easy to get more. The great difficulty is to get that little”.

World Bank 2007


World Bank 2007

Lacroix 2005

Examples of single-issue are: Electricity, water provision, water management for agricultural use, and literacy. In practice NGOs activities are more diversified.

In his book, Civil Society and Political Change in Morocco (2007), James N. Sater explains that the government gave space to new associations because they defused politics with their single issue approach and took away the challenge to the regime’s power.

Catusse 2002

Clayton et al. 2000. The idea behind it is that a strong civil society is expected to demand a democratically accountable and transparent state and lead to good governance.

The legal framework on association of 1958 was amended in 2002. Article 6 stipulates that any association regularly established can take advantage and manage public subsidies, private sector aid as well as funds from...
foreign organizations, subject to a number of accounting and reporting rules. In particular, associations that receive foreign funds must notify the government within 30 days and can be audited by the Ministry of Finance.

In his speech on July 30, 2000, the King Mohammed VI greeted the efficient role played by civil society involved in poverty reduction, environmental protection and literacy campaigns. He recommended that public authorities, local elected councils and private actors engage in all forms of partnership to support civil society action.

Detailed information on more than 6000 development NGOs are on the website: [http://www.tanmia.ma](http://www.tanmia.ma)


Under the traditional form of associations, a group of elders, exclusively males, makes decisions on behalf of the village.

MDG report Morocco (2010), p 28. The same report indicates that the net enrollment rate for children between 6 and 11 years amounted to 90% for the year 2008/09, meaning that 10% of children were out of school.

Based on the 2006 survey carried out by Morocco’s Ministry of Education

Poor families are more affected by dropouts as can be understood from the 2006 survey.

The number of people enrolled in literacy programs overestimates the number that becomes effectively literate, due to dropouts.

If literacy programs had to cover illiterates between 10 and 45 years of age, the coverage rate of literacy programs stands now at 12.5% – 16.3% for females and 5% for males.

This idea was highlighted in the 2008 report on Human development released in June 2009 that indicates: “The poor in urban areas are not only excluded but constantly confronted by a mode of life to which they do not have access” page 6.

Gini index is a measure of inequality. Its value ranges between 0 and 1. The value 0 means perfect equality and value of 1 indicates full inequality with one person having all income.

Data on the distribution of land from the Agricultural census of 1996

The document of Morocco’s Green Plan mentions that each hectare generates 2000 Moroccan Dirham.

Subsidies are granted for improvement of agricultural land, purchase of agricultural equipment, and providing value added for agricultural products. In 2009, agricultural subsidies in the State budget amounted to DH 1.5 billion. Export subsidies are granted for fruit, vegetables, cut flowers and ornamental plants exported by air. Agricultural earnings are exempt from all taxation until 2013. Loans for farm equipment are granted at 5% for short-term and 5.5% for medium and long-term. Agriculture is the most heavily protected sector in Morocco with an average tariff of 29%, and rates that range from 2.5% on most agricultural equipment to more than 300% on live sheep and goats and their meat.

There is no detailed analysis on who benefits from government incentives. However, most of the subsidies are on investments and equipments that poor farmers cannot afford. A detailed table of subsidies is presented in the appendix.

Achy 2010

HCP 2007


NIHD local councils include a maximum of 15 members: one third representing locally elected members, one third state services at the provincial level and one third representing NGOs. Local committees have a marginal role and don’t exist in many rural localities. The 2008 report on Human development explains this situation by the lack of incentives and technical capabilities.


Sen 1989, 19: 41 – 58
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