Summary for 1st Quarter 2011

- After two years of political crisis, government have cut their public investment program by more than half. Also, official aid flows have been cut except to social sectors which respond to the growing social distress of the population.
- According to Mc RAM surveys in 2010, the economic situation of households living in urban areas has improved over the period from May to December 2010.
- Lack of decent job creation still remains a great concern of the economy of the country.
- In the South, harvest of maize and peanuts have started. Inspite of good harvest, locusts were about to blossom and invade the coastal side.
- After the passage of cyclone BINGIZA, preliminary assessments recorded minor damage in the Northeast region whereas the southeastern areas were more affected. Damage to the agricultural sector is considered significant in three districts.
- Food consumption of the households in the Southeast deteriorated in March 2011 compared to May 2010. Revival of vegetable crops is suggested to improve both source of income and food consumption of vulnerable households.
- According to OdR (Observatoire du Riz) data, nominal price of rice has increased by 27% in first quarter 2011 compared to first quarter 2010.
- As for nutrition, data on nutritional status of school aged children is rare or nonexistent. A survey undertaken in Tsihombe district (in the South) revealed a prevalence of acute malnutrition of 6.1% among 6-14 year children in late February 2011.

Political and Economic Crisis

- After two years of political crisis, government have cut their public investment program by more than half so that they have become almost marginal in 2010. The weak share of public investment has become especially alarming (equal to only 3 % of GDP). As result, the existing deficiencies in both physical and human capital that are observed in Madagascar may be further exacerbated according to the World Bank.
- As the transition government is still not recognized by the international community, official aid flows have been cut except to social sectors which respond to the growing social distress of the population. Official aids toward education, health and social protection surged, reaching almost US$260 million in 2010 against US$180 million in 2008.
- Nonetheless, social indicators did not improve. The World Bank updated the net registration rate in primary schools at 73% in 2010 while it was 83% in 2005. The rate of births attended by medical staff declined from 51% in 2006 to 44% in 2009. And the use of external medical consultations is down by 8 percentage points between 2005 and 2010.
- During this two-year crisis, donors have often acted as “the lender of last resort”, and without them, the social situation in Madagascar could have been arguably worse than it is today. For instance, a fraction of teachers are now paid directly by the Education-For All Catalytic Fund managed by UNICEF, a growing number of health centers are funded by donors, and emergencies in child malnutrition and climatic disaster are increasingly covered by targeted program financed by external funds.
- Globally, aid has helped to reduce the impact of the current crisis on households and preserve at certain level of social services. However, improving aid effectiveness should be a priority for both donors and the Government for the next months because its success will require open information and stronger cooperation.
Economic Conditions

- The National Office of Statistics (INSTAT) projects a stagnation of Malagasy economy in 2010 as in 2009. They reported a quasi-null economic growth rate of 0.6% while IMF predict a negative economic growth rate of –2% in 2010. For 2011, all agencies agree on a forecast of positive growth due to starting production of the large mining projects.
- Unlike the two previous year, the agricultural sector did not perform very well in 2010 (+0.7%). However, the growth in mining was very remarkable (+127%).
- 2011 began with a heavy introduction of food price subsidies, especially in rice. With the recent raise in food prices, the government decided to forbid rice and sugar exports since early march.
- Indeed, Madagascar is a net food importer. Food imports amounted to MGA 52.963 billion (CAF) in the first quarter of 2011 against MGA 43.511 billion of exports (FOB), a respective increase value of 43% and 59% compared to first quarter 2010.
- At microeconomic level, the economic situation of households living in urban areas, especially that of women headed households, has improved over the period from May to December 2010 according to Mc RAM surveys. However, with low monthly income, living conditions remain precarious.
- Lack of decent job creation still remains a priority as expressed by more than half of households surveyed by Mc RAM 2010. INSTAT figures on the creation of new formal institutions confirm that the slowdown in employment has continued in the first quarter of 2011 with 20% decrease in the number of newly created firms compared to first quarter 2010.

Agricultural Production

- In the South, harvest of maize, peanuts and sorghum started in March. A household produces 840 kilos of maize and 528 kilos of peanuts in average. 85% of maize and sorghum production 50% for peanuts are for own consumption. This year, production is quite better than last year and can cover 2 to 3 months of consumption.
- In the Southeastern part, the harvest of first season of rice (Vary Hosy) started at the end of January. This harvest is supposed to begin in September-October but because of late rains, it was delayed. The production from this crop only lasted a month. Therefore, 2011 short lean season started earlier in this zone.
- During last harvest period, yields of rice are still very low (0.7 MT/ha). As the southeastern coast has a warm and humid tropical climate, the main problem is water management following the lack of dam and irrigation canals (Source: Vulnerability analysis, UNICEF & RoR).

TRAJECTORY OF CYCLONE BINGIZA from February 14 to 19, 2011
(Source: MTOTEC)

- After the passage of cyclone BINGIZA, preliminary assessments recorded a minor damage in the Northeast region whereas the southeastern area were more affected.
- The indepth assessment in the Southeast showed a little wind-related damage to housing and infrastructure along rivers. Damage to the agricultural sector is considered significant in three districts: Vohipeno, Farafangana and Vangaindrano.
- Among 69 609 ha of irrigated area, 16% (11,315 ha) were silted. For other crops (cassava, breadfruit and cash crops) floods and winds caused nearly 28% of damage.
- The National Meteorology Department is forecasting a risk of precipitation deficits in the Eastern coast in May. Meanwhile rainfall will be near seasonal norms. Besides, precipitation will be above seasonal values in the Western and Southern in June, which is a good opportunity for off-season crops.
Food Consumption

- Overall impacts of cyclone BIN-GIZA on food access and availability were lower compared to impacts of moderate tropical storm HUBERT last year.
- However, a temporal comparison of the food consumption on the graph at the right shows a deterioration of the food consumption of the majority of households in the southeastern coast between May 2010 and March 2011.
- Particularly, half of households in the district of Farafangana had poor food consumption in March 2011, +29% compared to last year. In the district of Vohipeno, the number of households with borderline consumption has increased by 25%. In the district of Vangaindrano, the situation is quite the same as last year (Source: 2010 Post Hubert Assessment and 2011 Post Bingiza Assessment, Cluster Food security and Livelihoods).
- The post-Bingiza assessment suggests a revival of short-cycle crops to improve both source of income and food consumption of vulnerable households. It will be quickly achieved through a distribution of seed and a redevelopment of crops by community works. Besides, vegetable crops can be harvested after one month and a half. Therefore, WFP and its partners assisted more than 96,000 persons in the eastern and southeastern parts of Madagascar with food for work. The works focused on track and channel rehabilitation.

Markets and Prices

- According to OdR data (Observatoire du Riz), nominal price of rice has increased by 27% in first quarter 2011 compared to first quarter 2010. In real terms, the increase was 17%. Current level of rice prices is actually the highest over the five previous years. The 2010/11 marketing year of rice were dominated by a context of high uncertainty (source: CIRAD). National rice production has been overestimated due to unreliable agricultural statistics and to lack of information exchanges between rice stackholders. Moreover, the electoral period led market participants to moderate their importation.
- Meanwhile, delay in rains had raised fears of late arrival of main crop and fall in production. Therefore, speculation was so strong on the remaining stocks and accelerated price rise early this year. Nevertheless, prices of rice started to drop at the end the first quarter with the arrival of first harvests.
- As other staple commodities are concerned, compared to last quarter 2010 price of sugar rose by 17%, that of flour by 9% and that of cooking oil by 13%. Cooking oil markets are currently flooded with vitamin A fortified US produced oil injected by SALOHI program.

- In the South, prices in some districts are very unstable because of access difficulties following the recent long rain period and the passage of the cyclone BINGIZA.
- Since January 2011, the minimum starting wage was set at 36.8 U.S. dollars in the non-agricultural sector and 37 U.S. dollars in the agricultural sector, an increase of 10% over January 2008 when it last increased. With a general inflation of 10% per year, this recent increase in wages will not be sufficient to improve the purchasing power of households.
Inputs were provided by the following sources:
• WFP
• UNICEF
• FAO
• INSTAT
• Observatoire du Riz
• IMF
• The World Bank

Health and Nutrition

• According to CFSNVA preliminary results, 5.4% of children under five suffer from acute malnutrition in rural Madagascar in August–September 2010. The survey was carried out after the harvest and therefore the results displayed present the “best” case scenario. Acute malnutrition levels are likely to worsen as the lean season progresses reaching a peak in March in most of the regions.
• Acute malnutrition differs by gender: 6.2% among boys and 4.6% among girls. It also differs by age: 4% among children under six months or over 23 months, and 6.4 ± 10% among 6-23 month children.
• Interestingly, acute malnutrition is higher in the food secure households when the child is sick. Although, a child in a food insecure household is likely to be malnourished even if he is healthy as it is shown in the chart below. Then, the health status of the child can be a determinant of his nutritional status.

<table>
<thead>
<tr>
<th>Household/Child Status</th>
<th>Global Acute Malnutrition (GAM) among sick children</th>
<th>Global Acute Malnutrition (GAM) among healthy Children</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Insecure</td>
<td>6.5%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Food Secure</td>
<td>6.8%</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

• Regarding school aged children, data on nutritional status is rare or nonexistent. A survey undertaken on 443 students of six schools in Tsihombe district (in the South) revealed a prevalence of acute malnutrition of 6.1% among 6-14 year children with a severe case (0.2%) in late February 2011. 44.0% are stunted (17.8% of severe) and 42.5% are underweighted (8.4% of severe).