

# Carnegie PAPERS

## Morocco's Experience With Poverty Reduction

Lessons for the Arab  
World

Lahcen Achy

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*In the last decade, about  
1.7 million Moroccans  
have moved out of  
poverty. The challenge  
now is to sustain this  
positive trend.*

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# Contents

- Summary** **1**
  
- The Country’s Poverty Dynamics** **2**
  
- Factors Underlying the Decline in Poverty** **3**
  - Slowing of Population Growth 3
  - Economic Growth and Macroeconomic Stability 4
  - Intensive Public Investments in the Social Sectors 4
  - Tax Collection Efficiency and the Strategic Use of Privatization  
Revenues 7
  - More Access to Finance by Enterprises and Individuals 8
  - Generous Remittances by Moroccan Emigrants 9
  - Dynamic Role of NGOs 9
  
- The Limits of Morocco’s Experience** **10**
  - Slow Progress in Human Capital 11
  - Persistence of High Inequality 13
  - High Volatility of Agriculture 13
  - Concentration of Informal and Vulnerable Jobs 14
  - Uncertain Future of Remittances 15
  - Dominance of Top-Down Governance 16
  
- Lessons and Policy Options** **18**
  - Expanding Capabilities 19
  - Reducing Inequality and Promoting Inclusiveness 20
  - Removing Barriers to Formalizing and Improving  
the Business Environment 21
  - Strengthening Decentralization and the Effective Participation  
of Civil Society 21
  
- Conclusion** **22**

<b>Appendix: Detailed Information on Incentives Given to Agriculture in Morocco</b>	<b>23</b>
<b>Notes</b>	<b>25</b>
<b>About the Author</b>	<b>31</b>
<b>Carnegie Middle East Center</b>	<b>32</b>

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## Summary

Morocco has made remarkable progress reducing poverty over the last decade. Today, less than 9 percent of its population is considered poor, compared with 16.2 percent a decade ago—a notable achievement for a country of 32 million people that lacks significant natural resources. This trend deserves closer examination to understand the reasons for the drop in poverty and identify policy lessons for other countries both in and outside the region. Morocco's declining poverty rests on seven factors:

- Fertility dropped from 5.5 to 2.3 children per adult woman during the past three decades. The slower population growth helps relieve pressure on household budgets and public spending and provides more resources for investments in infrastructure.
- In the last decade, Morocco achieved higher economic growth than it did in the 1990s, while preserving its economic stability and keeping inflation under control.
- The state invested intensively in basic infrastructure programs—an expansion of the drinking water supply, the electricity network, and the road system—that improved overall well-being.
- Public investments in infrastructure would not have been possible without stable tax revenues based on far-reaching fiscal reforms and wise use of privatization revenues.
- Credit extension by banks and microcredit associations expanded in recent years, helping to lift liquidity constraints on individuals and firms. Microcredit benefited people in small, isolated villages, reducing rural poverty.
- Remittances played a prominent role in reducing poverty. Some emigrants also supported socioeconomic projects in their native regions, contributing to better living conditions.
- The active participation of nongovernmental organizations in local development contributed to helping people move out of poverty.

With these seven factors, approximately 1.7 million Moroccans have moved out of poverty in the last decade. But challenges remain. Morocco is still faced with high illiteracy, inequality, volatile economic growth, informal and

vulnerable jobs, and the uncertain levels of future remittances. Additionally, the state is adopting a more centralized approach that is threatening the role civil society can play. Now the challenge for Morocco is to sustain its positive trend and overcome continuing challenges.

Policy makers must review the country's approach for alleviating poverty and take greater advantage of existing strengths to reach a broader spectrum of the population. Morocco needs to rebuild its strategy based on four key pillars:

- Building its human capital by making the eradication of illiteracy a national priority.
- Reducing inequality through more progressive taxes and better-targeted public spending.
- Improving the business environment and liberalizing the economy so informal entrepreneurs can be integrated into the formal economy.
- Strengthening political and fiscal decentralization and increasing the participation of local elected councils and civil society organizations.

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## The Country's Poverty Dynamics

The poverty rate in Morocco has decreased by more than 40 percent during the last decade. On the basis of the national poverty line, less than 9 percent of the Moroccan population qualifies as "poor," compared with 16.2 percent a decade ago.<sup>1</sup> In the cities, less than 5 percent of the population remains poor, down from 9.5 percent a decade ago. The most remarkable progress Morocco

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achieved, however, was cutting the rural poverty rate from 25 to 14 percent during the decade. Rural areas encompass 43 percent of Morocco's population and seven out of ten poor people.

International measures of poverty—namely, the proportion of the population living on less than \$1 or \$2 a day—confirms poverty trends in Morocco.<sup>2</sup> The proportion of the population living on less than \$1 per day decreased to less than 1 percent from 2 percent a decade ago. The proportion of individuals living on less than \$2 per day dropped from 20 to 8 percent at the national level and from 34 to 14 percent in rural areas (table 1). 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**

Indicator	Level	1990	1999	2001	2007	2008
Poverty rate based on national poverty line (percent)	National	13.1	16.2	15.3	8.9	8.8
	Urban	7.6	9.5	7.6	4.8	4.7
	Rural	18.0	24.1	25.1	14.4	14.2
Share of population living on less than \$1 per day in PPP	National	3.5	—	2.0	0.6	0.56
	Urban	1.2	—	0.3	0.1	0.07
	Rural	5.7	—	4.0	1.2	1.2
Share of population living on less than \$2 per day in PPP	National	30.4	—	20.2	8.2	8.1
	Urban	13.3	—	8.7	3.6	3.4
	Rural	24.5	—	34.2	14.3	14.2

Note: PPP = purchasing power parity.

Source: High Commissariat of Planning, *MDG Report Morocco* (Rabat: Haut Commissariat of Planning, 2010)

## Factors Underlying the Decline in Poverty

There have been seven main factors underlying the decline in poverty in Morocco: a slowing of population growth, economic growth and macroeconomic stability, intensive public investments in the social sectors, tax collection efficiency and the strategic use of privatization revenues, more access to finance by enterprises and individuals, generous remittances by Moroccan emigrants, and the dynamic role of nongovernmental organizations (NGOs). It is useful to consider briefly each one.

### The Slowing of Population Growth

The demographic factor of Morocco's slowing population growth has played an important role in poverty reduction. It 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 rate is estimated at 1.7 percent during the past three decades,<sup>3</sup> when this rate was 2.15 percent in Egypt and 3.08 percent in Syria. If Morocco's population, for instance, had grown at the same rate as Egypt's, it would exceed 36 million today.

Better access to education and fewer opportunities in the labor market delayed the average age of marriage, particularly in the cities, and slowed down population growth. The age of marriage increased from 28 to 32 years, on average, for males and from 23 to 27 years for females during 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—and to 2.05 in the cities and 3.06 in rural areas.<sup>4</sup>

The share of total population under fifteen years of age declined from 42.5 percent in the early 1980s to 28 percent by 2008. In comparison, the youth population continues to account for 32 percent of the total population in Egypt and almost 35 percent in Syria. As a result, the dependency ratio—the ratio of the non-working segment of a population to the working segment—substantially decreased in Morocco,<sup>5</sup> from 87 in 1980 to 50 by the end of 2009, as compared with 58 in Egypt and 61 in Syria.<sup>6</sup>

### **Economic Growth and Macroeconomic Stability**

Economic growth is a key factor in coping with poverty and a necessary condition for achieving better living conditions. The Moroccan High Commissariat of Planning (HCP) has pointed out that per capita economic growth of 1 percent reduces the poverty rate by 2.9 percent. The impact appears higher for urban areas, with a 3.6 percent reduction in poverty, as compared with a 2.7 percent reduction for rural areas.

Morocco boasted relatively impressive per capita growth in gross domestic product (GDP) during the period 2000–2009, with an average of 3.6 percent per year, compared with no more than 1.1 percent during the 1990s. This performance was achieved thanks to an acceleration of economic growth, which went up, on average, from 2.2 to 5 percent, compounded by a sharp decline in population growth.

Morocco has also managed to keep its inflation rate under control, despite the high volatility of oil and foodstuff prices on international markets. Its inflation rate decreased to an average of 2 percent during the period 2000–2009, as compared with 4.5 percent during the 1990s. And it significantly reduced the share of its external debt relative to GDP, from 79 percent in 1999 to about 14 percent by the end of 2009.

### **Intensive Public Investments in the Social Sectors**

For decades after Morocco achieved independence, its policy makers provided free education and health care and affordable access to basic food products without distinction between the rich and poor. This universal provision of public services had its limits, however. First, the state budget was unable to keep up with the needs magnified by excessive population growth in the 1970s and 1980s. Second, the distribution of public spending was very unbalanced. Three-quarters of this spending benefited urban areas.<sup>7</sup> In the meantime, half of Morocco's population and three-quarters of the poor lived in rural areas. Third, the better-off groups benefited more than the poor from public spending. Fourth, the excessive centralization of administration translated into costly and inappropriate investments in the social sectors.



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

### *The Shift From Universal to Targeted Public Spending*

Targeted public assistance—namely, public works and food aid to poor families and orphans—has existed in Morocco since the 1960s but was extremely marginal. Policy makers allocated less than 1 percent of GDP for targeted programs, out of a budget of 12.5 percent of GDP, on average, allocated to social policies.<sup>8</sup>

The Social Priority Program was the major initiative reflecting the shift from universal to targeted public spending in Morocco. This program was designed by the authorities jointly with the World Bank in 1996 using geographical targeting of poverty, and thus it focused on the fourteen poorest provinces. These provinces benefited from an integrated set of projects concerned with basic education, health care, social assistance, and the creation of jobs.

### *The Shift From State Centralization to the Involvement of Local Partners*

Morocco's basic infrastructure programs for rural areas—targeting the drinking water supply, electricity networks, and the road system—are an outstanding example of how to create a close partnership among the state, local councils, and civil society.

The drinking water program, known as PAGER,<sup>9</sup> which has been built on a partnership approach, involves the state in providing equipment and handing over management and maintenance to recipients. The state ensures 80 percent of investment costs. The local councils and recipients finance 15 and 5 percent, respectively. At the 1994 launch date of PAGER, only 14 percent of the rural population had access to drinkable water. By 2009, the access rate increased to 43.4 percent.<sup>10</sup> This achievement, although below expectations, has improved health conditions and increased access to education, particularly for girls, who previously often had to spend much time bringing water from wells kilometers away from their homes. PAGER has reduced this time allocated to searching for water by 50 to 90 percent and has thus freed females for schooling and income-generating activities.<sup>11</sup>

Policy makers have also developed a large-scale program of electricity provision, known as PERG,<sup>12</sup> with the objective of achieving full access to electricity

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by 2008. In terms of financing, the state covers 55 percent of the cost of connecting to electricity networks, and local councils and recipients finance 20 and 25 percent, respectively. Recipients pay their share in installments over seven years, free of interest. The country's electrification rate has risen from 18 percent in 1995, when PERG began to be implemented, to 55 percent in 2002 and to 84 percent in 2009.<sup>13</sup> Rural electrification has allowed greater access to information and has created opportunities for individuals and small businesses.

The construction of rural roads, under the program known as PNRR,<sup>14</sup> has created opportunities for transporting people and goods. These roads have brought markets within closer reach to sell agricultural produce, have allowed people to commute to work, and have provided better access to health care and education. The state covers 85 percent of the costs of rural roads, with the rest financed by the local councils. During PNRR's first phase, 1,000 kilometers of rural roads were built per year, which increased the access rate from 36 percent in 1995 to 54 percent in 2005. The objective of the second phase, launched in 2005, is to build 2,000 kilometers of roads each year.

The rural infrastructure program represents a successful partnership among the state, rural councils,<sup>15</sup> and recipients. The state designed the program,<sup>16</sup> and local partners have taken part in the co-financing. This decentralization of fiscal resources has facilitated the engagement of local councils.<sup>17</sup> And the partnership has improved people's overall well-being, even in poor and remote communities.<sup>18</sup>

### *High State-Level Engagement in the Poverty Reduction Strategy*

The personal engagement of Morocco's king in the country's poverty reduction strategy, known as the National Initiative for Human Development (NIHD), has provided strong political support for this effort to fight poverty since it began in 2005. The key motivation for the king's initiative is the need for an effective social strategy targeted toward the poorest urban and rural localities.

Despite the amount of money allocated to social programs in Morocco, with the shift to more targeting and the involvement of local councils and recipients, the assistance has failed to trickle down to the poorest segments of the population, and there are wide disparities within and among regions.

The budget for the NIHD, which amounted to DH<sup>19</sup> 10 billion during the period 2005–2010, was shared equally among four programs: two targeted (one on urban exclusion, and the other on rural poverty), and two non-targeted (a cross-cutting program and a vulnerability reduction program). For targeted programs, about 400 rural localities with poverty rates higher than 30 percent

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were selected using an HCP poverty map. Their populations total 3.7 million—28 percent of the country’s rural population. The share of the poor represents 35 percent in targeted rural localities. In the cities, the targeting process was ad hoc. The urban population covered by NIHD amounted to 4 million people, of whom 32 percent are poor.

By the end of 2008, the spending triggered by the NIHD totaled DH 9.2 billion, of which 59 percent was from the NIHD budget with the rest supplied through a leveraging mechanism (table 2). Out of this total, 61 percent of resources were allocated to cities and 39 percent to rural areas.

### Tax Collection Efficiency and the Strategic Use of Privatization Revenues

Public investments and large-scale infrastructure programs would not have been possible without sizable financial resources. Public investments in the social sectors grew at an average rate of 8 percent per year during the period 2000–2009. Two factors contributed to this growth.

First, Morocco began to reform its tax system in the 1980s by rationalizing exemptions and reinforcing tax administration. This reform led to higher tax compliance and a significant increase in tax revenues. On average, tax revenues have increased by 8 percent per year during the past decade, and they rose annually by more than 15 percent from 2004 to 2008.<sup>20</sup> Tax revenues now account for 24 percent of GDP, compared with 22 percent in Tunisia, 19 percent in Jordan, 15 percent in Egypt, and 11 percent in Syria.

Second, in 2001 the Moroccan authorities created the special Hassan II Fund, to which half of any privatization revenues are automatically channeled. By 2009, the fund had accumulated more than \$4 billion and had contributed to the financing<sup>21</sup> of more than \$27 billion worth of public investments.<sup>22</sup>

**Table 2. Allocation of Resources Among NIHD Programs, as of the End of 2008**

Programs		Budget in DH billion	Share Covered by NIHD (%)	Weight of the Program (%)	Share of Urban (%)	Share of Rural (%)
Targeted Programs						
Program 1	Social exclusion	3.1	45.7	34.1	97	3
Program 2	Rural poverty	1.8	74.0	19.6	0	100
Non-targeted programs						
Program 3	Vulnerability	1.8	69.7	19.2	79	21
Program 4	Cross-cutting	2.5	56.2	27.1	45	55
All NIHD Programs		9.2	59.0	100	61	39

Source: Author’s calculations based on 2009 MOHD data

### **More Access to Finance by Enterprises and Individuals**

The credit extended by the banking sector, as well as by microcredit associations, has expanded rapidly during the past decade in Morocco. This strong credit extension has lifted credit constraints on small enterprises and microenterprises as well as poor households, contributing to the creation of more jobs and indirectly reducing poverty.

#### *Strong Expansion of Banking Credit*

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

In 2005, the state established a special guarantee fund, known as FOGARIM, to mitigate the risk taken by bankers in dealing with low-income and informal workers in order to allow them to gain access to housing loans.<sup>23</sup> More than 40,000 households have benefited from this program. Although this number remains low in relative terms, it has 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 for small “informal entrepreneurs” who were ineligible for bank credit. These loans have boomed since the adoption of the microfinance law in 2000.<sup>24</sup> The total amount of outstanding loans in 2008 was almost \$1 billion, more than ten times that in 2003. And the number of microcredit loan recipients increased from 300,000 to 1.3 million between 2003 and 2008. During the same period, the average loan per customer rose from less than \$200 to \$500, allowing a number of poor households to overcome financial barriers and start or expand a small business.<sup>25</sup>

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

### *Important Role of Inheritance*

Besides access to credit, inheritance is an important channel through which some people in Morocco have moved out of poverty. Based on a survey, the World Bank found that three of the 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.<sup>26</sup> Although this finding may not be generalized, it provides an idea of the role of inheritance in poverty reduction.

The passing on of wealth from one generation to the next does not increase total wealth but redistributes it among rich and poor family members. The evidence also indicates that some people in rural areas own land, and yet they still live in extreme poverty—they are “land rich, cash poor.” They are very attached to their land and would never consider selling it; instead, their priority is to leave this land to their children. In this case, inheritance would then transform the land into cash and lead to a reduction of poverty.

### **Generous Remittances by Moroccan Emigrants**

The funds transferred by the 3.3 million Moroccans working abroad to their families and relatives back home constitute a major factor in cutting the country’s poverty rate. Because many emigrants come from unprivileged regions, these cash transfers, known as remittances, represent a valuable source of income for their relatives.

On average, each Moroccan emigrant sends the equivalent of \$100 to his or her family each month.<sup>27</sup> Thus, the migration of one or more family members represents a key household strategy for moving and remaining out of poverty.<sup>28</sup> Remittances represent the equivalent of 8 percent of GDP, compared with 5 percent in Egypt and less than 3 percent in Syria. During the period 2000–2009, remittances in Morocco grew by an average rate of 9.1 percent per year, much faster than GDP and consumption. And in addition to making cash transfers to their families, migrants often create “home town associations” and support community development projects in their native regions.<sup>29</sup>

### **Dynamic Role of NGOs**

The emergence of NGOs and their active involvement in local development through formal partnerships with state and local governments have contributed to Morocco’s declining poverty rate. Three factors have contributed to NGOs’ emergence. First, the state tolerated their actions as local organizations because they generally focused on a single issue and did not engage in confrontational politics.<sup>30</sup> And the stress on using public resources under the nation’s structural adjustment policy has strengthened the state’s positive approach toward NGOs.<sup>31</sup> The partnerships of the state and local councils with NGOs

to provide electricity and water and to contribute to literacy campaigns are examples of this positive approach. However, traditional local elites, particularly in rural areas, have perceived these NGOs as potential competitors for political representation and the privileges it implies.

The second factor contributing to NGOs' emergence has been the advent of a new educated elite, whose members have lost faith in radical politics and have opted for reformist, nonpartisan local development.<sup>32</sup> The third factor is the shift of donors' aid to non-state local actors within the new policy agenda focused on good governance,<sup>33</sup> which made a sizable pool of financial resources available to NGOs. The amendment of the nation's legal framework on associations in 2002 allowed its NGOs to take advantage of foreign funds.<sup>34</sup>

The engagement of NGOs in local development and their involvement in delivering basic services have helped alleviate poverty.<sup>35</sup> The number of NGOs has increased dramatically during the past two decades and is now estimated

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at 40,000.<sup>36</sup> Their fields of intervention have ranged from water and electricity management to microcredit to literacy programs to child care arrangements and information networks. This active role of NGOs has compensated for the absence of state institutions and public services in a number of shantytowns and villages.<sup>37</sup>

Despite NGOs' limited resources, case studies have shown that their actions have made a real difference in the lives of people at the local level. Besides their role in the provision of basic services, the advent of local NGOs in many villages has led to a redefinition of power relations in these communities, leading to a shift from domination by elderly

males to a more consultative decision-making process that includes young people and females.<sup>38</sup>

## The Limits of Morocco's Experience

In the last decade, about 1.7 million Moroccans have moved out of poverty. Morocco remains far from a perfect model, however. The challenge for policy makers in Rabat is to tackle the remaining issues, uphold the trend, and prevent those who escaped poverty from sliding backward. There are six pressing issues. First, illiteracy rates, particularly 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 the agricultural sector. Fourth, a large number of jobs offered in the economy are clustered in informal and vulnerable occupations. Fifth, remittances from emigrants may decrease in the future. And sixth, the vibrant role of civil society in local development is losing momentum, with the state resuming a more centralized approach.

### Slow Progress in Human Capital

The impressive decline in poverty indicators in Morocco—by more than 40 percent in the last 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, the adult illiteracy rate only decreased by 14 percent between 1998 and 2008, from 52 to 45 percent (table 3), as compared with 33 percent in Egypt and 17 percent in Syria. Illiteracy rates in rural areas and among females are much higher. More than 57 percent of females are illiterate, as is the 63 percent of the adult population living in rural areas. As a result, the United Nations Development Programme ranked Morocco 130th on the 2009 Human Development Index, lagging behind most countries in the region.

**Table 3. The Adult Illiteracy Rate for Those Age Fifteen Years and Above**

Category	1998	2004	2008
Female	66%	60%	57%
Male	37%	34%	32%
Urban	38%	33%	32%
Rural	72%	68%	63%
National Level	52%	48%	45%

Source: HCP, Social Indicators, 2008

Illiteracy is not limited to the elderly. Among the young, those aged fifteen to twenty-four years, more than 20 percent were illiterate at the end of 2009, 28 percent among females<sup>39</sup> and 35 percent in rural areas.

The reasons behind the persistence of high illiteracy rates differ between urban and rural areas, as shown by the 2006 survey carried out by Morocco’s Ministry of Education. 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 removed by the school. The rest never attended school due to the poverty of their families, which pushed them prematurely into the labor market. The absence of adequate schools and facilities for disabled children is another factor that affects one urban illiterate child out of ten. In rural areas, most young illiterates never attended school, either because they live in remote villages too far away from a school or because their families are poor and cannot afford to educate them. The impact of culture and traditions on the decisions regarding schooling are marginal. When the cost of sending a child to school is too high, and its future return is uncertain, poor parents are left with no choice but to employ their children doing tasks that can have an immediate impact on their

well-being. The role of the government is critical in such a situation to change incentives for poor people in favor of education.

High dropout rates are another problem that undermines human capital development in Morocco and has a potential impact on the poverty rate. The net enrollment rate in secondary schools does not exceed 44 percent at the national level. Only 16 percent of girls and 22 percent of boys between the ages of twelve and fourteen and living in rural areas continued to attend school as of the end of 2009. The rest had already left the school system, and it is very likely that dropout rates are much higher among the poor.<sup>40</sup>

The implementation of the government's policy of cracking down on illiteracy remains feeble and ineffective. The number of illiterate people enrolled in literacy programs was only 656,000 in 2008 (table 4).<sup>41</sup> This number has more than doubled during the past decade. Yet it remains very low compared with the need, which is fifteen times larger.<sup>42</sup> No substantial improvement 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**

Item	Number
Population (10 years and above)	25.4 million
Illiteracy rate (10 years and above)	38.5%
Illiterate population (10 years and above)	9.8 million
Share of illiterate (more than 45 years)	46.4%
Illiterate population (between 10 and 45 years)	5.24 million
Beneficiaries of literacy programs	0.66 million
Coverage rate of literacy programs (population between 10 and 45 years)	12.5%
Coverage rate for females	16.3%
Coverage rate for males	5%

Source: Author's calculations based on HCP data

The 2006 survey showed that one out of four illiterate people does not know about the existence of literacy courses. Those informed could not enroll, either because they do not find literacy centers in their neighborhoods or complain about the incompatibility of their commitments with the time schedule used by literacy centers. These three factors—information, the localization of centers, and time schedules—are related to the supply of literacy programs, and policy makers need to review them. The demand for literacy programs is not a major issue. Only 20 percent of illiterate people think they are too old to be educated; the remaining 80 percent are interested in taking part in the literacy

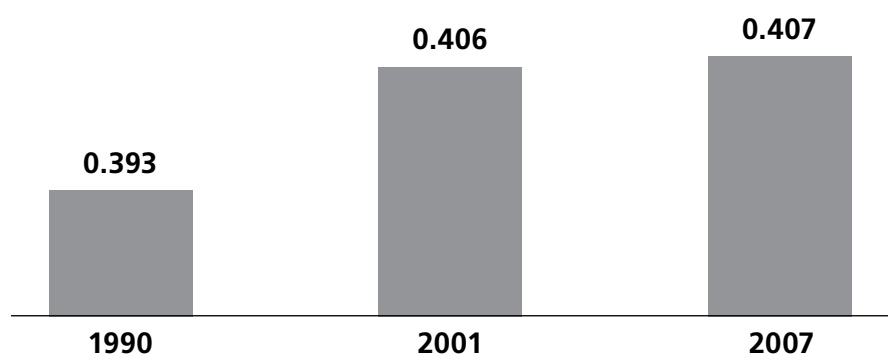


programs. Policy makers should incorporate these findings into the design and implementation of literacy policy.

### Persistence of High Inequality

The well-being of people is, to a large extent, affected by how well off they are in comparison with others.<sup>43</sup> In Morocco, inequality can be measured with the Gini Index, which increased between 1990 and 2001 and has remained persistently high for the past decade (figure 1).<sup>44</sup> The gap between the rich and poor is larger in Morocco than in Egypt and Syria. The poorest 10 percent of the population accounts for 2.7 percent of total consumption in Morocco, compared with 3.9 percent in Egypt and 3.5 percent in Syria. At the other extreme, the richest 10 percent makes up one-third of total consumption in Morocco, compared with 25 percent in Syria and 27.6 percent in Egypt.

**Figure 1. Inequality in Morocco Measured by the Gini Index for Selected Years**



Source: High Commissariat of Planning, *MDG Report Morocco* (Rabat: High Commissariat of Planning, 2010)

Consumption and income inequality are only part of the story, because inequality of assets' ownership may be even worse. In Morocco, data on the distribution of agricultural land indicate that 5 percent of the largest farmers own one-third of all land.<sup>45</sup>

HCP estimates show that a 1 percent increase in inequality can push poverty upward by an average of 6 percent (9 percent in urban areas, and 3 percent in rural areas). Unless policy makers put effective policies of income redistribution in place, increasing trade and the country's financial openness may lead to further inequality and reverse the recent decline in poverty.

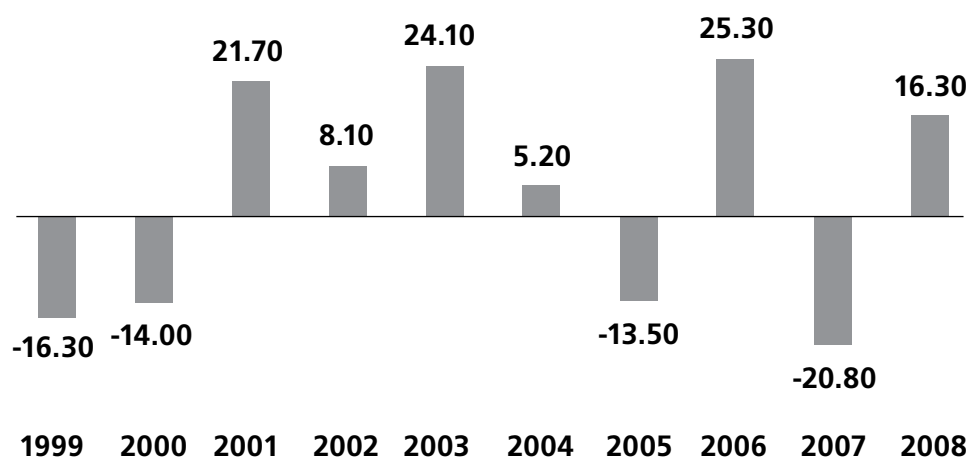
### High Volatility of Agriculture

Agriculture, which accounts for 15 percent of GDP and 40 percent of jobs, remains volatile and extremely dependent on weather conditions (figure 2). Only 15 percent of the country's 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.<sup>46</sup> Seven out of ten farmers own, on average,

2.1 hectares of land and are exposed to frequent droughts, with no formal mechanism of protection.

Moroccan farmers draw on a number of strategies for coping with drought, depending on their income group.<sup>47</sup> For wealthier households, the strategy consists of the drawing down of stored grain and the sale of small livestock, such as sheep and 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 lease their land. The latter strategy may be costly in the long run and keep poorer households from improving their financial situation. When poor households sell their assets in troubled years, they limit their future productivity in income-generating seasons and are thus pushed into a repeating cycle of poverty.

**Figure 2. Annual Growth of Agricultural Value Added, 1999–2008**



Sources: Bank Al Maghrib reports

The government of Morocco gives a number of incentives to support agriculture, in the forms of subsidies and premiums, preferential taxation, credit, and border protection.<sup>48</sup> However, most of them do not trickle down to the poor and instead benefit mostly wealthy farmers.<sup>49</sup>

### **Concentration of Informal and Vulnerable Jobs**

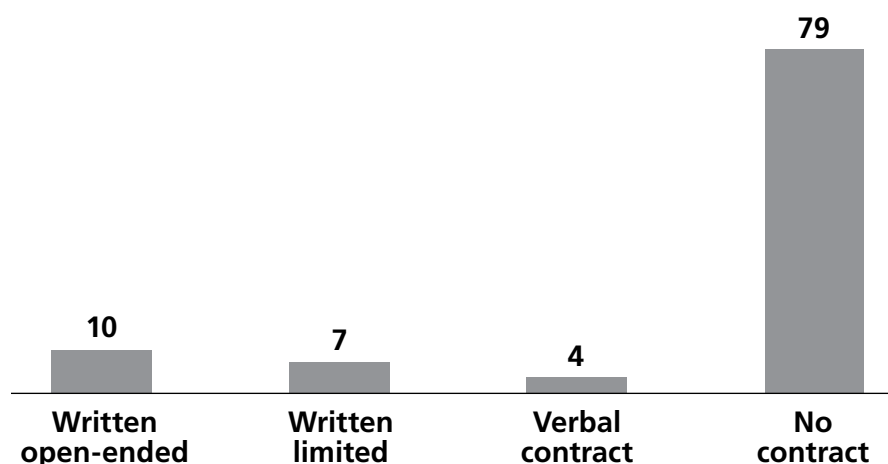
The decline of poverty rates in Morocco during the past decade has partly been the result of the contraction in the unemployment rate—from 13.4 percent in 2000 to 9.1 percent in 2009 at the national level, and from 21.4 to 13.8 percent in the cities. However, the employment opportunities reflected in this contraction have mostly been generated in services and construction, where 50 and 27 percent of total jobs have been created, respectively. Most of them are of bad quality and are concentrated in informal and vulnerable occupations.<sup>50</sup> A recent

informal-sector survey indicates that eight out of ten jobs in services are informal, compared with only about four out of ten for nonagricultural activities.

An 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 become marginal. In 1985, per capita consumption improved by 4.1 percent when an additional household member entered the labor force, as compared with only 1.5 percent in 2007. The impact is negative if the additional employed member is illiterate.<sup>51</sup>

In addition, three out of ten wage earners have an employment contract with their employers, while the rest of workers are uncertain about their ability to keep their jobs. During the period 2004–2008, this trend only worsened. Only one new wage earner out of ten had a written open-ended contract, as compared with the eight out of ten who had no contract (figure 3).

**Figure 3. Jobs Created by Types of Contract, 2004–2008 (percent)**



Source: Author's calculations from HCP data

### Uncertain Future of Remittances

Moroccan emigrants play a prominent role in cutting poverty by remitting money to their parents and other relatives back home. Despite their high resilience during the past decade, the long-term sustainability of these remittances should not, however, be taken for granted, for four main reasons.

First, new waves of migrants are critical to support the continued growth of remittances. But there are increasing policy barriers to migration to Moroccans' traditional destinations. The inability, so far, of the European Union's member states to develop a common migration policy has seriously impeded legal migration flows to Europe.

Second, the aging of former migrants and the migration of entire families tend to cause a decline in remittances. New generations, born abroad, continue to remit, but less than those in their parents' generation. Most of them

acquired the citizenship of their host countries and have different consumption and remitting behaviors.

Third, more educated migrants tend to remit less, instead using their savings to invest in real estate in their country of residence.<sup>52</sup> And fourth, slow economic growth, high unemployment, and austerity measures to reduce public deficits in the main European host countries are likely to affect remittances negatively.

### **Dominance of Top-Down Governance**

Morocco has achieved important progress in decentralization compared with most other Arab countries. Yet it still has many weaknesses that limit the benefits that decentralization can generate.

#### *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, which include the local road network, water distribution, solid waste collection, public transportation, and local health care offices.

The “administrative proximity” originally motivated by reasons of security led to the creation of a large number of local councils, some of which lack economic and financial viability and fail to perform their obligations effectively.<sup>53</sup> 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 percent of local fiscal resources—70 and 40 percent for urban and rural councils, respectively. Their capacity to collect fiscal revenues is very limited, and the taxes devolved to them have poor returns. Local councils can plan and draft their budgets, but they need approval from the state’s representatives before implementation.<sup>54</sup> Local councils’ staffs represent the equivalent of 25 percent of the total number of civil servants; however, most of them are ill-equipped and fail to perform their tasks adequately. Clientelism has been a key factor in recruitments. The wages paid by local councils to their staffs are significantly lower than those prevailing in the central government. This situation has led to frequent labor strikes against local councils, with harmful effects on the population.

From a governance point of view, decentralization in Morocco is mainly about local councils having some resources and responsibilities but being supervised from above by the central government. The culture of participation and advocacy is underdeveloped due to a 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 local elites.

### *Recentralization Is Not the Solution*

In 2005, the Moroccan authorities put forward the National Initiative for Human Development, which, as noted above, is often presented as the country's core strategy for fighting poverty and exclusion. Although the NIHD's objectives have many merits, its design and implementation have evolved against the decentralization trend and reflect some drift toward the recentralization of local development.

There are three important factors here. First, one of the NIHD's key objectives is to promote the capacity and the power of local councils and to support the decentralization trend. In practice, however, the state dominates the design, funding, and implementation of projects. In a recent survey conducted by Morocco's Human Development Office of the Observer, the international donors and organizations interviewed pointed out that the NIHD runs the risk of impeding, instead of enhancing, the process of decentralization.<sup>55</sup>

The state has carried out and provided the financing for most projects, and the involvement of elected councils has been very limited. Urban councils, being endowed with a stronger financial base, have participated at a rate measured at less than 10 percent of projects' value, compared with 23 percent for their rural counterparts. The weak contribution of local councils raises the issue of a sense of ownership and threatens the sustainability of projects beyond the NIHD's term, fixed for the end of 2010. There seems to be no rationale behind the local councils' scanty participation in the NIHD. Out of 29 urban localities that have benefited most from the NIHD, local councils have made no contribution in seventeen cases. Paradoxically, budget considerations do not explain the meager involvement of local councils in financing NIHD projects. By the end of 2009, local councils had accumulated a surplus of more than \$2 billion, which is the equivalent of 44 percent of their collective annual budgets and 170 percent of the NIHD's budget (table 5). A lack of technical and managerial capabilities explains this substantial underutilization of local financial resources.

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**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 local elites.**

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**Table 5. Selected Indicators of Local Councils' Budgets (billion DH)**

Item	Amount
Available resources	43.7
Budgeted total spending	36.7
Actual total spending	24.5
Budgeted investment	19.6
Actual investment	9.5
Total surplus	19.2
Share of total surplus in the budget	44%

Source: Ministry of Finance, Monthly Bulletin of Local Finance, December 2009

Second, NIHD projects benefit from special administrative treatment. They are subject to simplified procedures to accelerate their implementation and enjoy the state apparatus's support at all levels. Though these arrangements provide a strong advantage to NIHD projects, they have adverse effects on other projects and activities at both the state and 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 during the past few years. Local NGOs' participation in the NIHD's provincial committees, which are in charge of project approval and follow-up, is very limited, and even when involved they only have the status of observers. In local councils, the president of the local council, jointly with the local authority, selects the NGOs that will be involved.<sup>56</sup> In the rural areas, where the number of NGOs is very low, the heads of local councils tend to monopolize NGO-allotted seats for their own organizations. In the cities, advocacy- and development-oriented NGOs are often excluded in favor of co-opted NGOs, some of which have been created for the sole purpose of benefiting from the state grants.<sup>57</sup> Other, more established associations are involved in NIHD projects as mere contracting bureaucratic agents for the state. The dynamics that have emerged with the NIHD have had perverse effects on NGOs' contributions to poverty reduction and their ability to advocate on behalf of their constituencies.

## Lessons and Policy Options

Morocco has made notable progress fighting poverty and deprivation during the past decade. Both state and non-state actors have contributed to this achievement. But Morocco's experience is far from a perfect model—it has its

own issues. Therefore, 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. Therefore, they should rebuild their strategy on the basis of four key pillars.

First, eradicating illiteracy must become a national priority. Reaching this objective will require policy makers to allocate more human and financial resources to adult literacy programs. It will also entail providing incentives to encourage poor families to educate their children.

Second, policy makers should reinforce redistribution policies to reduce inequality and exclusion. They need to implement a more progressive taxation policy and better target public spending to the poor.

Third, decision makers need to think beyond poverty by providing incentives that will persuade informal entrepreneurs to join the formal economy and comply with fiscal and social obligations. This will require simplifying the procedures for 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—including local elected councils and civil society organizations—in shaping and implementing local development policies.

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**Policy makers need to implement a more progressive taxation policy and better target public spending to the poor.**

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## Expanding Capabilities

The ultimate objective of development is to improve human lives by expanding the range of things that a person can be and do.<sup>58</sup> Illiteracy is, without a doubt, a major obstacle to what a person can do in life, and literacy has a long-lasting ripple effect on human well-being. In Morocco, a 1 percent increase in adult literacy leads to a 9 percent increase in per capita consumption.<sup>59</sup> High illiteracy rates thus represent a tremendous loss of human potential and undermine the country's chances of overcoming its development obstacles.

### *Revisiting Adult Literacy and Making It a National Priority*

Today, fewer than 10 percent of illiterate adults have access to literacy courses. The government needs to allocate more human and financial resources to its adult literacy strategy, increase its efficiency, and extend its coverage. Closer partnerships with a thriving landscape of NGOs are a valuable asset of which policy makers need to make the best use.

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 allow 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 up or expand a business, or as part of training and technical advice to small entrepreneurs. Appropriate incentives need to be given 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 illiteracy issue.

### *Ensuring Basic Education for All Children and Preventing 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 for children's labor, low levels of parental education, and a lack of any public support. Policy makers need to take action and improve the supply of education by building schools in isolated villages and by rewarding those teachers who agree to work in them. Policy makers also need to offer incentives to poor families who keep their children enrolled in school. Morocco needs to adopt an operational system of conditional cash transfers, which allocates cash to poor families on the condition that they educate their children; and which requires the child's enrollment, a fair level of attendance, and, most likely, the achievement of some level of performance. This transfer system represents a balanced combination of social assistance and human capital formation. In the absence of these transfers, children in poor families will stay out of school or leave it prematurely, which is individually and socially undesirable.

### **Reducing Inequality and Promoting Inclusiveness**

Morocco has done well in reducing poverty during the past decade. Inequality has remained persistently high, however. Policy makers need to reinforce public redistributive policies to reduce inequality among individuals and territories. They should implement a more progressive taxation system and collect higher taxes on property and wealth. And they need to amend the policy of giving a full tax exemption to the agricultural sector, regardless of the size of the business and the income it generates. This exemption, which has been in force since the mid-1990s, is socially unfair and economically inefficient. The government subsidies granted to agriculture today are related to investments that only large farmers can afford. These subsidies hardly benefit small farmers, who are most vulnerable to weather conditions and most in need of the government's support.



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

### **Removing Barriers to Formalizing and Improving the Business Environment**

In Morocco, the informal sector plays a key role in job creation, income generation, and poverty alleviation, as well as contributing to social stability. But conversely, it is accused of evading taxes, violating regulations, and exerting unfair competition vis-à-vis the formal sector.

The rise of the informal economy is fueled by an institutional infrastructure that makes it difficult for small entrepreneurs to formalize their businesses. They produce legitimate goods and services but lack the resources and knowledge to comply with regulations. Thus, policy makers should provide the right incentives to encourage informal entrepreneurs to join the formal, modern economy. This will entail revisiting regulations that inhibit small enterprises by simplifying registration procedures and reducing the social and fiscal costs of starting up a formal business.

Complex regulations are only one issue. The state loses tax revenues when small businesses are not registered. But informal small businesses are costly because of the rents that must be paid to fraudulent officials. Thus, 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 do not 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 issue of the informal sector into the public spotlight and thus can play a significant role in influencing the policy agenda in favor of a friendly business environment for microenterprises and small enterprises. They can do so by raising awareness among policy makers of the vital role of an effective and transparent administration in supporting the process of formalization. They should also educate small entrepreneurs about business and labor regulations.

### **Strengthening Decentralization and the Effective Participation of Civil Society**

Decentralization is a key component of good governance because it provides an enabling environment in which decision making and service delivery are

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**The informal sector plays a key role in job creation, income generation, and poverty alleviation, as well as contributing to social stability. But conversely, it is accused of evading taxes, violating regulations, and exerting unfair competition vis-à-vis the formal sector.**

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brought closer to the people. Policy makers in Morocco need to set rules and mechanisms to increase local councils' transparency and accountability to their voters and to ensure that gains in decentralization are not seized as opportunities by local elites. To strengthen decentralization, fiscal resources need to be transferred to the local councils, and they must have their own legal setup for local tax collection.

Local elected councils need highly skilled and motivated staffs so that services can be delivered efficiently and effectively. Ill-equipped and poorly paid support staffs undermine local councils' reputations and project a negative image of what decentralization can provide to people. Therefore, local councils should invest in building the capacity of their staffs and ensure that they acquire technical and managerial capabilities.

NGOs can boost participation and promote transparency and accountability, but their subordination to local authorities for their existence and operations significantly limits their potential. Amendments to the legal framework on NGOs, although positive, can only have a limited impact. There are discrepancies between the legal provisions and prevailing practices. Policy makers thus need to ensure that provisions granting more space and freedom for associations are enforced. The empowerment of NGOs can make them more effective in advocacy and in delivering social services and can thus provide the local councils with effective partners for development.

NGOs need to preserve their independence so that they can make a distinctive contribution to development and good governance. They need to rethink their relationship with the country's central and local governments and focus on their advocacy role. Thus, 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. Likewise, donors and international organizations should focus on developing NGOs' advocacy skills and building their capacity to formulate and promote innovative ideas and policies.

## Conclusion

Despite significant progress in poverty reduction, Morocco faces the persistent problems of high illiteracy, inequality, volatile economic growth, informal and vulnerable jobs, and the uncertain levels of future remittances. In addition, the state's increasing centralization threatens the role civil society can play in helping improve the country's situation. Policy makers must review the country's approach for alleviating poverty and take greater advantage of existing strengths to reach a broader spectrum of the population.

## Appendix: Detailed Information on Incentives Given to Agriculture in Morocco

Description of Operations	Amount of Subsidy
<b>Hydro-agricultural and farm property improvements:</b> Sprinkling (for certain geographical areas only) Localized irrigation equipment Laser leveling (for certain geographical areas only)	DH 650 per hectare DH 2,000 per hectare DH 400 per hectare
<b>Purchase of arable and livestock farming equipment:</b> Tractors (horsepower < 40) Tractors (horsepower ≥ 40)  Mixers and rollers Milking cans and trolleys Milk tanks Hives	DH 5,000 per unit DH 20,000 per unit for individuals DH 5,000 per unit for cooperatives DH 12,000 per unit DH 5,000 per unit DH 8,000 per unit DH 120 per unit
<b>Fruit growing:</b> Citrus fruit (for farmers using certified plants) Olive trees, rain-fed Olive trees, irrigated Date palm	DH 7,800 per hectare DH 1,800 per hectare DH 2,600 per hectare Distribution of date palm vitro plants free of charge
<b>Value added for agricultural products:</b> Construction and equipment of cold storage units Not linked to port activities with a capacity from 500 to 5,000 square meters Not linked to port activities with a capacity of less than 1,000 tons From 1,000 to 5,000 tons Construction and equipment of fruit and vegetable packaging units With a capacity of 2 to 4 tons per hour More than 4 tons per hour Construction and equipment of olive crushing units With a capacity of less than 50 tons per day From 50 to 100 tons per day	DH 150 per square meter DH 150 per ton DH 100 per ton DH 200,000 per ton per hour DH 140,000 per ton per hour DH 5,000 per ton per day DH 3,500 per ton per day

Source: Ministry of Agriculture, Rural Development



## Notes

- 1 A person is considered “poor” if his or her consumption expenditure falls below the national poverty line. Poverty lines are made up of two components: (1) a food poverty line, which corresponds to the cost of a bundle of goods attaining a predetermined minimum food energy requirement; and (2) an allowance for basic nonfood goods. The exact level of both components usually varies from one country to another.
- 2 I am using the threshold of \$1 because it is used as one of the Millennium Development 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 poverty in Morocco.
- 3 The most recent figure provided by the HCP is 1.08 percent for the period 2007–2008.
- 4 HCP, *Social Indicators* (Rabat: HCP, 2008), 56.
- 5 The dependency ratio is the ratio of the economically dependent population to the working-age population.
- 6 United Nations Economic and Social Commission for Western Asia, *The Demographic Profile of the Arab Countries* (Beirut: United Nations Economic and Social Commission for Western Asia, 2009).
- 7 World Bank, *Morocco: Social Protection Strategy* (Washington, D.C.: World Bank, 2002).
- 8 Ibid.
- 9 PAGER: Programme d’Approvisionnement Groupé en Eau Potable des Populations Rurales.
- 10 According to the most recent *MDG data for Morocco*, 43.4 percent is the share of households with access to water provided by the public network. See HCP, *MDG Report Morocco* (Rabat: HCP, 2010).
- 11 Ministry of Finance, *Morocco’s Economic and Financial Report* (Rabat: Ministry of Finance, 2008), 90.
- 12 PERG: Programme d’Electrification Rurale Global.
- 13 This is according to HCP, *MDG Report Morocco*. In some villages, however, some households are not connected to water and electricity because they cannot afford to pay for them regularly.
- 14 PNRR: Programme National des Routes Rurales.

- 15 Since 2001, special aids have been allocated by the state to rural communities underequipped and financially unable to meet their commitments under those infrastructure programs.
- 16 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.
- 17 In Morocco, the process of decentralization has gone 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 the Communal Charter of 1976. The latter 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 to 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 (1,298). Total spending of all local governments represent the equivalent of 13 percent of the state budget. The total amount is shared as follows: regions, 3 percent; provinces and prefectures, 11 percent; rural councils, 23 percent; and urban councils, 63 percent. Tax resources available to local governments are generated from two sources: taxes transferred from the state (30 percent of the national value-added tax) and local taxes that are collected either by the state or by their own means. In 2009, transferred state taxes accounted for 57 percent of local fiscal resources (70 percent of rural communities' resources and 40 percent of urban communities' resources).
- 18 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.
- 19 DH is the abbreviation of the Moroccan Currency; \$1 is the equivalent of DH 8.
- 20 Higher tax compliance allowed the government to reduce tax rates while increasing tax revenues. For the personal income tax, which is a progressive tax, the highest marginal rate decreased from 44 percent in early 2000 to 38 percent in 2010. The corporate tax is set at 30 percent of profits in 2010, down from 35 percent. The share of direct taxes grew from 36 to 50 percent of fiscal revenues between 2000 and 2008 at the expense of international and local indirect taxes.
- 21 For instance, the Hassan II Fund contributed financing to the Highway Program with the objective of achieving 1,500 kilometers by 2010. The fund provided 12.3 percent of the investment cost, the state budget covered 9.7 percent, and the rest (78 percent) was financed by loans.
- 22 Direction des Entreprises Publiques et de la Privatisation (2009), "Investments of Public Enterprises," PowerPoint presentation.
- 23 The government also granted a tax incentive to entrepreneurs who offer "social housing" targeting low-income families at a maximum of \$17,500.
- 24 The law stipulates that only nonprofit 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 DH 50,000 (\$5,500). Morocco has thirteen licensed microfinance institutions, which 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. These institutions are regulated by the Ministry

of Finance and are subject to the Central Bank's supervision. Some of them are also rated by international rating agencies.

- 25 Adam Smith in *The Wealth of Nations* wrote that “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.”
- 26 World Bank, *Moving Out of Poverty in Morocco* (Washington, D.C.: World Bank, 2007).
- 27 This is on the basis of data from Observatoire de la Communauté Marocaine Résidant à l’Etranger, “Marocains Résidents à l’Etranger: Utilisation des Transferts,” 2008.
- 28 World Bank, *Moving Out of Poverty in Morocco*.
- 29 Thomas Lacroix, *Les réseaux marocains de développement* (Paris: Les Presses de Sciences Po, 2005).
- 30 Examples of single issues are electricity, water provision, water management for agricultural use, and literacy. In practice, NGOs’ activities are more diversified.
- 31 James 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. James N. Sater, *Civil Society and Political Change in Morocco* (New York: Routledge, 2007).
- 32 M. Catusse, “The Discreet Charm of Civil Society: The Politics of Forming a Group in ‘Adjusted’ Morocco,” *International Journal of Comparative Politics* 2 (2002).
- 33 Clayton et al. “Civil Society Organizations and Service Provision,” United Nations Research Institute for Social Development, (2000). The idea behind this is that a strong civil society is expected to demand a democratically accountable and transparent state and lead to good governance.
- 34 The legal framework on the 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.
- 35 In his speech of July 30, 2000, 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.
- 36 Detailed information on more than 6,000 development NGOs is on the website [www.tanmia.ma](http://www.tanmia.ma).
- 37 Different qualitative studies exist. One example is the book by F. Mernissi, *Rural NGOs of the High Atlas: Les Ait Debrouille* (Casablanca: Éditions Le Fennec, 1997). Another is the World Bank, *Moving Out of Poverty in Morocco*, which reports that “communities with the least social mobility had few, if any, formal associations.”
- 38 Under the traditional form of associations, a group of elderly people, exclusively males, makes decisions on behalf of the village.
- 39 This is according to HCP, *MDG Report Morocco*, 28, which also indicates that the net enrollment rate for children between six and eleven years old amounted to 90 percent for 2008–2009, meaning that 10 percent of children are out of school.

- 40 Poor families are more affected by dropouts, as can be understood from the 2006 survey.
- 41 The number of people enrolled in literacy programs overestimates the number that becomes effectively literate, due to dropouts.
- 42 If literacy programs were to cover illiterates between ten and 45 years of age, the coverage rate of literacy programs would stand at 12.5 percent—16.3 percent for females and 5 percent for males.
- 43 This idea was highlighted in a 2008 report on human development, released in June 2009, that indicates: “The poor in urban areas are not only excluded but constantly confronted to a mode of life to which they do not have access,” 6.
- 44 The Gini Index is a measure of inequality. Its value ranges between 0 and 1. A value of 0 means perfect equality, and a value of 1 indicates full inequality, with one person having all the income.
- 45 Data on distribution of land from the agricultural census of 1996.
- 46 The document of Morocco's Green Plan mentions that each hectare generates DH 2,000.
- 47 Lybbert et al., “Drought Risk and Drought Response in Morocco,” paper prepared for presentation at the Agricultural & Applied Economics Association 2009 AAEA & ACCI Joint Annual Meeting, Milwaukee, Wisconsin, July 26–29, 2009, [http://ageconsearch.umn.edu/bitstream/49367/2/lybbert\\_kusunose.pdf](http://ageconsearch.umn.edu/bitstream/49367/2/lybbert_kusunose.pdf).
- 48 Subsidies are granted for the improvement of agricultural land, the 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 percent for the short term and 5.5 percent for the medium and long terms. Agriculture is the most heavily protected sector in Morocco, with an average tariff of 29 percent, and rates that range from 2.5 percent on most agricultural equipment to more than 300 percent on live sheep and goats and their meat.
- 49 There is no detailed analysis on who benefits from government's incentives. However, most of the subsidies are on investments and equipment that poor farmers cannot afford. A detailed table of subsidies is presented in the appendix.
- 50 Lahcen Achy, *Trading High Unemployment for Bad Jobs*, Carnegie Paper 23 (Washington, D.C.: Carnegie Endowment for International Peace, 2010).
- 51 HCP, *Poverty Dynamics in Morocco* (Rabat: HCP, 2009), 55.
- 52 Observatoire de la Communauté Marocaine Résidant à l'Étranger, “Marocains Résidents à l'Étranger.”
- 53 There are 249 urban councils and 1,298 rural councils in Morocco.
- 54 The budget of urban councils must be approved by the minister of the interior after endorsement by the minister of finance. If the minister of finance withholds his endorsement, the budget is submitted to the prime minister. For rural councils, the budget needs approval by the governor after its endorsement by the regional representative of the minister of finance.
- 55 Observatoire Marocain de Développement Humain, “Rapport sur le développement humain au Maroc,” 2008, 62.



- 56 NIHD local councils include a maximum of fifteen members: one-third representing locally elected members, one-third representing state services at the provincial level, and one-third representing NGOs. Local committees have a marginal role and do not exist in many rural localities. The 2008 “Report on Human Development in Morocco” attributes the situation to a lack of incentives and technical capabilities.
- 57 Observatoire Marocain de Développement Humain, “Rapport sur le développement humain au Maroc,” 2008, 65.
- 58 Amartya Sen, “Development as Capabilities Expansion,” *Journal of Development Planning* 19 (1989): 41–58.
- 59 HCP, *Poverty Dynamics in Morocco* (Rabat, HCP 2009).



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## About the Author

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# Carnegie Middle East Center

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