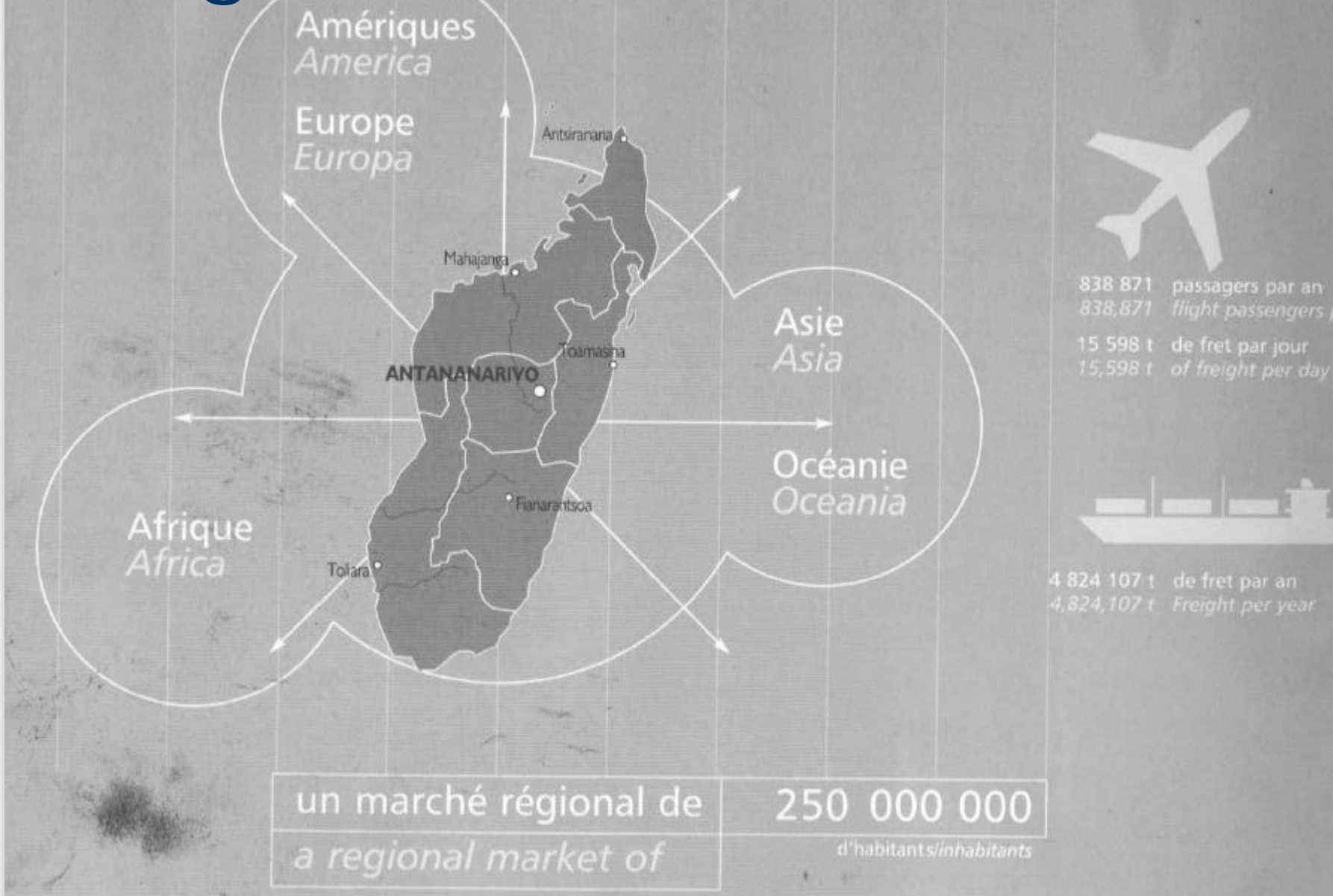


# RURAL POVERTY AND THE ROLE OF THE PRIVATE SECTOR

EXPERIENCES OF  
MADAGASCAR

# A regional market



# Macroeconomic situation

## ■ Poverty trends in Madagascar Source: INSTAT

	Evolution (%)		Level
	1993-97	1997-99	1999
<b>Macroeconomical index</b>			
GDP per capita (1,000 MGF)	-0.9%	1.3%	154,000
Inflation rate	24.0%	8.5%	9.8%
<b>Poverty index *</b>			
National	3.3%	-2.0%	71.3%
Urban	13.1%	-11.1%	52.1%
Rural	<b>1.5%</b>	<b>0.7%</b>	76.7%
<b>Poverty intensity**</b>			
National	3.3%	-0.8%	32.8%
Urban	12.1%	-8.2%	21.4%
Rural	<b>1.6%</b>	<b>1.4%</b>	36.1%

\* those with total expenditure level afford less than 2,100 cal per capita

\*\* amount by which the poor should be improved to break even with poverty level

- Increased poverty for small holder farmers

Household (Hh) groups	Poverty evolution (%)		Poverty %
	1993-97	1997-99	1999
<b>Hh head by profession</b>			
Agriculture	0.4%	0.9%	77.4%
Non-agriculture	10.1%	-8.8%	57.1%
National total	3.3%	-2.0%	71.3%
<b>Cropped areas by size</b>			
Small holders*	0.7%	2.2%	82.2%
Mean and large holders	-0.1%	-1.2%	70.7%
<b>Rural distance**</b>			
Most distant quintile	-	4.8%	82.8%
Closest quintile	-	-6.7%	65.9%

\* Less than 1.5ha per Hh

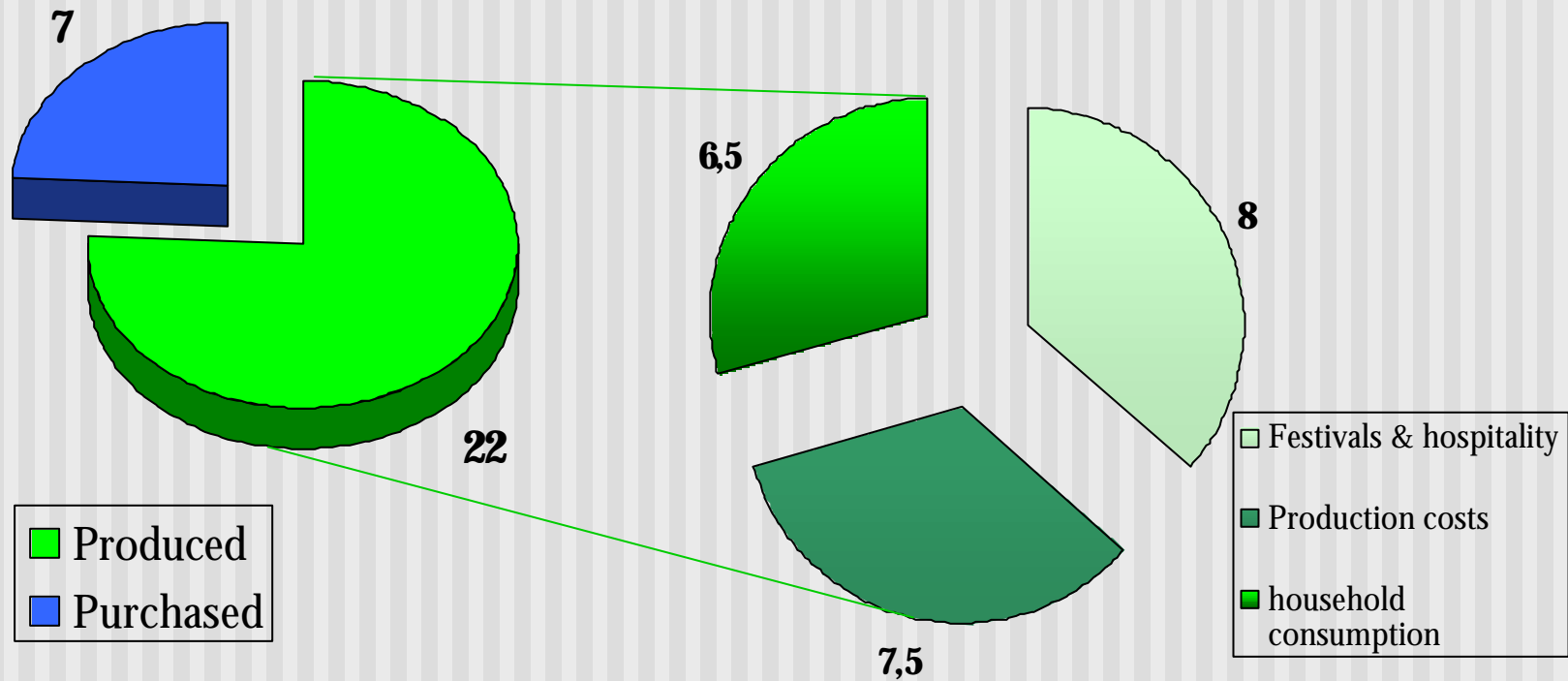
\*\* Distance index to schools, clinics, transportations and other services

# Main underlying causes for Rural Poverty

1. Security (persons, goods)  
\*cattle, crop and forest products theft
2. Corruption
3. Financial and Production management at rural hh level and the debt cycle  
Saving and credit systems not introduced, nor adapted to needs yet
4. Access to remunerative markets : at mercy of collecting agents.
5. Land tenure and registration
6. Public infrastructures
7. Access to and sustainable management of natural resources
8. Non monetary factors : lack of access to social services

# RICE BUDGET

Measured in 30 kg bushels of Paddy



# My business interactions with the rural poor

The business is providing agri inputs and hh goods.  
My sales strategy is based on:

- a. Products and services are based on demands
- b. packaging adjusted to purchasing power of the rural poor
- c. Costs of products may be high for the poor but they still invest due to high quality and customer services-technical advise and information
- d. Penetration into rural areas through network of retailers who invest themselves up to 50% of inventory value

# The major constraints I see for development of my business

Funds are available but:

- No role nor lobby for the private sector in rural poverty reduction programmes
- No funds available as credit for long-medium term investments, short terms credit very high interest rates, (17%)-impossible to achieve a good ITR
- Business services available but inputs required to make use of their recommendations are lacking, ( equipment, qualified staff/ labour, low quality raw product, etc)
- High taxes
- Business and political environment in Mada difficult for woman entrepreneurs

# Potentials for development of the Rural Poor – Private Sector Relationships

1. Concertation for rural security and land tenure access and some political support with NGOs
2. Farmers organise for participation in maintenance of irrigation and road infrastructures
3. Bottom-up planning of rural development programming
4. The private sector organise themselves in professional associations.
5. Regional Cooperation – Indian Ocean Commission (IOC)  
– COMESA- SADC-AGOA and WTO

# Issues to solve for a more effective Rural Poor and Private Sector Relationship

- Assure that all decentralized administrative structures are equally informed and aware of the challenge to have the rural development plan.
- Joint planning of relevant specified projects to effect substantial income generation improvement
- Strengthen professional organization as vertical and /or horizontal integrations for :
  - financial capacity and credit access,
  - production chain with quality control,
  - meeting market opportunities
  - Sustainable natural resource management

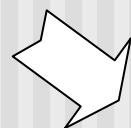
# Thoughts on a strategy for rural economic development

Three main steps:

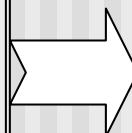
1. At national level prioritisation of economic growth sectors
2. At regional level develop chamber of commerce, agri, industry, crafts and services as intermediate platform between pvt sector and rural producers
3. At micro level financial services and instruments for micro credit to micro enterprise and targeted to rural poor as business partners

# IV – WHAT IS NOW REQUIRED

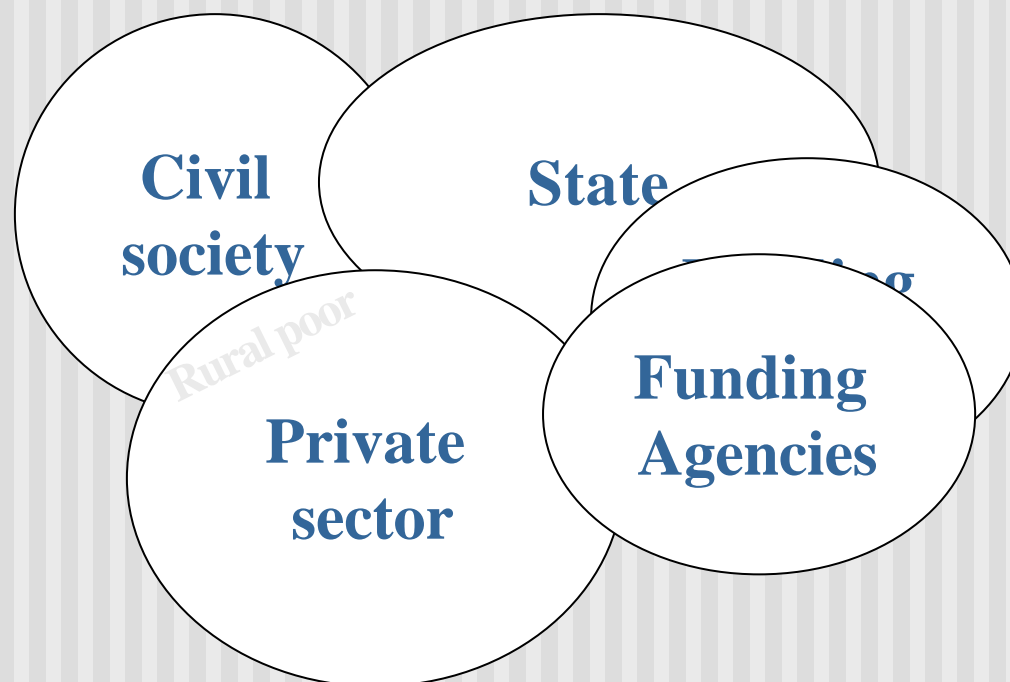
- Increased exchange
- Strengthening of private sector and Rural poor of civil society



- State Programs better fit to needs
- More efficiency because Administration accountable
- Less corruption
- Less arbitrary decisions



- More private sector initiatives
- More Private Sector investment
- Public sector rehabilitation
- Stronger and more equitable growth to be sustainable



# Points and Issues for discussions

1. Credit allocation process :
  - appropriate level
  - application processing : simple, readily
  - counselling and monitoring to be professional up to and including marketing.
2. How to start effective collaboration between funding agencies, development organisations and private sector for reduction of rural poverty.
3. How to increase accountability of Governments for reduction of corruption and development and funding agencies for fulfilment of time frames to implement Poverty Reduction Strategy