

No. 3

July 2002

**IMPACT OF THE POLITICAL CRISIS ON HOUSEHOLDS' WELL BEING:
AN ANALYSIS BASED ON THE PERCEPTION OF COMMUNAL FOCUS
GROUPSⁱ**

Introduction

Thanks to the media, the facts linked to Madagascar's political crisis are well-known: hindrance in the free movement of goods and people due to roadblocks, the blowing up of bridges and fuel shortage, a rise in unemployment following layoffs in the "zone franche" and a slowdown in the tourism sector. However, some questions remain regarding the extent of the impact of the crisis on people's well being. This policy brief aims to answer part of these questions. It is based on focus-group discussions in 72 Communes of Antananarivo, Fianarantsoa and Mahajanga. The stratified sampling was done with respect to distance from the provincial capital (communes close to the capital, at medium distance and far away from the capital were selected). Given the urgency in bringing out results, we chose to interview focus groups. This method had the advantage of being quick to implement and it was also hoped that addressing questions to several respondents at once would lead to less biased results.

Four well-being indicators are used: income, food security, school enrollment rate, and health status. The analysis is based on a comparison of these indicators between April-May 2002, the same period last year and predicted estimates for the next two months if the crisis remains unresolved. Results are as follows.

1. Perception of the effects of the crisis on incomes

a. The income of an average household is at a little above half of last year's level.

According to the estimates of the focus groups, the income of an average person represents only 56% of last year's level (Table 1). 76% of the focus groups think that the crisis brought a decrease in their incomes whilst 25% of them further insist that it was a substantial decline.

b. The largest magnitude of the drop in incomes was in Communes of Fianarantsoa and Mahajanga.

In the province of Antananarivo, the income of the average person is estimated to have suffered a drop of 25%, whereas in Fianarantsoa and Mahajanga, this decline was thought to be respectively at 54% and 52% (Table 1). In addition, 17% of the Communes in Antananarivo even experienced higher incomes. This group includes rice surplus areas and Communes accessible by a paved road. It is possible that these Communes have benefited from reduced competition from other provinces in delivering rice to the city of Antananarivo.

c. The negative impact of the crisis on incomes was greater for Communes 1) located near a roadblock 2) not accessible by a paved road or 3) with no access to fuel.

The Communes of Bealalana and Maevatanana (Mahajanga) suffered from a major roadblock located in Maevatanana. In this region, the income of an average person fell by more than 50%. In Ikalavony (Fianarantsoa), a rice surplus area, lack of fuel increased transport prices dramatically and rendered it almost impossible to take products out of the Commune. For Communes that are accessible by a paved road or that had access to fuel –albeit at a high price– the effects of the crisis were less marked¹.

d. In slightly less than 50% of Communes, due to fewer traders, producer prices plummeted.

In Fianarantsoa and Mahajanga, respectively 75% and 48% of Communes experienced falling producer prices. Remote Communes suffered more than others. Unlike previous years, there were very few traders. As a result, most of the perishable products such as fruits suffered from lack of storage leading to the loss of one of farmers' main seasonal

¹ For example, in Ambalavao (Fianarantsoa) where people could have access to fuel in Toliary, the income of an average person was at 67% of its level last year, far above the provincial mean.

sources of income. Traders also incurred losses and higher costs than expected. Often, these traders are also shopkeepers. Taking advantage of their monopoly position, some of them reacted by increasing margins of basic goods more than proportionately to the increase in transport costs. This sudden inflation forced small farmers to acquire basic goods in exchange of their future harvest at lower prices than last year. The final effect is more debt and higher poverty among small farmers.

e. In 16% of Communes, the slowdown of the economy brought non-agricultural activities almost to a standstill.

The crisis also impacted on people's non-agricultural livelihoods. Overall, the slowdown of the economy resulted in the contraction of demand. Consequently, secondary activities became less profitable. For instance, lower mobility of people impacted negatively on the craft sector and small 'hotely' along major roads. By the same token, the latter also implies reduced demand for agricultural and livestock products.

f. In some Communes, people were still suffering from the impact of previous shocks and hence were more vulnerable to greater poverty.

In regions that were exposed to a major shock a few months ago, the current crisis precipitated its inhabitants' fall into poverty. Indeed, 31% of focus groups think that the decline in their incomes is due to reasons not directly related to the current crisis, thus indicating a slow recovery from damage from previous shocks. Such shocks include delays in arrear payments following the closing down of a major firm, natural disasters and falling prices of export crops².

2. Perception of the effects of the crisis on food security.

a. According to focus groups, the incidence of moderate food insecurity (those who are food insecure during part of the year) rose from 32% in April 2001 to 42% in April 2002. If the situation remains unchanged, it is feared that up to 50% of the population will fall into this category.

All categories of the population were affected by the inflated prices of basic goods. Given that the budget of the average household is sensitive to such

² In Mitsinjo (Mahajanga), for example, SIRAMA employees have not been paid over the last 6 months. Therefore, employees have difficulties to deal with the effect of the crisis. Moreover, bottlenecks due to the raise in transport prices led to a loss in revenues linked to sales of fish, one of the principal sources of income in the fivondronona.

changes, it is not surprising that the crisis made them more vulnerable to food insecurity. Graph 1 shows that the incidence of moderate food insecurity is highest in the Communes of Fianarantsoa. Moreover, predictions of worsening food insecurity in two months are confirmed by the analysis of the lean period based on the Commune Census data. These data show that overall, the lean period begins in Fianarantsoa in September (map 1).

b. Following the crisis, the proportion of the extremely food insecure rose from 12% in May 2001 to 16% in May 2002. Respondents think that extreme food insecurity will reach 23% of the population if the crisis remains unresolved.

It is clear that the crisis increased poverty among the already poor. Graph 2 shows that the incidence of extreme food insecurity is highest in the Communes of Antananarivo. According to focus groups' predictions, in two months, the incidence of extreme food insecurity will be significantly higher. To cope with the high inflation, some farmers had to increase the quantity of their marketed rice, hence exposing themselves to risks of lower stocks for auto-consumption compared to last year³.

Most remote Communes are also exposed to increased food insecurity compared to last year. Indeed, during the next harvest, a significant number of small farmers will have to give a substantial part of their produce to traders as payment for loans taken out during the crisis. Due to their deteriorating terms of trade, very little will be left for consumption. Furthermore, in some parts of the country, small farmers temporarily rented out their rice land in payment for loans. The length of such takeovers increases with the number of loans. With no land to cultivate, these small farmers' prospects for future food insecurity are worrisome.

3. Effects of the crisis on social sectors

3.1. Perception of the effects of the crisis on people's health.

a. In almost 50% of Communes, focus groups mention the deteriorating health of the local population. Such deterioration is even said to be extreme in 12% of Communes (Graph 3).

48% of focus groups think that this deterioration is due to the increase in health costs. However, although almost all Communes in Antananarivo and Mahajanga relate this to the crisis, only 12% of

³ The lower volume of marketed rice in some Communes also seems to suggest that farmers hold stocks of rice to ensure their future food security. See policy brief no 7 on agriculture.

Communes in Fianarantsoa think so, thus suggesting that the increase in health costs dates back to the period before the crisis. Only 4% estimate that it is due to the closing down of health centers.

3.2. Perception of the effects of the crisis on infant mortality rate

In 11% of sampled communes, the infant mortality rate increased compared to the same period last year. Most of these Communes are either difficult to access by road or close enough to a roadblock to suffer its consequences.

50% of focus groups think that this increase is mostly due to higher health costs. Moreover, the number of women consulting traditional birth attendants increased due to soaring transport costs. This led to a higher exposure to infant mortality. The decline in prenatal care attendance might also have increased birth complications.

3.3. Perception of the effects of the crisis on school enrolment rate.

In 25% of Communes, school enrolment rate declined (Graph 4).

Most focus groups argue that the reduced school enrolment rate is mostly due to the increase in education costs. The biggest drops are found in Mahajanga where people assert that it is due to the contraction of incomes from wage labor.

3.4. Perception of the effects of the crisis on health and education costs.

a. Focus groups estimate the share of the population with few problems to pay for education and health at 38%, showing an increase of 11 percentage points compared to May 2001. They do not predict any further increase over the next two months.

In the short run, households located just above the poverty line cannot withstand shocks such as the inflated prices of basic goods and the increase in transport costs. Their responses include a decrease in education and health expenditures. The predictions of stability of the size of this part of the population are in line with general findings from the poverty dynamics literature that show that transient poverty usually increases following a shock but remains stable or decreases after a period of adaptation.

b. The proportion of those who cannot pay for health and education rose from 13% last year to

19% this year. This rate is estimated to be at 28% in two months if the situation remains unchanged.

The estimated rise in the proportion of those who cannot pay for health and education in May 2002 is lower compared to that of the proportion of those experiencing a few problems. However, the predicted increase of 10 points of the former indicates a worrying process of destitution of the already poor. It seems that in the medium term, the extreme poor will have less ability to cope with the economic effects of the political crisis. This lower resilience might be due to a lower asset base.

Whilst in Fianaranstoa and in Mahajanga, people estimate an increase of 6-7 percentage points, focus groups in Antananarivo are more pessimistic. They predict that if the crisis is not resolved, the proportion of those who are not able to pay for health and education will rise from 24% in April 2002 to 38% in two months⁴, thus pointing to the seriousness of the situation.

4. Households' coping strategies

Many focus groups mention a number of strategies that households have used to cope with the impact of the crisis.

4.1. Strategies

a. Increase in the quantity of marketed rice.

As said earlier on, in rice surplus areas, around Antananarivo, farmers have increased the volume of their marketed rice in order to face the escalating prices of basic goods.

b. Renting out rice land and selling cattle

As explained in section 2, some farmers had to temporarily hand over the use of their rice land to creditors. Such contract is called 'debaka' in the South East of Fianarantsoa. The poorest get locked in a vicious circle whereby, in exchange of loans, the length of the contract for renting out of rice land is gradually increased.

Slightly better off households sell their cattle. In April, facing an increase in cattle theft in some areas, some of them chose to sell at lower prices rather than risk a full loss.

⁴ For example, in Ambohitromby (fivondronana of Ankazobe) where the income of the average person is said to have had an increase of 25%, whilst the proportion of those who have no problem in paying for health and education remained stable at 40%. However, it is also estimated that in two months, only 20% of the local population will belong to this category.

c. Theft of crops

In 7% of Communes, crop theft increased compared to the same period last year. The increase in this act of distress reveals the severity of the destitution of part of the population.

d. Some of the temporarily unemployed come back to the village.

Overall, there has been little migratory movement. In a few Communes close to provincial capitals, a high percentage of the new settlers were newly unemployed people who still had relatives in the village. For most families, the return of these migrants also means no transfers or remittances on which to rely, worsening further the availability of cash.

4.2. Consequences of the crisis on survival strategies

a. Reduced availability of informal credit due to higher risks

Due to higher risks and uncertainty, as well as the increasing scarcity of cash, better off people were less willing to lend money.

b. The crisis negatively impacted on social cohesion.

Often, the poorest could not rely on the help of the better off. Many focus groups argue that there is now less trust between family members. The extent of risk management strategies involving transfers between community members is also estimated to be minimal. These changes indicate a deterioration in social cohesion and point to the social disruption brought by shocks that affect all community members.

Conclusions

The analysis of the Commune survey data has shown that the crisis strongly impacted on people's well-being. The main effects are declining incomes, deteriorating health and a worsening of food insecurity. For some households, the crisis is an add-on to a series of shocks that have affected them over the last years. The cumulative effect of these shocks will lead to greater poverty for them.

Regarding declining incomes, the normalization of the availability of fuel can contribute to restore activities. However, for economic activities to resume completely, there should be more trust in the future based on political stability.

This analysis has also highlighted small farmers' worsening food insecurity over the next months, especially in the province of Fianarantsoa. Although immediate actions might be needed, to avoid errors of targeting, there should be more work done on the identification of the most vulnerable.

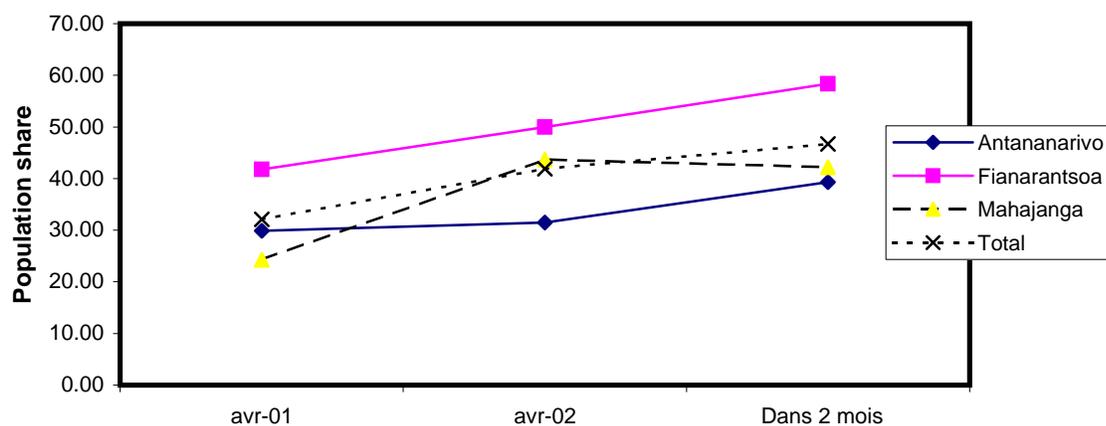
Because of the crisis, many development projects, from government and donors alike, were stopped, delayed or cancelled. Resuming these projects and adapting them to the new situation should be among the first steps to be taken.

ⁱ This program is funded by USAID, Project 'Improved economic analysis for decision-making in Madagascar', Cornell University, Cooperative Agreement No. 687-00-00-00093-00. This policy note is part of a study on the 'The political crisis : economic and social impacts and implications for policy'. For more information, suggestions or access to data, contact the Ilo program. This note was prepared by Milaso Chereh-Robson (Ilo Program) and Bart Minten (Ilo Program)

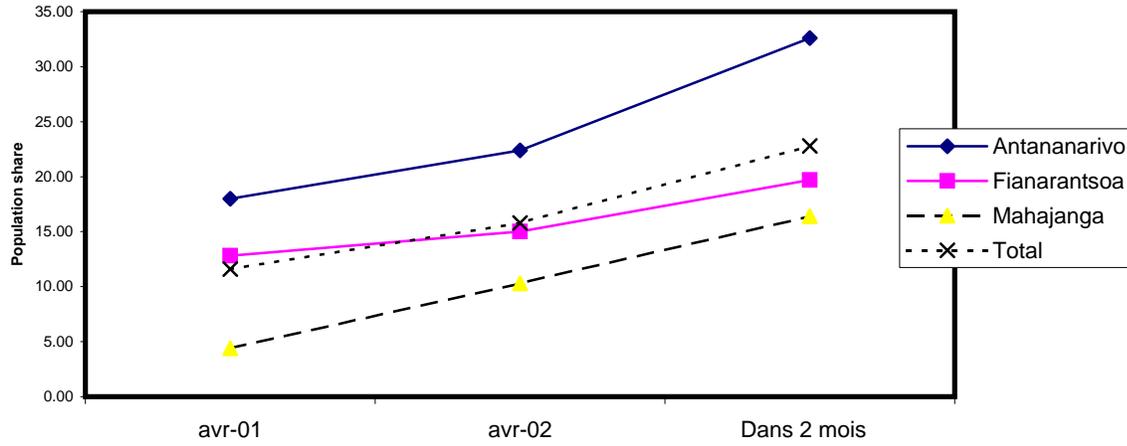
Table 1: Perception of changes in incomes compared to last year

	Income change compared to last year		Proportion of Communes that experienced the following changes			
	Mean	Median	A big decline	A decline	Same as last year's	An increase
Antananarivo	-26	-25	25	46	12	17
Fianarantsoa	-54	-50	28	48	24	0
Mahajanga	-52	-50	24	60	16	0
Total	-56	-50	26	51	18	5

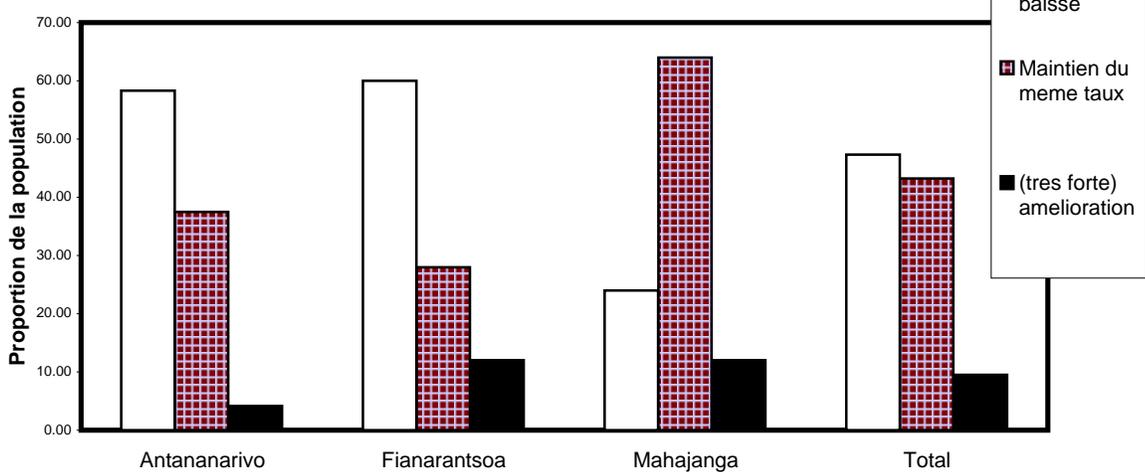
Graph 1: Effects of the crisis on the proportion of the moderately food insecure (based on the perception of focus groups)



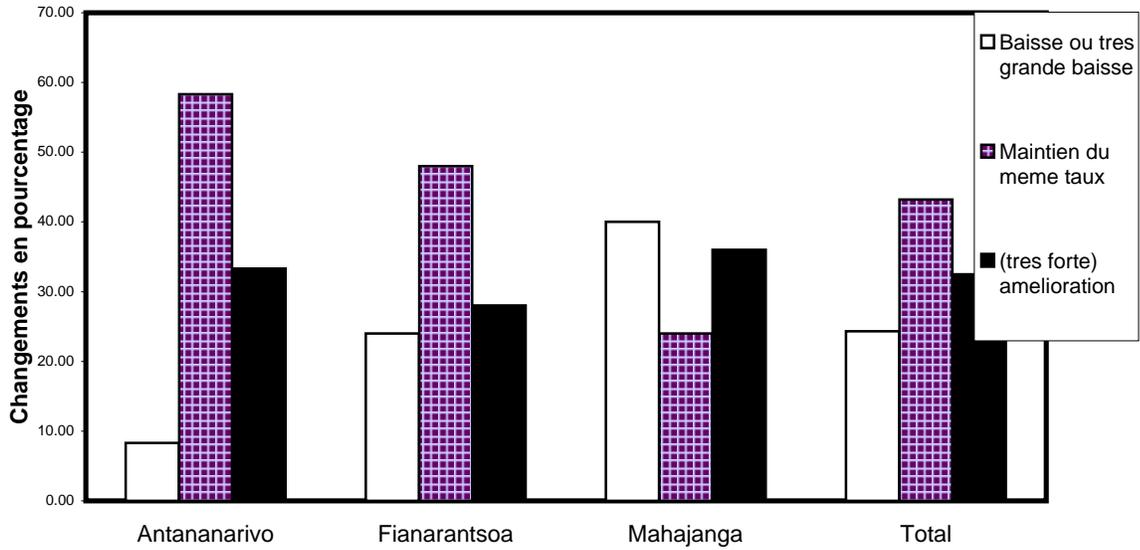
Graph 2: Effects of the crisis on the extremely food insecure (based on the perception of focus groups)



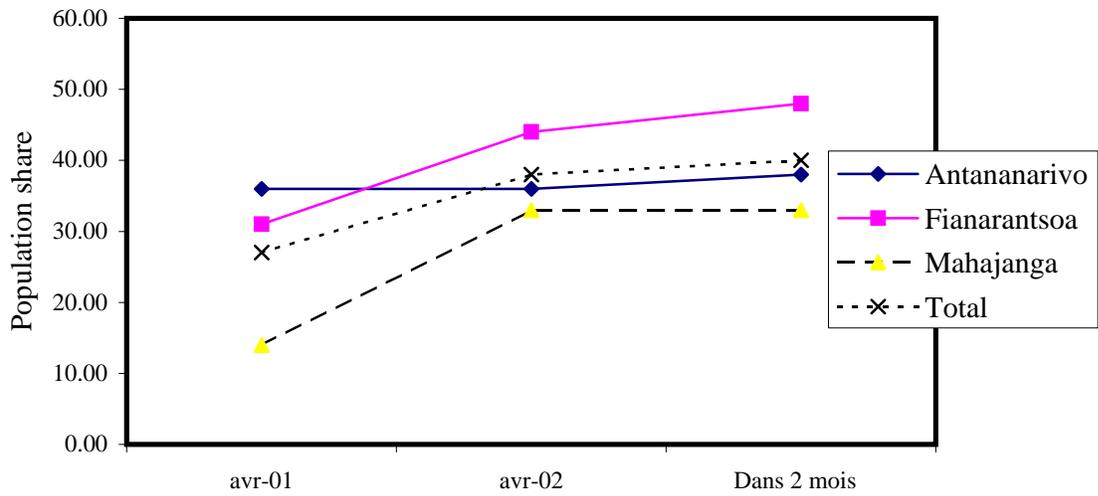
Graph 3: Effects of the crisis on people's health (based on the perception of focus groups)



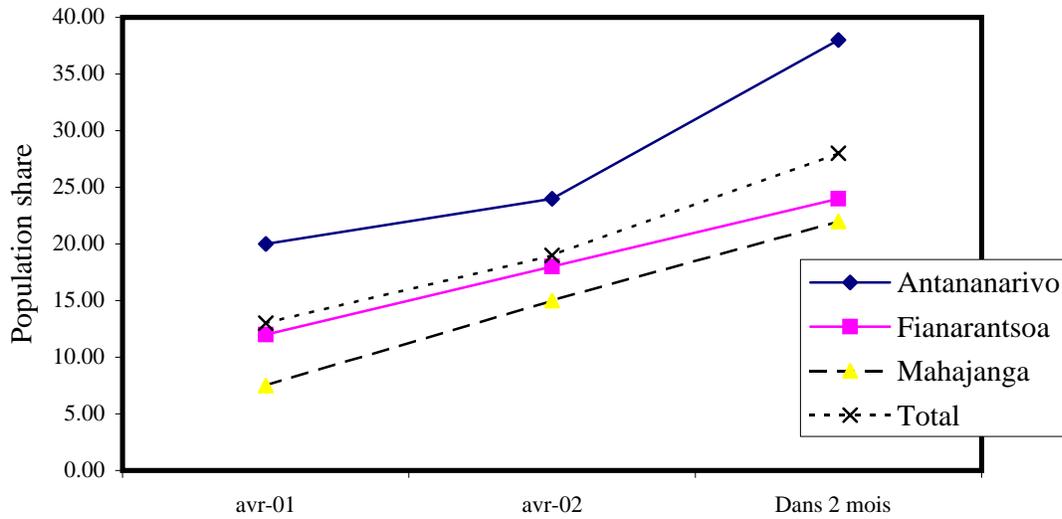
Graph 4: Effects of the crisis on the school enrolment rate (based on the perception of focus groups)



Graph 5: Effects of the crisis on the proportion of those who have a few problems to pay for health and education (based on the perception of focus groups)



Graph 6: Effects of the crisis on the proportion of those who cannot pay for health and education (based on the perception of focus groups)



Graph 7: Effects of the crisis on infant mortality rate (based on the perception of focus groups)

