

Reducing Poverty in the Arab World Successes and Limits of the Moroccan Experience

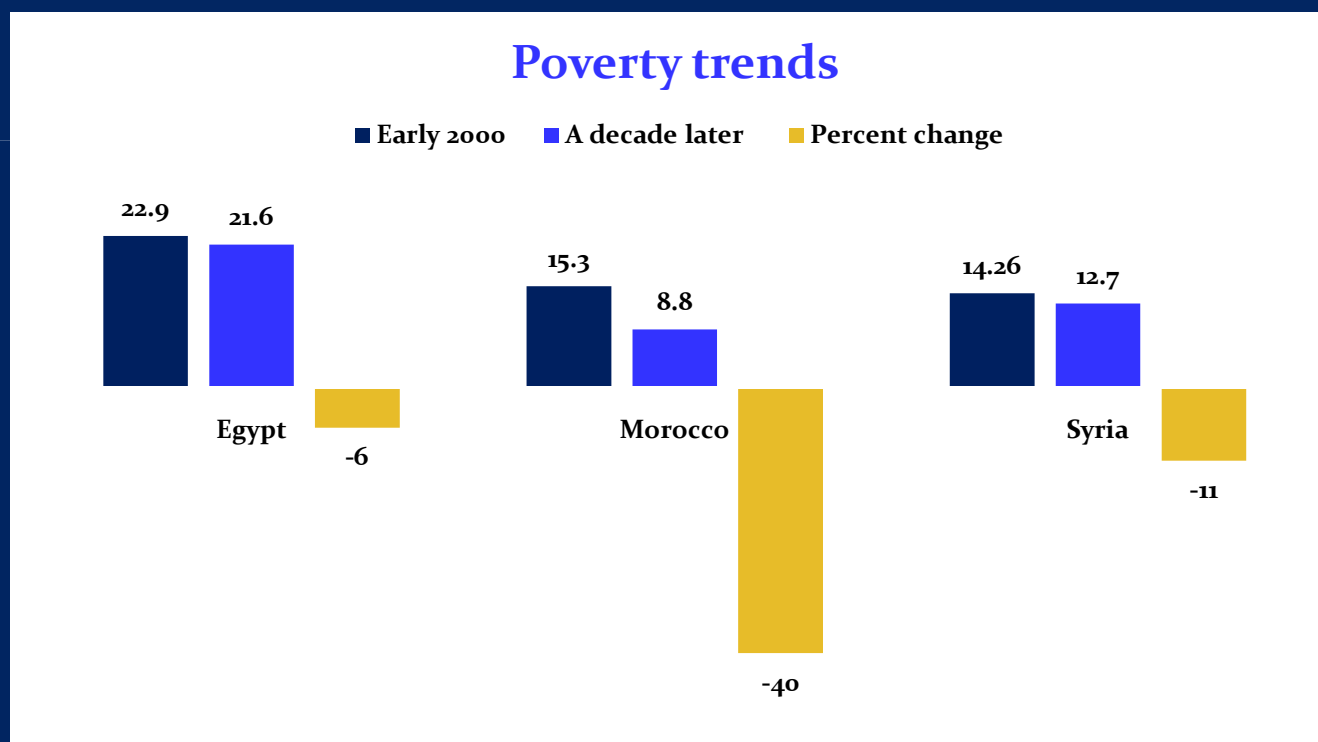
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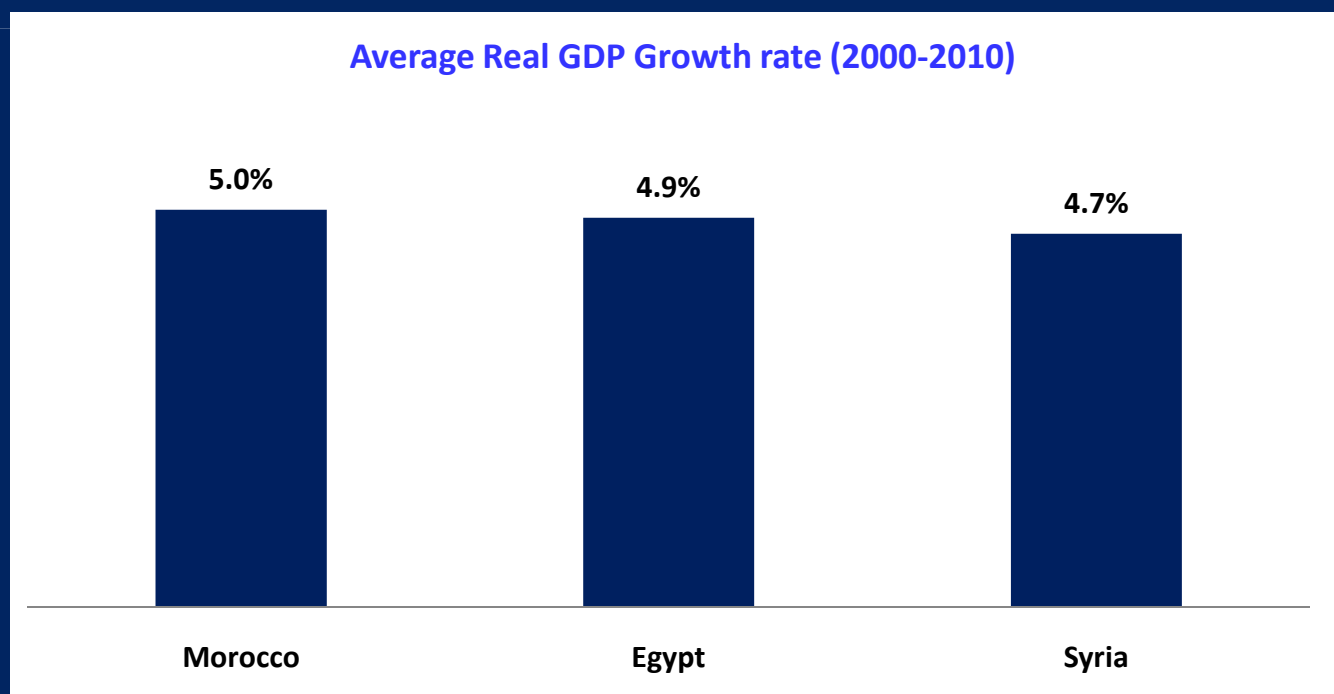
Starting point

- Morocco recorded an impressive decline in monetary poverty over the last decade compared to most countries in the region



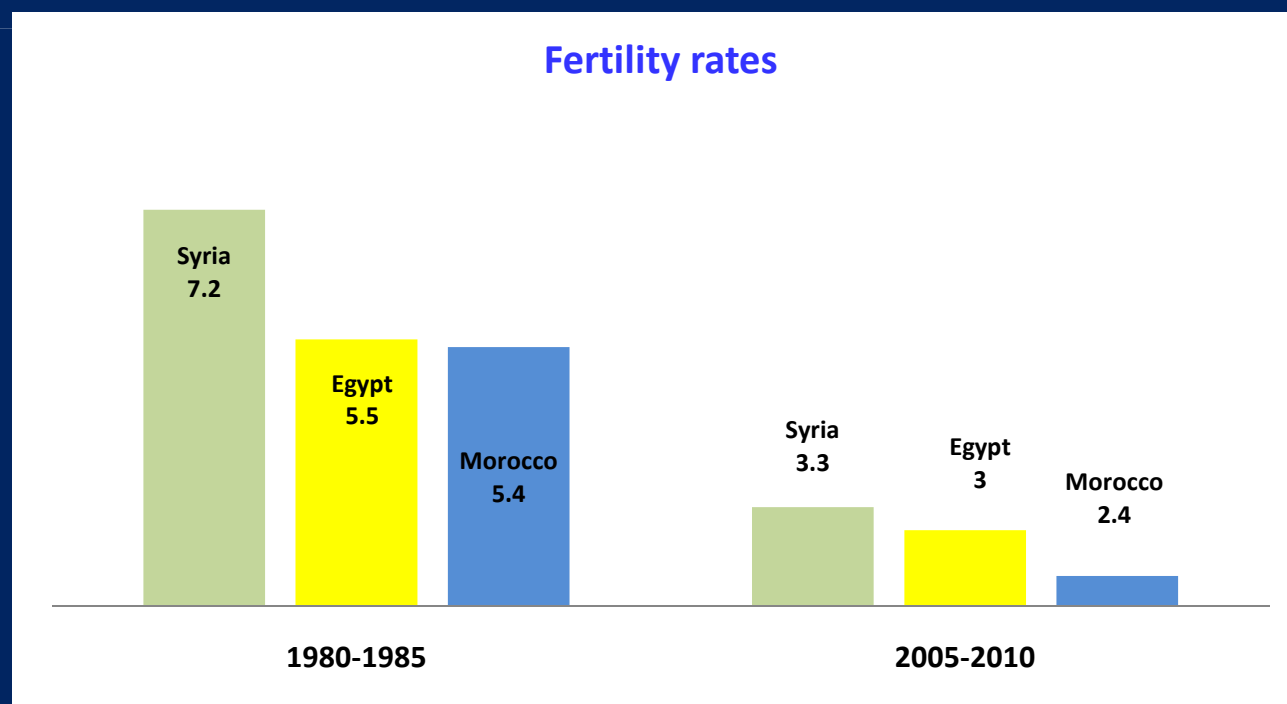
- **How to explain Morocco's poverty decline?**
 1. Short-cut single factor explanations
 - ✓ Statistical illusion
 - ✓ Macroeconomics
 - ✓ The monarch initiative to fight poverty
 - ✓ Role of NGOs
 2. Multifactor analysis with state and non state actors in a political economy approach and comparison with Egypt and Syria

- **Macroeconomics does not provide convincing explanation**
 - Roughly similar average real GDP growth in Morocco, Egypt and Syria over the last decade

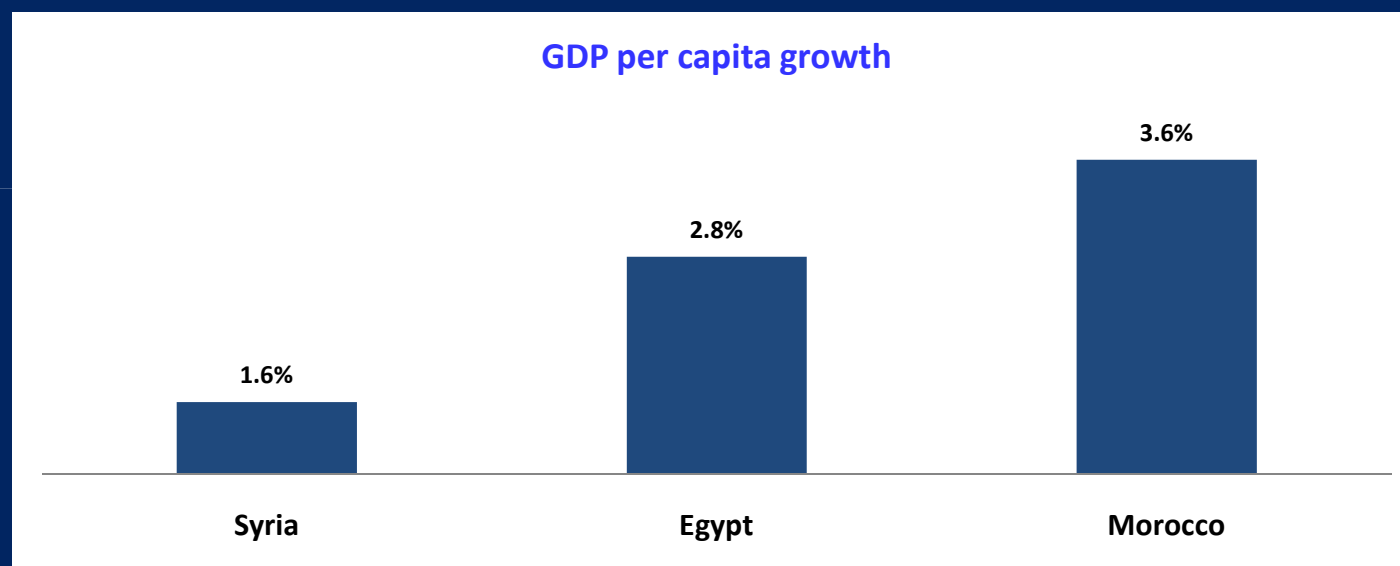


Success factors in Morocco's Experience

- **First Factor:** Rapid demographic transition in Morocco reduced the pressure on household budgets and public investments



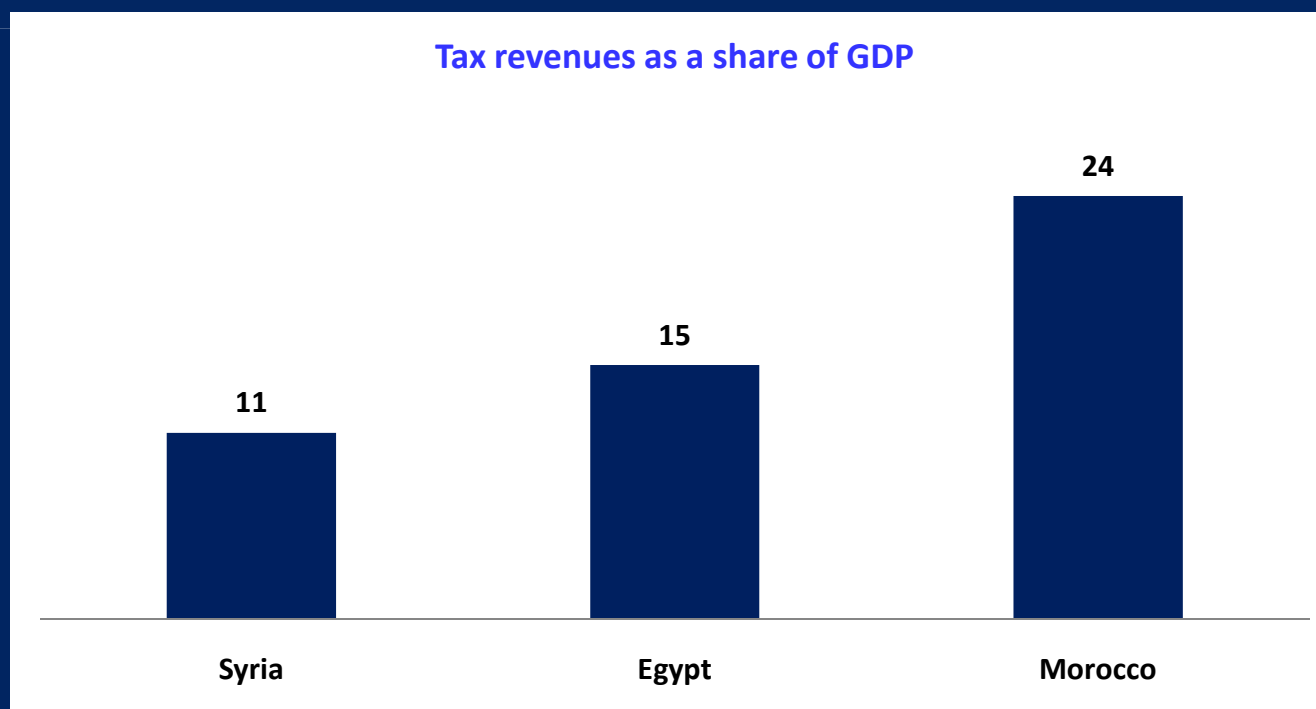
As a result: Real growth of per capita GDP is much higher in Morocco compared to Egypt and Syria



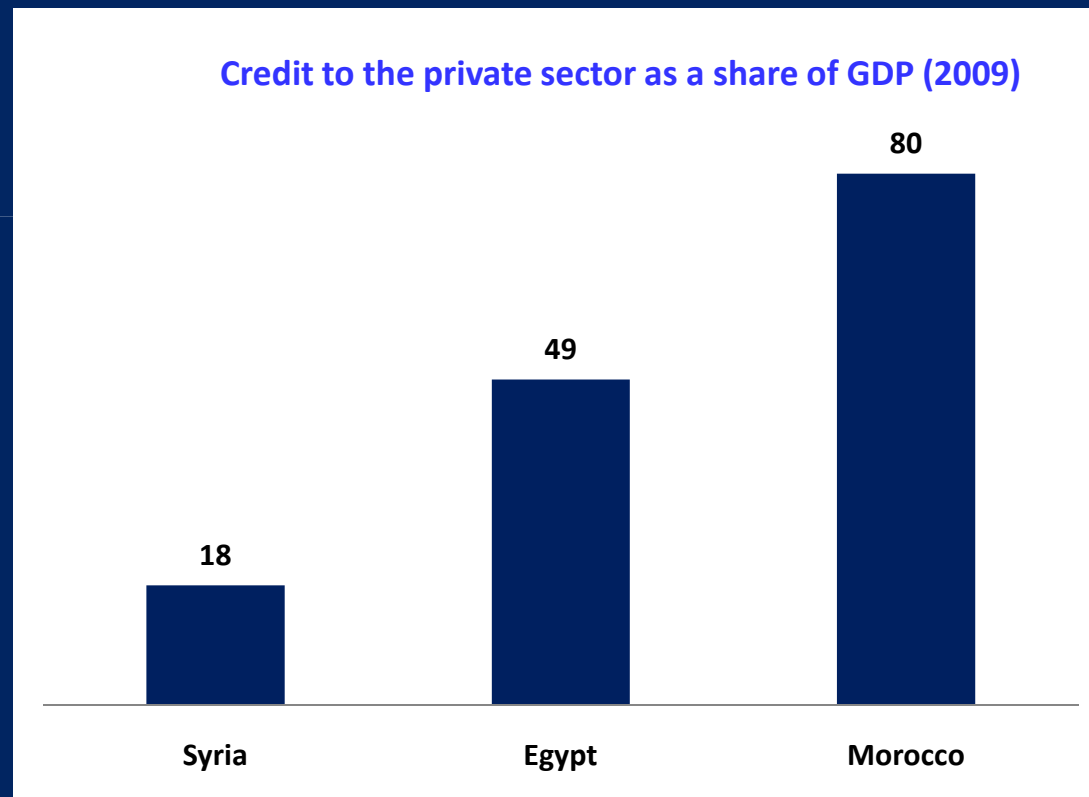
At this pace: to double its per capita income, Morocco needs 20 years, Egypt 25 years, Syria 40 years (China only needs 8 years)

- **Different demographic trends lead to different population structures**
 - ✓ Less youth in Morocco compared to Egypt and Syria and less pressure on the labor market
 - ✓ Morocco substantially increased public investment in infrastructure (rural roads, electricity and water provision) with sizeable effects on poverty
 - ✓ Syria and Egypt had to struggle with more current spending (subsidies and social transfers) to keep up with growing population

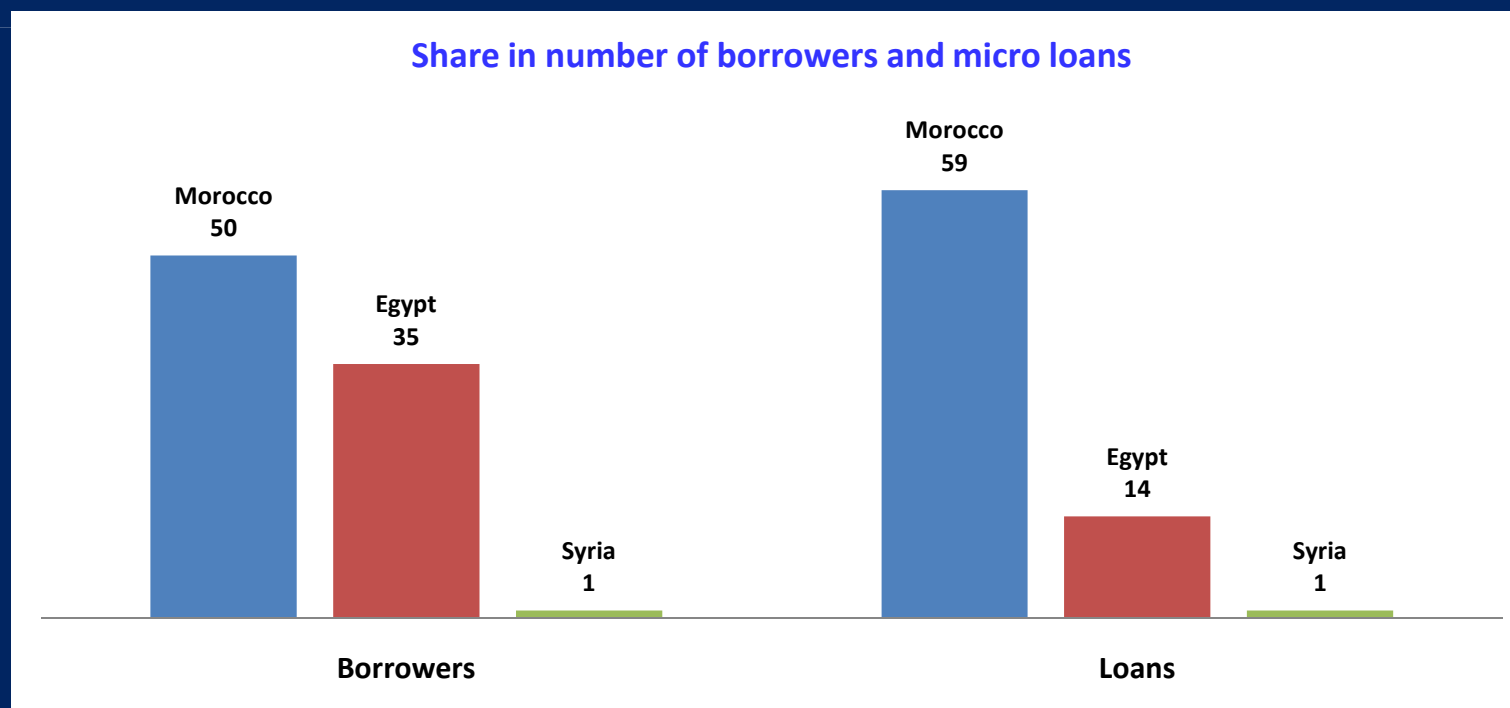
- **Second Factor: More fiscal space in Morocco with stable fiscal resources and higher tax revenues**
 - ✓ Larger share of the private sector in Morocco compared to Egypt and Syria and more advanced fiscal reforms



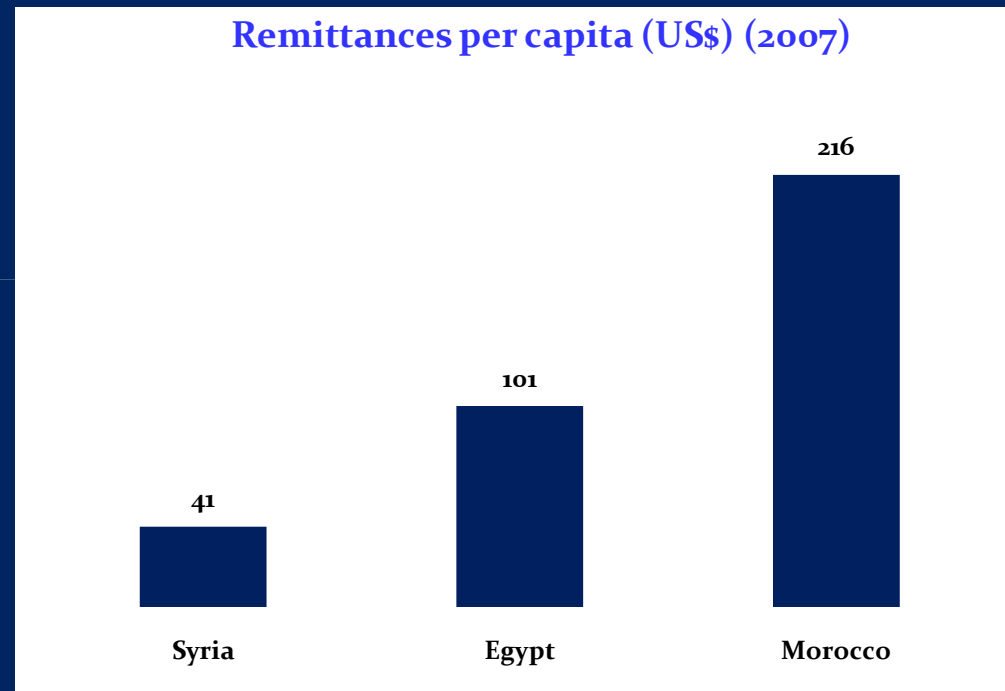
- **Third Factor:** Stronger role of credit extension to the private sector from the banking sector



- **Fourth Factor:** Role of microcredit associations; lift liquidity constraints on poor households and very small firms
 - ✓ In the Arab region, Morocco dominates with 59 percent of total loans granted and 50 percent of borrowers



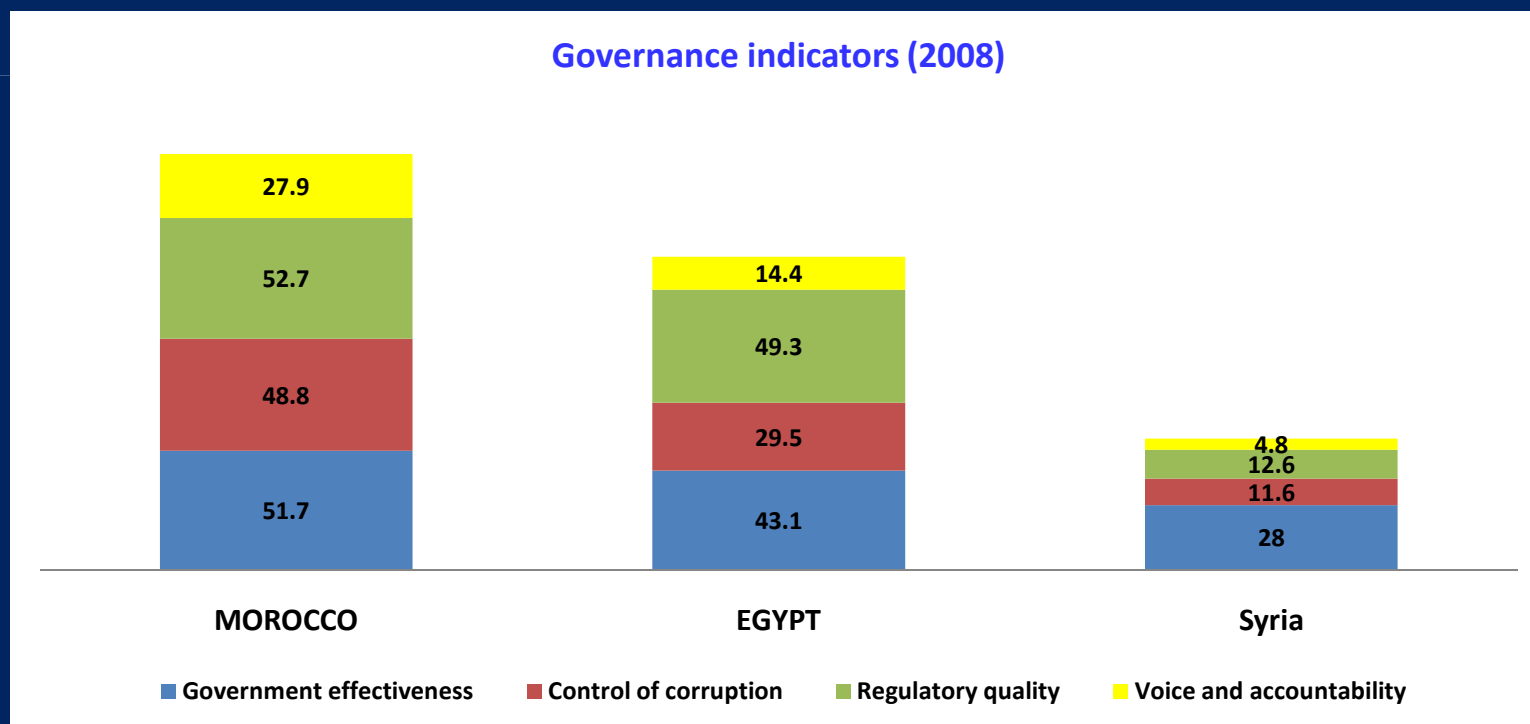
- **Fifth Factor:** key redistributive role of remittances



In addition, often emigrants provided financial support to social projects in their native regions contributing to better living conditions

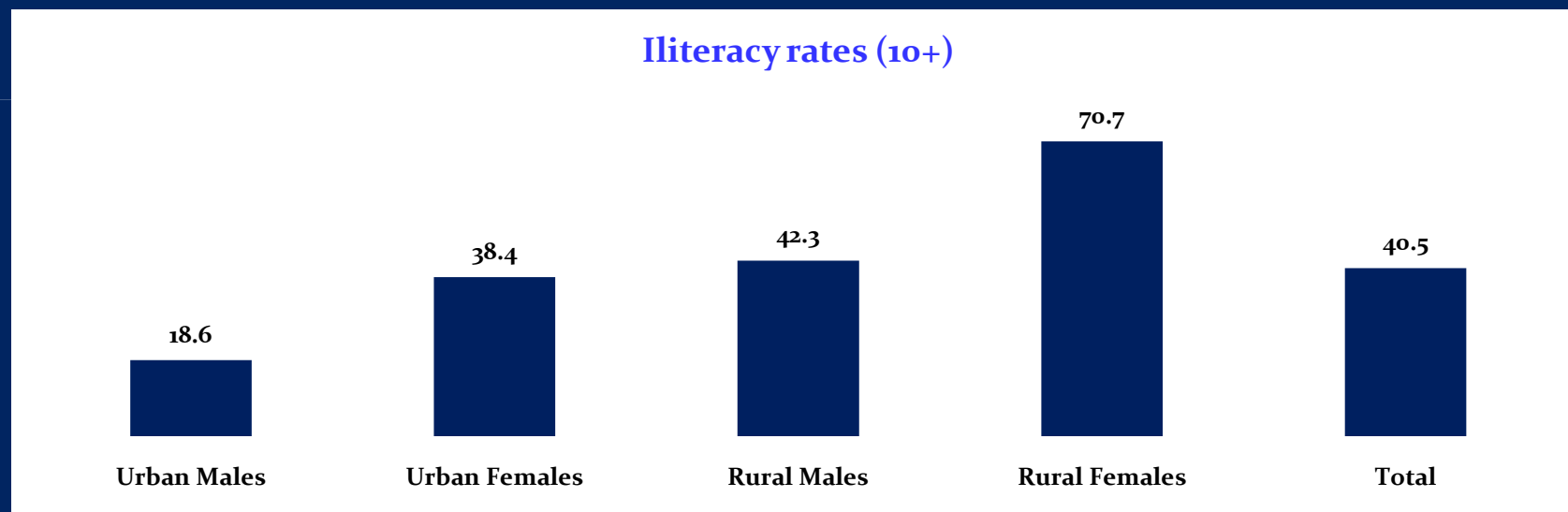
- **Sixth Factor: better governance indicators**

- ✓ Increasing role of NGOs particularly in 90s with formal partnership with the state and local government (electricity and water provisions in rural areas)
- ✓ NGOs legally allowed to receive funds from international donors



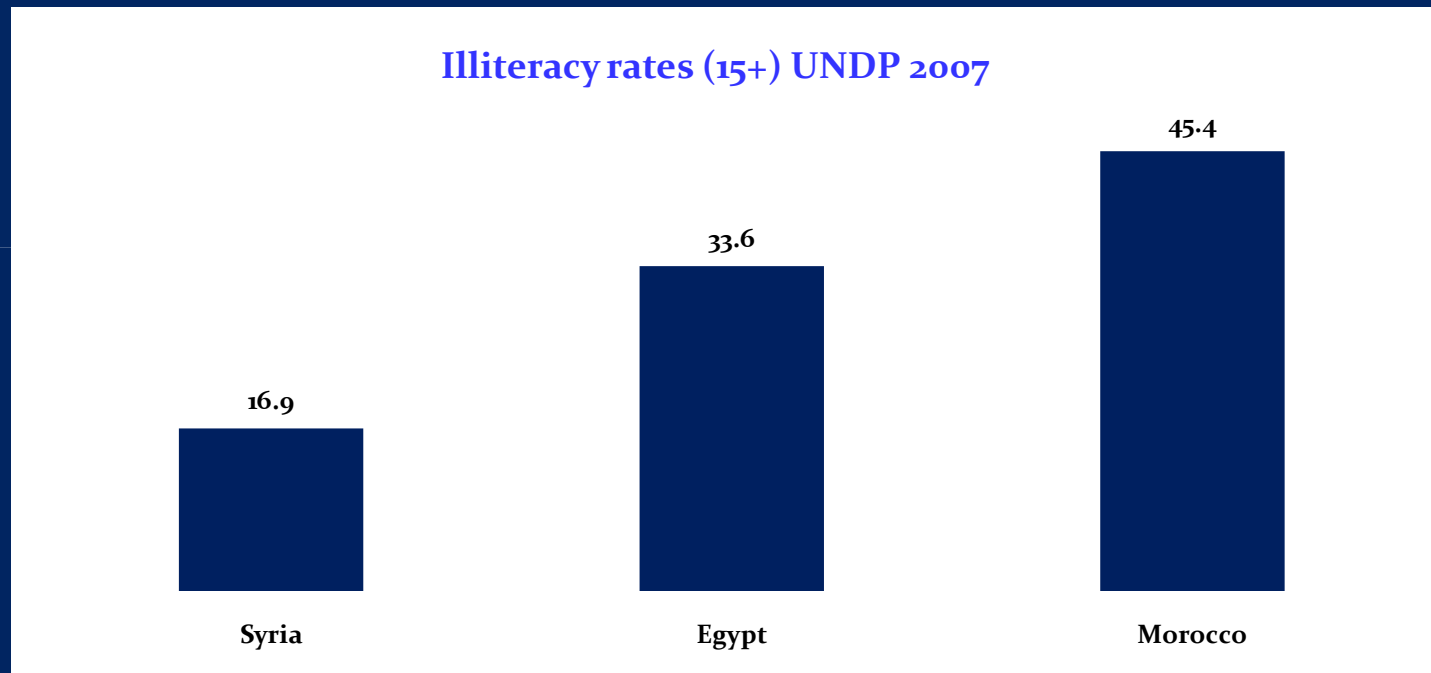
Limits and risks of Morocco's approach to poverty reduction

- **First:** decline in poverty not matched by an improvement in human capital



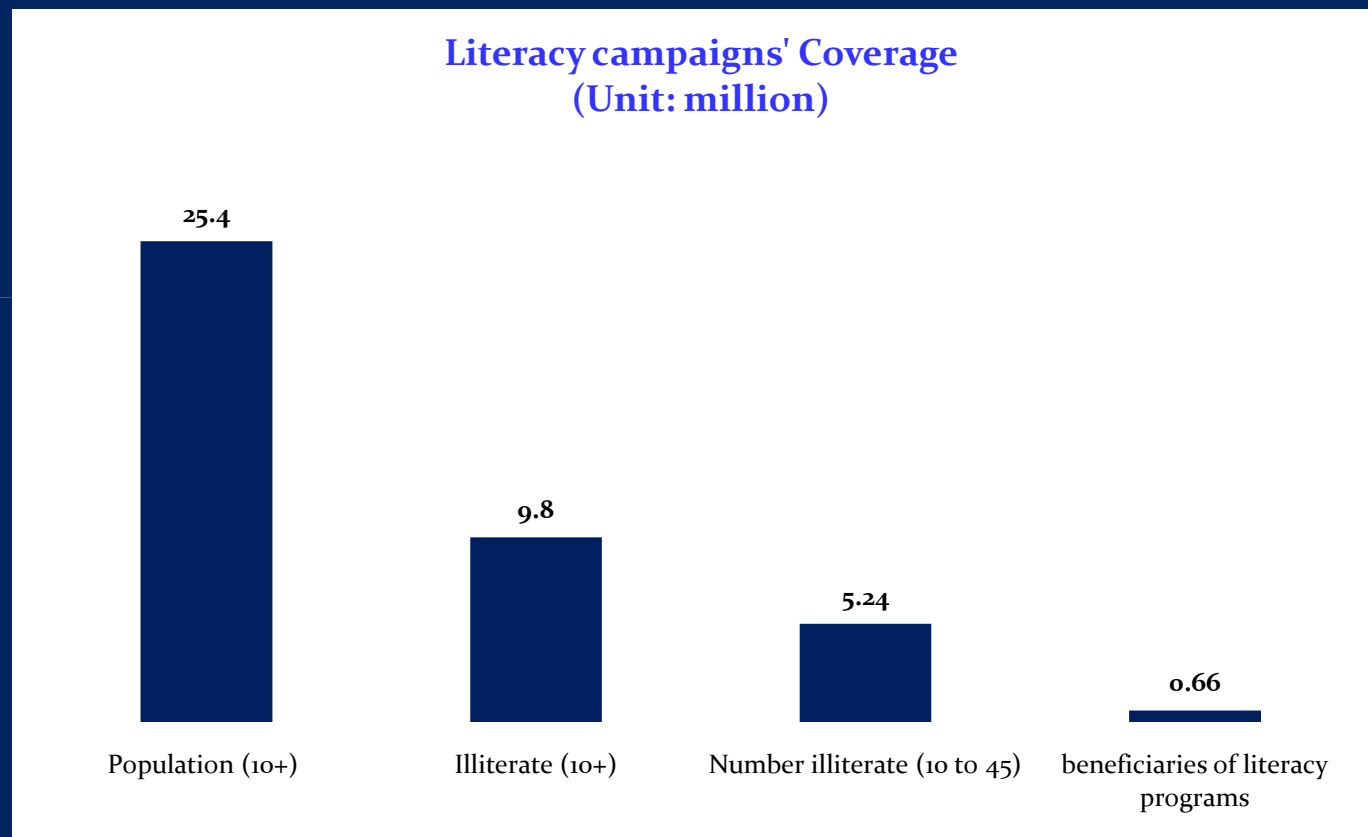
Why the high illiteracy? Early failure and dropped out, poor families that could not afford sending children to school and push them prematurely into the labor market, geographic isolation and long distance from schools.

- Morocco is lagging behind compared to both Egypt and Syria



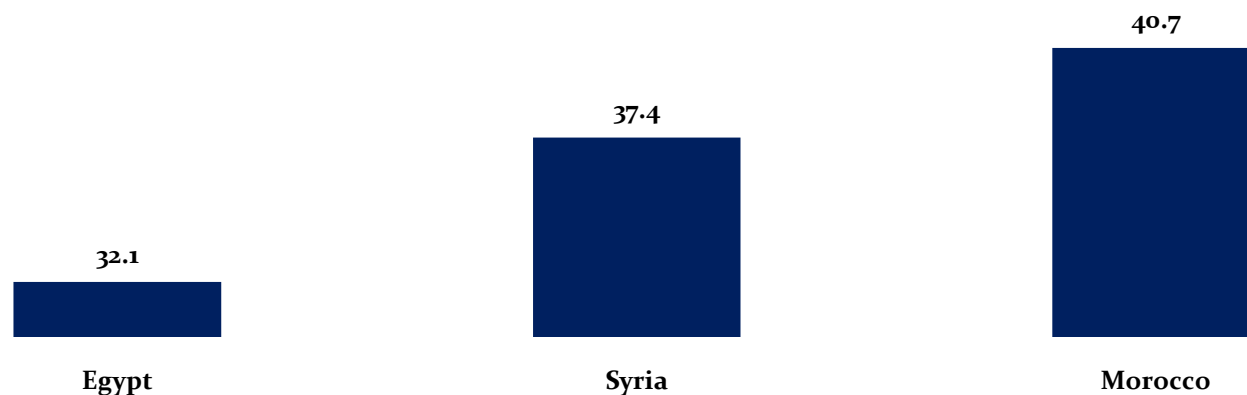
- UNDP ranking (Syria 107, Egypt 123 and Morocco 130)

- Government efforts to fight illiteracy



- **Second:** inequality pattern in Morocco has been persistently high, which means that the gap between rich and poor has not been reduced.

Consumption inequality (Gini index)

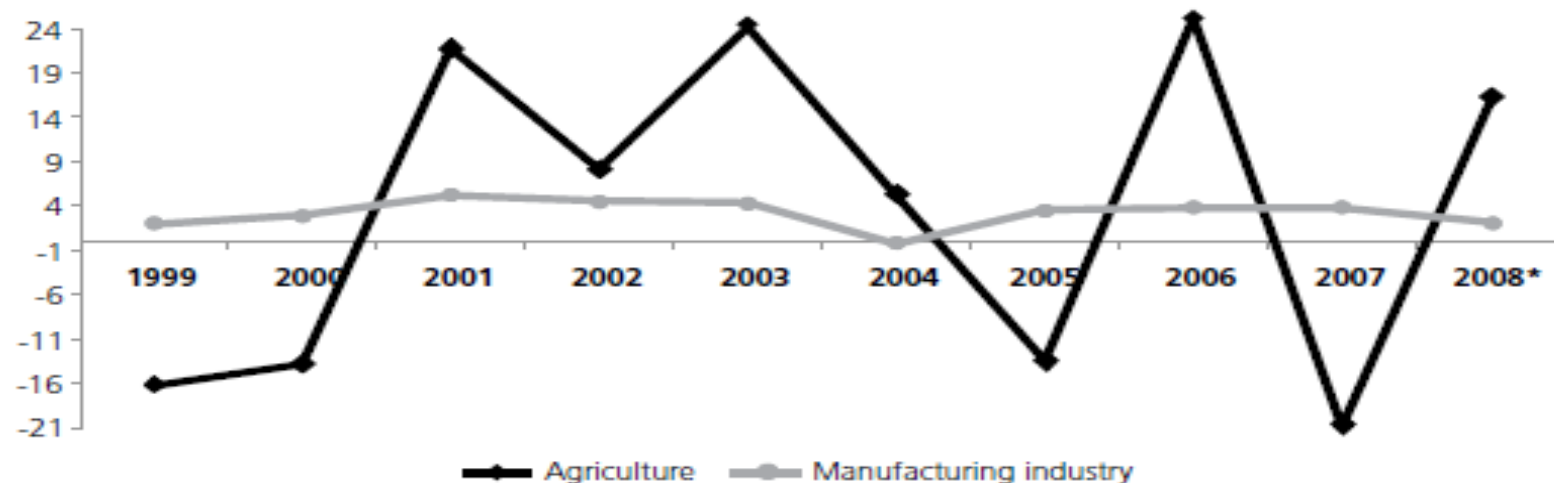


Distribution of total consumption spending (%)

| | Egypt | Syria | Morocco |
|-------------|-------|-------|---------|
| Poorest 10% | 3.9 | 3.5 | 2.7 |
| Richest 10% | 27.6 | 24.9 | 33.2 |

- **Third:** growth in Morocco remains volatile particularly in the agricultural sector, which provides four out ten jobs at the national level and more than seven out of ten in rural zones.
 - ✓ High volatility of agricultural growth exposes poor and vulnerable households to severe shocks with no formal mechanisms of protection.

Figure 6. Real GDP growth in agriculture and manufacturing in Morocco



- **Fourth:** a large number of jobs created over the last decade are of bad quality and concentrate in informal and precarious occupations
- **Fifth:** the vibrant dynamics of NGOs in contributing to local development has been losing momentum over the last few years

- **Sixth:** The National Human development initiative --the monarch's initiative to fight poverty--, launched in 2005 created very high expectations. However, so far this initiative suffers from four problems.
 - ✓ **Imperfect targeting** of the poorest segments of the population
 - ✓ **Weak mobilization of extra resources** through leverage mechanisms
 - ✓ **Unbalanced governance structures** that provide more leeway to the central and local authorities at the expense of elected actors and NGOs
 - ✓ **Non transparent mechanisms of involving NGOs** that led development-oriented NGOs to be disadvantaged in favor of opportunistic NGOs created with the specific purpose of benefiting from state grants

Policy lessons

- Morocco needs to review its approach to poverty alleviation and benefit effectively from its strengths within a long term sustainable strategy based on four pillars:
 - ✓ **First**, declare fight against illiteracy as National Priority and exceptional resources to build human capital through appropriate adult literacy programs and by providing incentives to poor families to educate their children.
 - ✓ **Second**, reduce inequality through adequate public redistribution policies.
 - ✓ **Third**, provide decent jobs and create incentives for informal entrepreneurs to establish formally. This will require to improving governance (reduce corruption, improve regulations and government effectiveness)
 - ✓ **Fourth**, strengthen the process of decentralization and provide more space for an effective participation of non state actors—local elected councils and civil society organizations-- in shaping as well as implementing social policies.



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Thank you for your attention