

# Poverty in Morocco: Challenges and Opportunities

*This note summarizes the key findings from an in-depth analysis of the evolution of poverty and shared prosperity in Morocco. It is the result of a collaboration between the High Commissioner of Planning and the World Bank and provides the background information for the Systematic Country Diagnostic, prepared by the World Bank in consultation with national stakeholders.*

The results of the poverty analysis undertaken highlights four points. First, economic growth has been reflected in increased household expenditures, especially for those in the bottom forty percent of the distribution. Second, there has been a process of convergence in poverty rates across regions, yet spatial disparities are still large. Third, monetary transfers have increased and had a larger impact on poverty reduction, but are still regressive. Last, while poverty decline was accompanied by broader improvement in welfare, perceptions of well-being do not reflect these.

## 1.1 Poverty and vulnerability

**From 2001 to 2014 there was significant poverty reduction.** Consumption per capita increased at an annual rate of 3.3 percent (3.9 percent for the bottom 20 percent), monetary poverty<sup>1</sup> and vulnerability<sup>2</sup> fell to 4.8 and 12.5 percent respectively. The improvement in living standards is also visible in changes of consumption patterns, with a reduction in the food share and diversification toward food of higher nutritional value<sup>3</sup>. The poverty gap and the poverty gap squared have also decreased. In 2014, the poverty gap, which measures the depth of poverty, had declined to 0.94 from 3.5 in 2001. The decline in the depth of poverty was more significant in rural areas, where the index went from 6 to 1.86. Given that this index is highly affected by the incidence of poverty, rural areas, which accounts for 40 percent of the Moroccan population, accounts for 80 percent of the poverty gap. The poverty gap squared, which identifies the severity of poverty, declined significantly between 2001 and 2014. The severity of poverty declined by 75 percent at the national level, 80 percent in urban areas and 73 percent in rural areas. The evolution of this index shows an improvement in the distribution of consumption among the poor and a reduction in the gap between their consumption expenditure and the poverty line.

**In terms of human development index (HDI), Morocco has made significant progress over the past decades, although there are significant margins for improvement.** Between 1980 and 2015, the value of Morocco's HDI rose from 0.4 to 0.65, an increase of 60 percent and an average annual increase of 1.3 percent. Life expectancy at birth increased by 16.7 years, average schooling increased by 3.8 years, and per capita gross national income almost doubled over 35 years. Among comparator countries, Morocco experienced the most significant improvement between 2000 and 2015, although the current levels are still low. Morocco lags especially with respect to schooling, for which it ranks 153rd. Average years of schooling are especially low for women: 3.8 years compared to 6.4 years for men.

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<sup>1</sup> Poverty rate is the share of the population whose consumption per capita is below the national poverty line. In 2001, the poverty line was set at 3,679 DH in urban areas and 3,425 in rural areas, equivalent to 2.3 and 2.1 2011 PPP per day, respectively. Adjusted by CPI, the poverty line in 2007 is 3,834 DH for urban areas (2.4 2011 PPP) and 3,569 DH for rural area (2.3 2011 PPP). In 2014, the poverty line is 4,667 DH for urban areas (2.9 2011 PPP) and 4,312 DH (2.7 2011 PPP) for rural areas. All of these poverty lines are lower than the international line of 3.1 2011 PPP.

<sup>2</sup> Vulnerability to poverty is the share of the population whose per capita consumption is in the range between the poverty line and one and a half times that threshold.

<sup>3</sup> Multidimensional poverty also decreased substantially from 25.1 percent in 2001 to 6.1 percent in 2014. With respect to access to basic infrastructure services, nearly 98 percent of households now have access to the electricity grid, and 93 percent to clean drinking water (up from 61 percent in 2004).

**Growth has been pro-poor but the urban-rural gap in poverty rates remains large.** From 2007 to 2014 the growth of households' consumption in the bottom quintiles was positive and above the average. In addition, the growth of consumption in urban areas was higher than in rural areas. Thus, urban poverty rate decreased faster than the national rate: in 2001 urban poverty was half the national level, in 2014 is decreased to a third. This was true in most regions, except for Casablanca-Set and the Region du Sud, where urban poverty was higher in 2014 than in 2001 relative to the national average. Poverty rates in rural areas are almost twice as high as the national level. As of 2014, 40 percent of the population lived in rural areas and accounted for 79.4 percent of the 1.6 million poor and 62.1 percent of the 5.4 million vulnerable.

## 1.2 Spatial dimension of poverty

**While spatial differences in poverty also declined, there remain wide differences across communes.**

Poorest regions saw higher poverty reduction and higher income growth: Drâa-Tafilalet, the region with the highest poverty rate, went from 40 percent poverty rate in 2001 to 14.6 percent in 2014.

**At the regional level, the evolution of the standard of living between 2001 and 2014 showed the existence of a process of convergence between the 12 regions, although the rate of reduction in regional differences was not the same.** The convergence coefficient indicates that the standard of living of the less affluent regions grew faster than that of the richest regions. Convergence has been strong in Fes-Meknes and Oriental while it has been slower in Draa-Tafilalt and Benimalal-Khenifra. The process of convergence is all but completed. With an annual convergence rate of 4 percent, it would take 24 years for the convergence process to reduce initial regional disparities by half.

## 1.3 Inequality and Shared prosperity

**Overall inequality has slightly decreased though not in all regions.** The Gini coefficient fell slightly between 2001 and 2014, going from 40.6 to 39.5. The reduction in the overall Gini coefficient was the result of two counter-balancing trends: convergence of development across regions and increased within region inequality in some of the regions. Indeed, inequality increased in some regions (e.g. Rabat-Sale-Kenitra from 39.9 to 44.2 and the Regions du Sud from 35 to 40.2) while it decreased in others (Casablanca and Marakkesh and Souss-Massa).

**Growth contributed to poverty reduction in all regions while the effect of inequality differed across regions.** Growth in mean consumption explains 93 percent of the 10-percentage points reduction in poverty between 2007 and 2014. However, the contribution of inequality varied across regions: in Souss-Massa and Grand Casablanca over 30 percent of the reduction in poverty was due to the reduction in inequality, in several regions changes in inequality offset the effect of growth.

## 1.4 Perception of poverty

**Although Morocco has experienced an improvement in its standard of living and a combined decline in poverty and vulnerability between 2007 and 2014, subjective poverty remains at a high level, especially in rural areas.** The marked divergence between subjective poverty and the monetary aspects of poverty is a common phenomenon in developing countries, which shows the complexity of the very concept of poverty. Nationally, the subjective poverty rate (the percentage of household considering themselves poor) increased from 41.8 percent in 2007 to 45.1 percent in 2014. The largest increase was in rural area, where is increased by 15 percent, reaching 54.3 percent: more than half the population in rural areas consider themselves

as poor. This was true also among women (55.3 percent), and among those younger than 25 years old (57.6 percent). Overall, 39.3 percent of households thought that poverty increased and 63.9 percent believed that inequality has grown. The high perception of poverty is in contrast with the actual reduction in monetary poverty, as well as the high rate of growth in agriculture GDP.

**The perception of poverty is higher amongst the poorest but has been growing amongst the more well off, especially in rural areas.** The perception of poverty was unsurprisingly higher at the bottom of the income distribution. In 2014, the subjective poverty rate in the first expenditure quintile was 68.9%. However, the largest increases happened among the most well off. The rate in the second quintiles increased by 3.3 percentage points, 6 points for the third quintile, 5.9 points for the fourth quintile and 3.4 points for the last quintile. In rural areas, these increases were even stronger: second quintile increased by 11.9 percent reaching 67 percent, and half of the fourth quintile perceived themselves as poor (an increase of 8.7 points. It is remarkable that 38.6 percent in the last quintile perceive themselves as poor.

**A large share of households perceives that extreme poverty exist in their community, with unemployment identified by a sound majority as its cause.** When inquired about the presence of extreme poverty in their communities, 43 percent of household report that it does, with this percentage higher in rural areas (50 percent) than in urban areas (40 percent). In terms of the causes for poverty, 58 percent see unemployment as the main contributing factor, followed by informal work (13 percent) and social inequities (10 percent).

### 1.5 Access to services

**Spatial disparities in access to services and infrastructure persist.** Despite the regionalization and decentralization program, slow and limited implementation means that regions are not yet equipped in terms of resources and capacity to fulfill their spatial and economic planning mandate. Irregular economic development, combined with poor coordination between central and local agencies, means that many regions, especially rural areas, are lagging in the provision of services. While enrollment rates in primary education have increased considerably in recent years, educational outcomes remain low in rural areas. Thus, the enrollment rate in secondary education in rural areas is less than 30.6 percent (21 percent for girls) compared to 87.2 percent in urban areas (83.2 percent for girls). Spatial disparities are even more evident in the health sector, where infrastructure and medical personnel are distributed unevenly in all regions, with a high concentration in large urban centers, particularly in the regions of Rabat and Casablanca. The average distance to the nearest paved road in rural areas is 3.5 to 4 kilometers in the regions of Tangier-Tetouan-Al Hoceima, Oriental, Drâa-Tafilalet, and Souss-Massa. Access to running water is close to total coverage in urban areas, but only about 65 percent in rural areas and large disparities persist in rural areas between the different regions, with 74.7 percent in the Drâa -Tafilalet where poverty is highest and 13.3 percent in Tangier-Tétouan -Al Hoceima There are large differences across communes. Access to improved sanitation also has a similar urban-rural gap.

### 1.6 Role of cash transfers<sup>4</sup>

**Households in Morocco benefit from several types of monetary transfers.** They can be divided into two broad groups: private transfers (from other households' resident in Morocco or residents abroad - remittances) and public transfers (from the government or from NGOs). In 2014, public transfers became the main source of transfers. Approximately two thirds of the total transfers came from public source. The rest of the transfers

are mainly made by households residing in Morocco, 21.4 percent, followed by remittances, 11.6 percent. The cash transfers received by the poor in 2014 come from other households (53.3 percent), public (40.4 percent) and remittances (6.3 percent). About 60 percent of transfers received by the poor were private.

**The percentage of households receiving some type of cash transfer increased.** Between 2001 and 2014, the share of households receiving some type of cash transfers increased from 41.6 to 50.1 percent. The increase was higher in rural areas (10 percentage points) than in urban areas (7 percent). The increase in the share was also highest amongst the poorest (10 percentage point among the first and second quintiles). However, the quintile with the highest share of households receiving some transfers remain the top one: 63 percent of households in the fifth quintile received transfers in 2014.

**The percentage of households receiving public transfers increased substantially in all quintiles, remained higher in urban areas and in the fifth quintile.** The share of households receiving public transfers more than doubled, going from 10.8 to 22.9 percent between 2001 and 2014. The percentage of households receiving public transfers in the first quintile was 8.9 percent compared to 40.2 percent in the top quintile.

**The percentage of households receiving remittances grew slightly overall, but was stagnant among the poorest quintile.** In 2007, 5.5 percent of households in Morocco received remittances. In 2015, 6.7 percent did. The increase came mostly from rural areas, where the percentage went from 3.5 to 5.1 percent. In the bottom quintile, the percentage remained around 2 percent, while it increased by about 50 percent in the second and fourth quintile.

**The generosity of transfers has decreased for households in the poorest quintiles but increased in the richest.** These transfers amounted to 17.3 percent of the expenditures of beneficiary households in 2014, 18.9 percent in urban and 11.5 percent in rural areas. However, there are marked differences across the income distribution: their weight is 11.9 percent for the poorest 20 percent (this likely due to the higher increase in consumption than in the amount of transfer) and 18.8 percent for the richest 20.

**The impact on poverty of cash transfer has increased between 2001 and 2014.** In 2014, without any transfer the poverty rate would have been 56 percent higher overall, more than double in urban areas and 26 percent higher in rural areas. The effect in 2001 was of 28 percent. Public transfers had a very high impact on poverty reduction in urban areas, while in rural areas transfers from other households in Morocco had the largest impact. Without remittances poverty is estimated to have been 19 percent higher in urban areas compared to 2 percent in rural areas.