

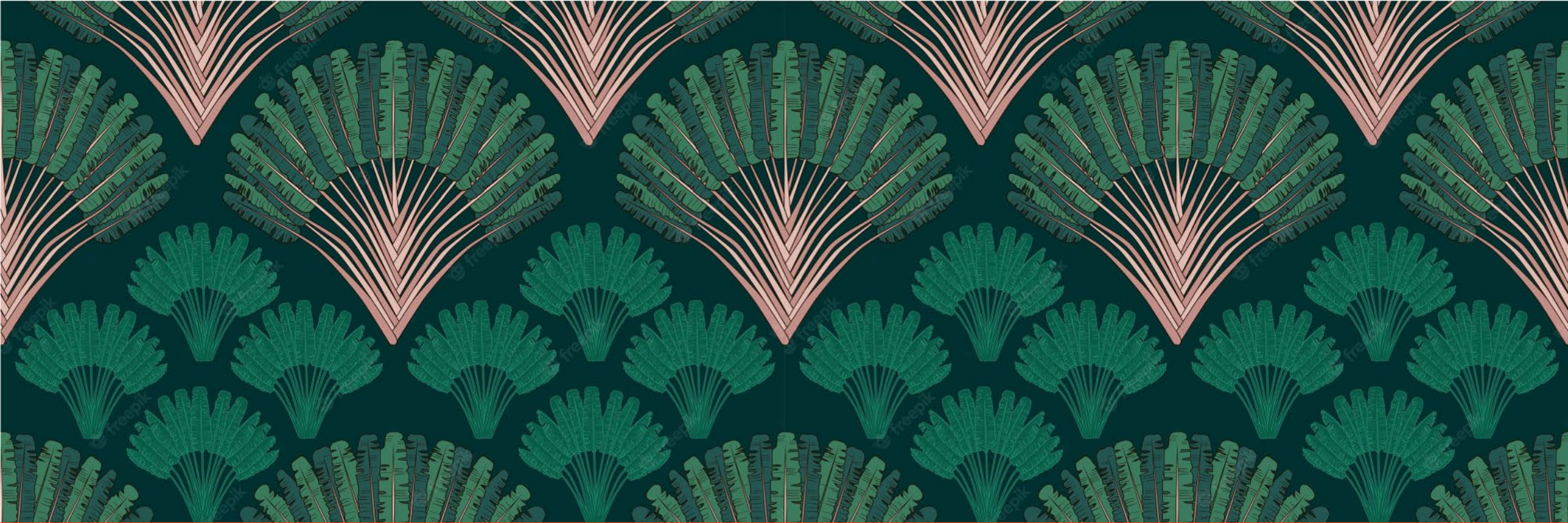


Addressing Poverty and Exclusion with Madagascar's Elite

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9th Economic Development Days – May 2023
Vienna University of Economics and Business (WUWien)

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Breaking the elite trap: Case study of Madagascar

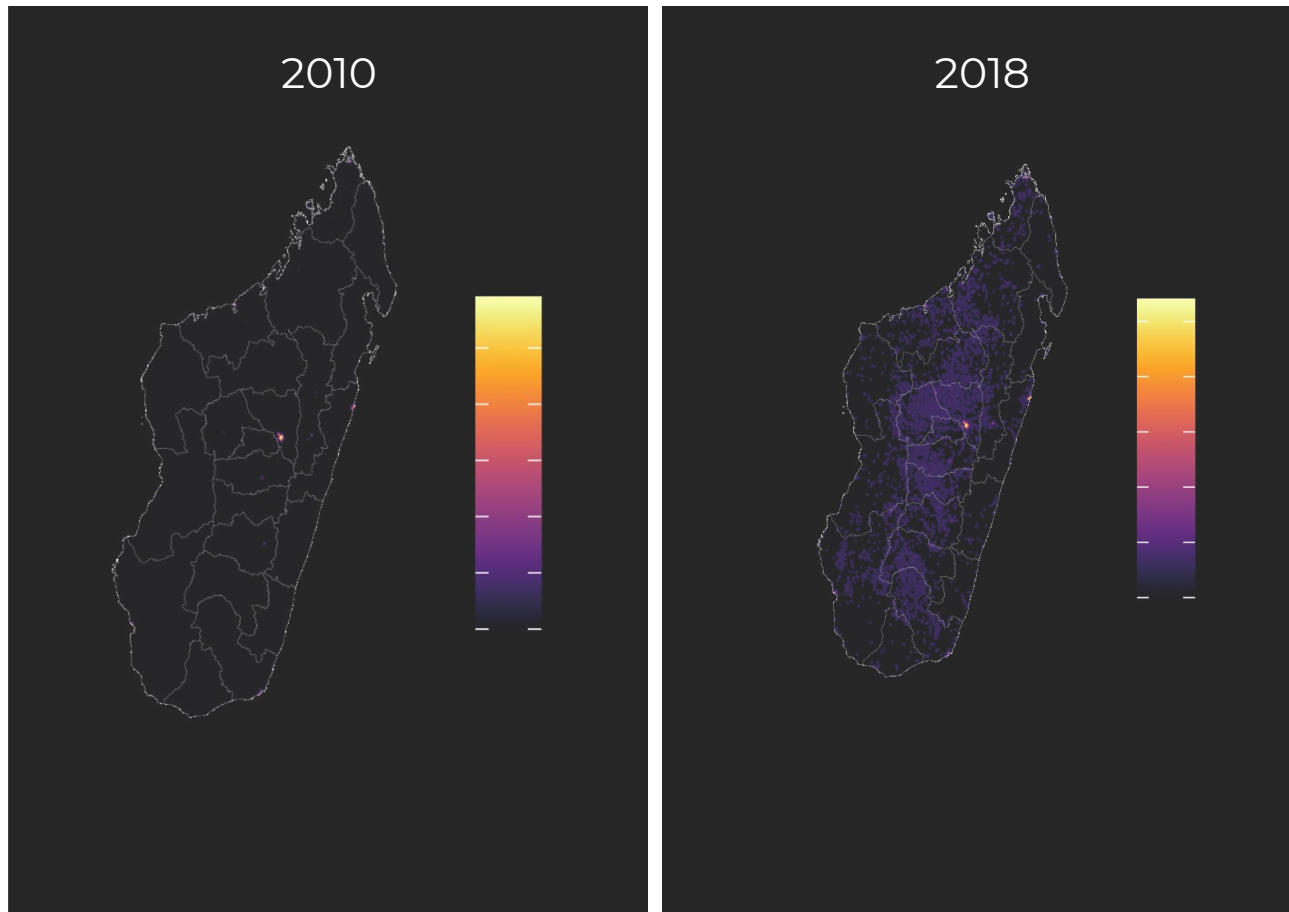
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4th largest island: 1,570 km long x 570 km wide
Population: ~28 million
History: populated by migration from Indonesia, France and continental Africa

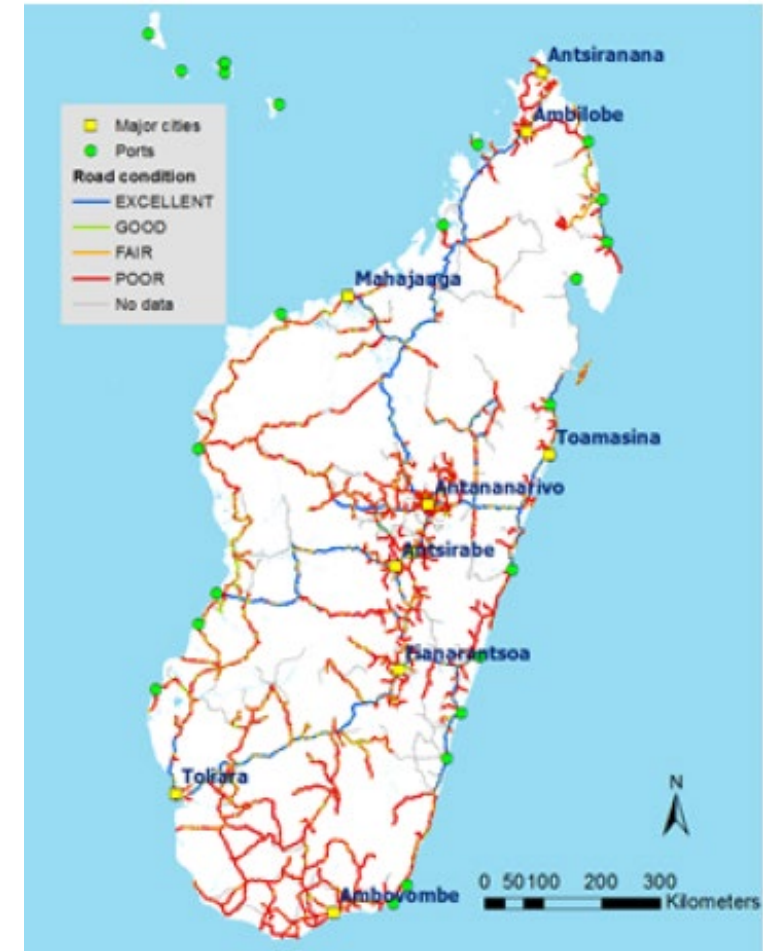
MADAGASCAR

Electricity coverage has increased to around ~1/3 of the population (only 15% to grid)



Source: Poverty Targeting Index, 2019

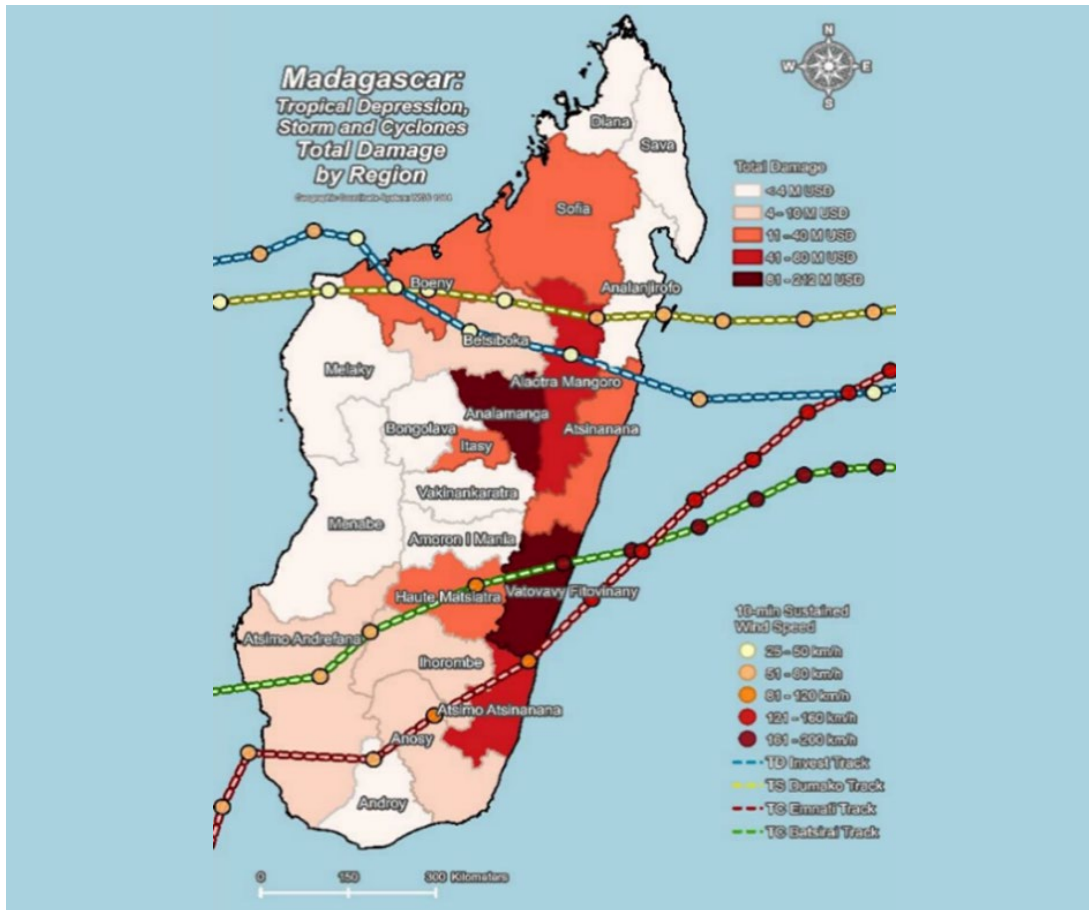
Paved roads ~10% of network (70% in good condition, and 70% unpaved roads in poor condition)



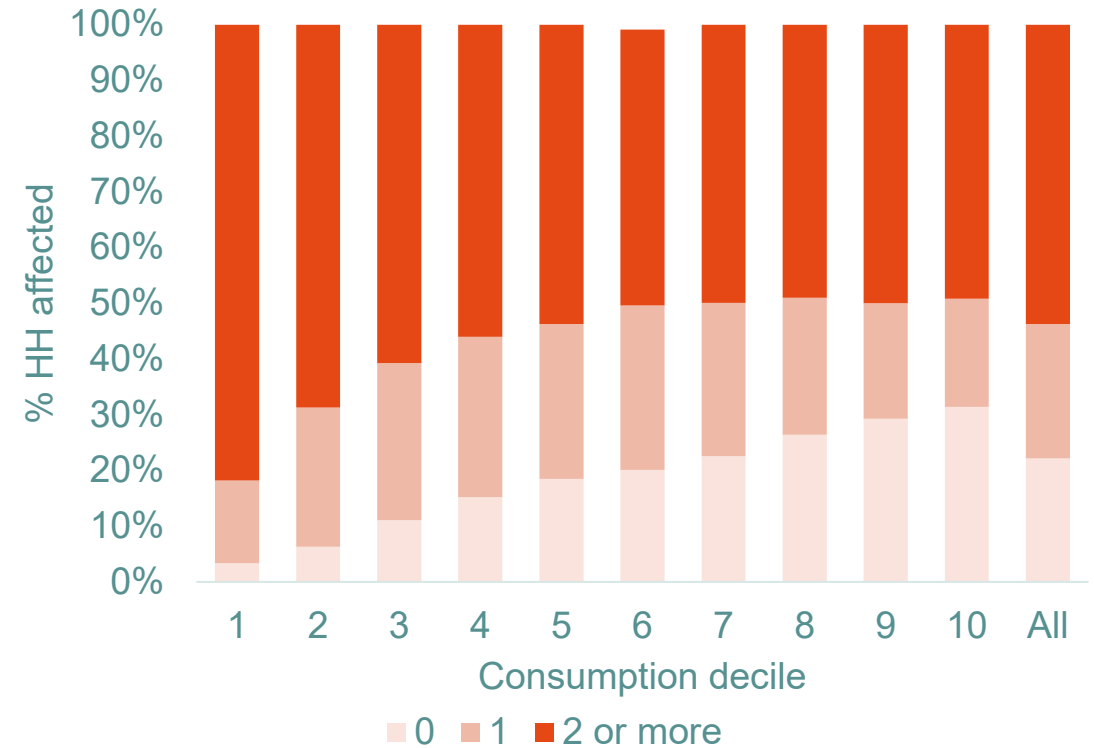
Source: Madagascar Spatial Analysis of Transport Connectivity and Growth Potential, 2019

Perpetual vulnerability to climate shocks

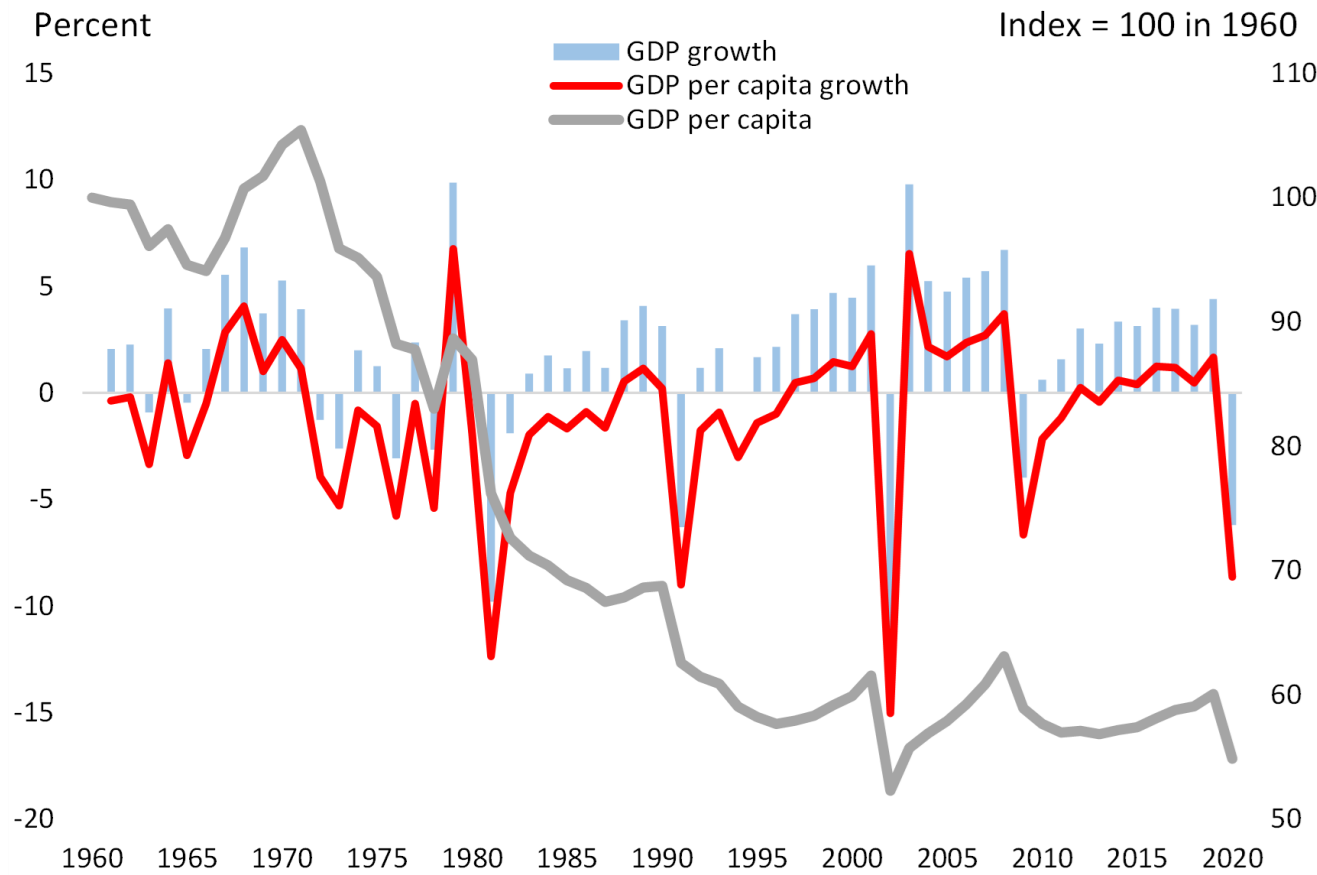
Trajectory, Intensity, and Damages from the Four Tropical Depressions by Region in 2022



Cyclones in 2022 affecting households by welfare status



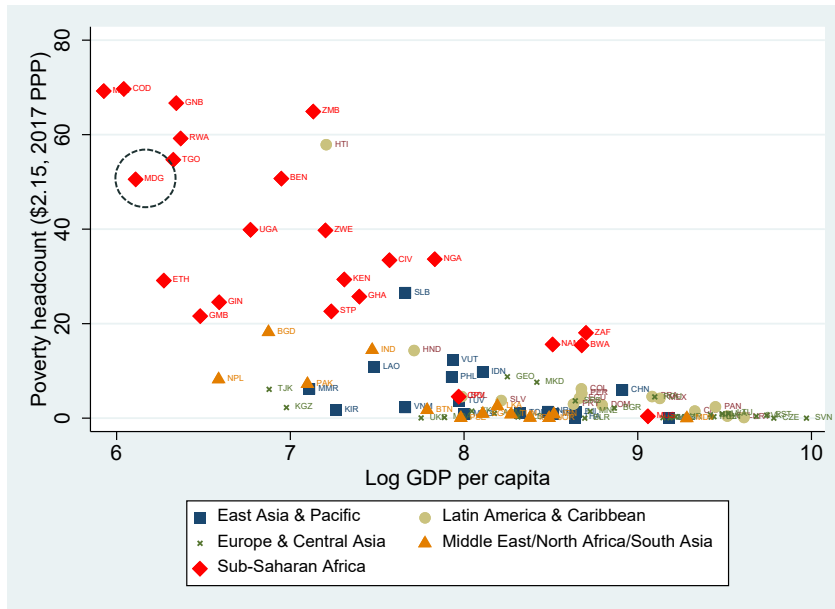
Income per capita has fallen by *half* since independence



- Madagascar is one of only few countries to have experienced declining income per capita over the long run.
- Most of the losses occurred during a long period of decline from the early 1970s to the mid-1990s.
- Gains during short periods of relative stability were reversed by crises (political instability in 2001-02, 2009-12, and the COVID-19 pandemic in 2020).
- GDP per capita grew modestly in 2013-2019 but then fell dramatically. Overall, it fell by 2.3 percent on average over the period 2012-2022.

Long-term decline and sporadic growth episodes have maintained high poverty

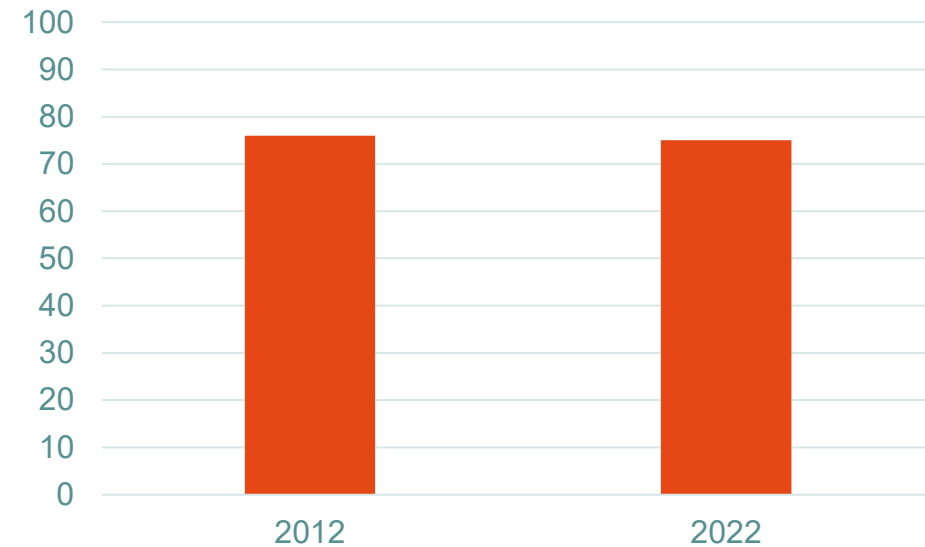
Global poverty and GDP per capita, average 2010-2022



Source: WDI/Poverty & Inequality Platform

Between 2010-2015, Madagascar was among the countries with the highest poverty rates, above the level predicted for its GDP per capita. In 2022, Madagascar continued to be in the top 15 countries with the highest poverty rates (using the international poverty line).

Percentage of the population under recommended minimum caloric intake (2133 Kcal person/day)



In 2022, about 75 percent of Madagascar's population consumed fewer than the national minimum caloric threshold of 2,133 Kcal per day – almost identical to the level in 2012

Source: EPM, 2012 & 2022

Historical isolation and inequality

- **Insularity**, due to vast and diverse geography, isolation from the rest of the world;
- **Early migration**: 400-900 A.D. from Indonesia, then South Asia, East Africa, Persian Gulf. During the 19th and 20th centuries, migration from Comoros, Europe, Indo-Pakistan, China. Most of the population speaks Malagasy (French second, but difficult penetration).
- Identity defined through a conjunction of **kinship and locality**. Most important to the self are one's kin (*havana*), identified as people of a common environment, usually descended from an original migration (historical or mythical).
- Demographic elements: **rurality, youth, widespread poverty** that condition localized forms of socio-economic order, **inequality**, and “predetermined fate.” Slavery, widespread until the late 19th century was followed by a caste system. The Andriana (nobles), Hova (free commoners), and Andevo (slaves) are the main groups.

Rural households are trapped in low-return, high-risk agriculture, ...

Isolation from markets

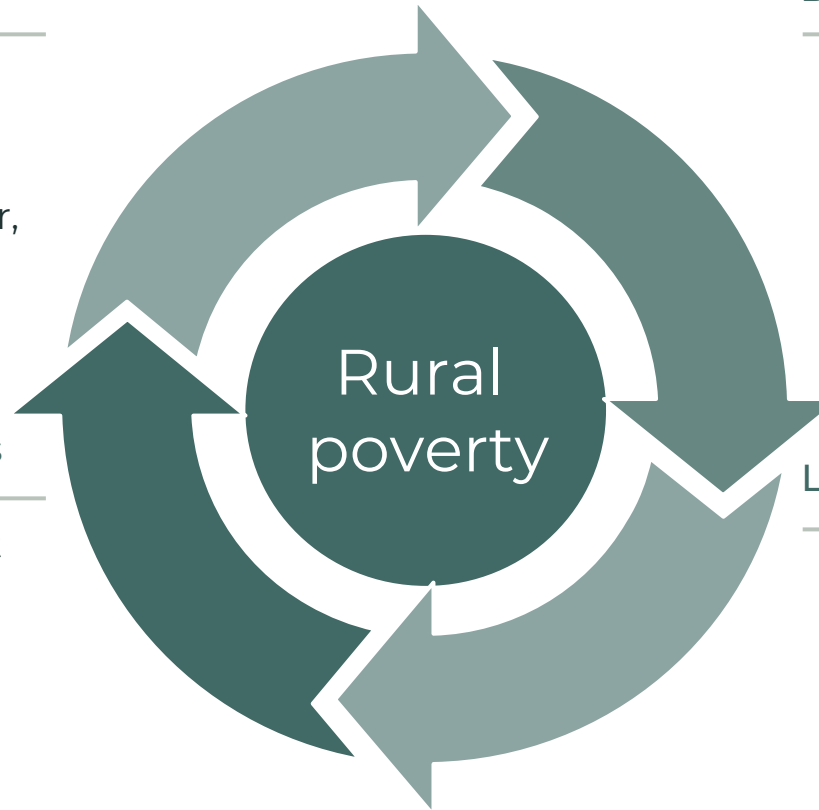
Lack of non-farm economic opportunities due to:

- Lack of connectivity
- Ill-functioning markets (labor, finance,...)
- Low education

Weak formal and informal institutions

Social cohesion and investment in public goods is low due to:

- Little or no central government spending on basic services
- Low empowerment of local leaders
- Hierarchical social system
- Low trust (e.g., cattle theft)



Dependence on agriculture

Low productivity growth in agriculture due to:

- No irrigation infrastructure
- High vulnerability to shocks
- Little crop diversification
- Low technology/knowledge
- Land fragmentation

Low private capital accumulation

Low stock of human and physical assets due to:

- Financial constraints
- Recurring shocks
- Early marriages / high fertility
- Low aspirations

... while urban centers lack conditions for productivity growth and job creation

Low trust

Low social cohesion due to:

- Elite capture / inequality
- Insecurity
- Opting out of public services

Rising cost of living

Beyond external factors, prices increase due to:

- Rent extraction (driven by market failures)

Lack of jobs

Low job creation due to:

- Low private investment
- Small domestic market

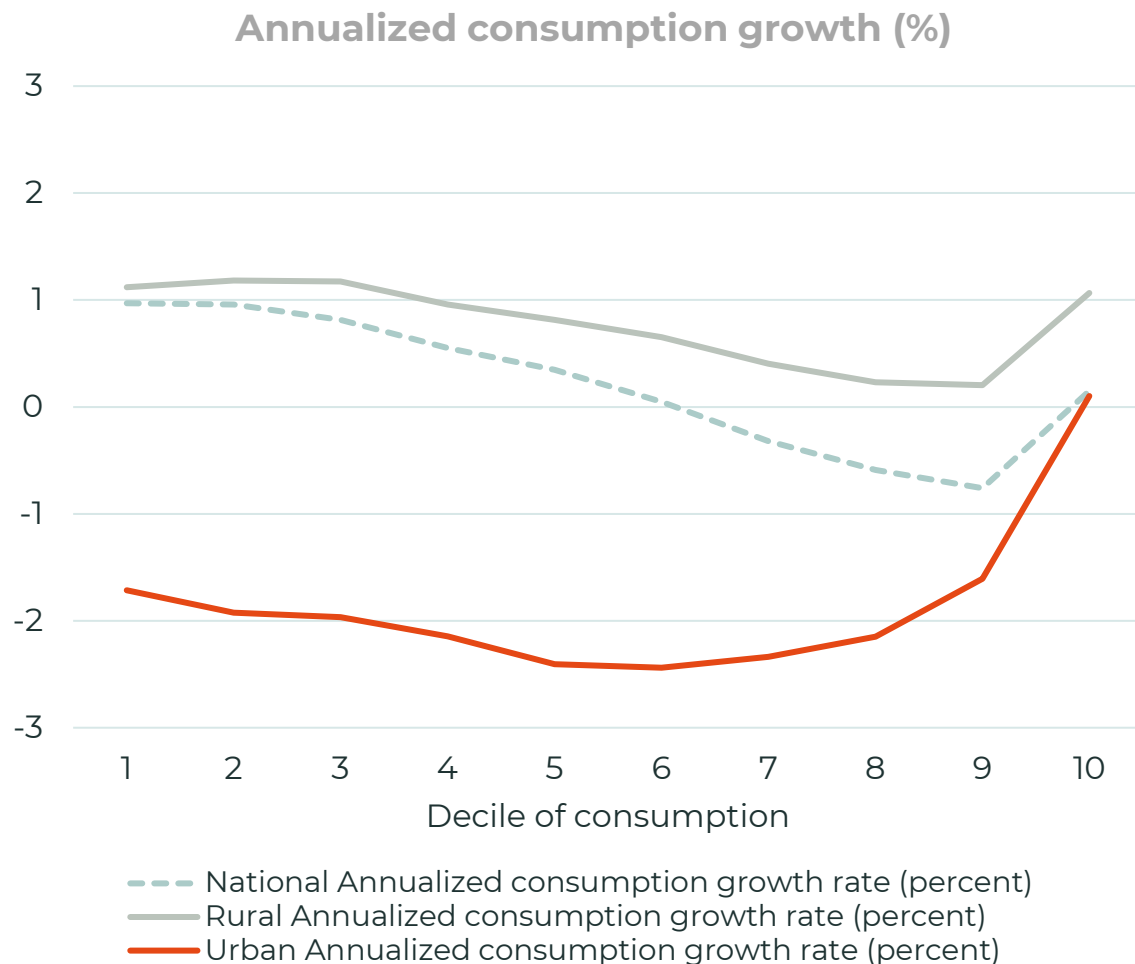
Market failures

Few opportunities for entrepreneurship due to:

- Market capture
- Low supply of skills and innovation
- Lack of infrastructure
- Dual economy
- Corruption



Urban incomes declined in the last decade (2012-2022) while rural incomes barely increased



Rural

- Consumption growth was modest but pro-poor up to decile 9.

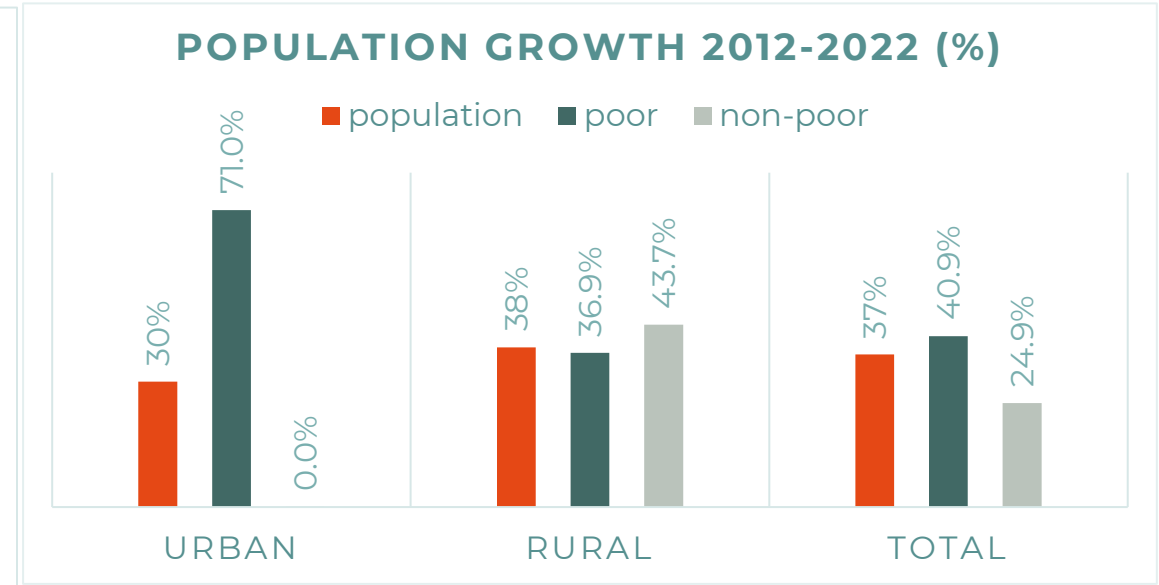
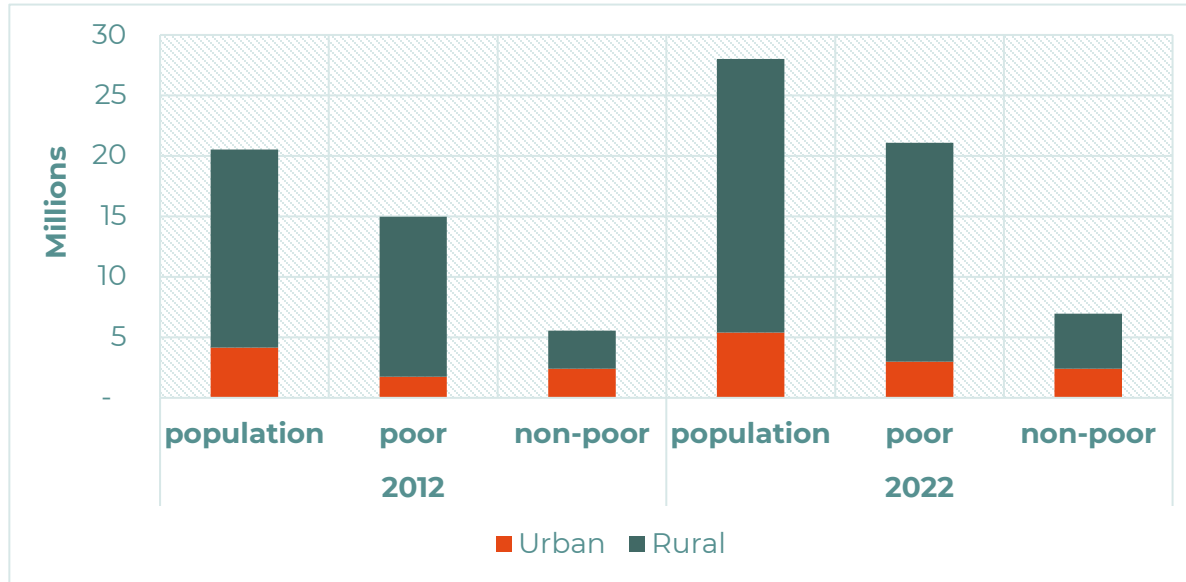
Urban

- Almost all the urban population suffered.
- Income loss hit urban population hardest, mainly because of COVID which led 25% of households to experience job loss.

National

- Overall consumption growth was positive but low for the bottom 60 percent and negative or close to zero for the top 40 percent.

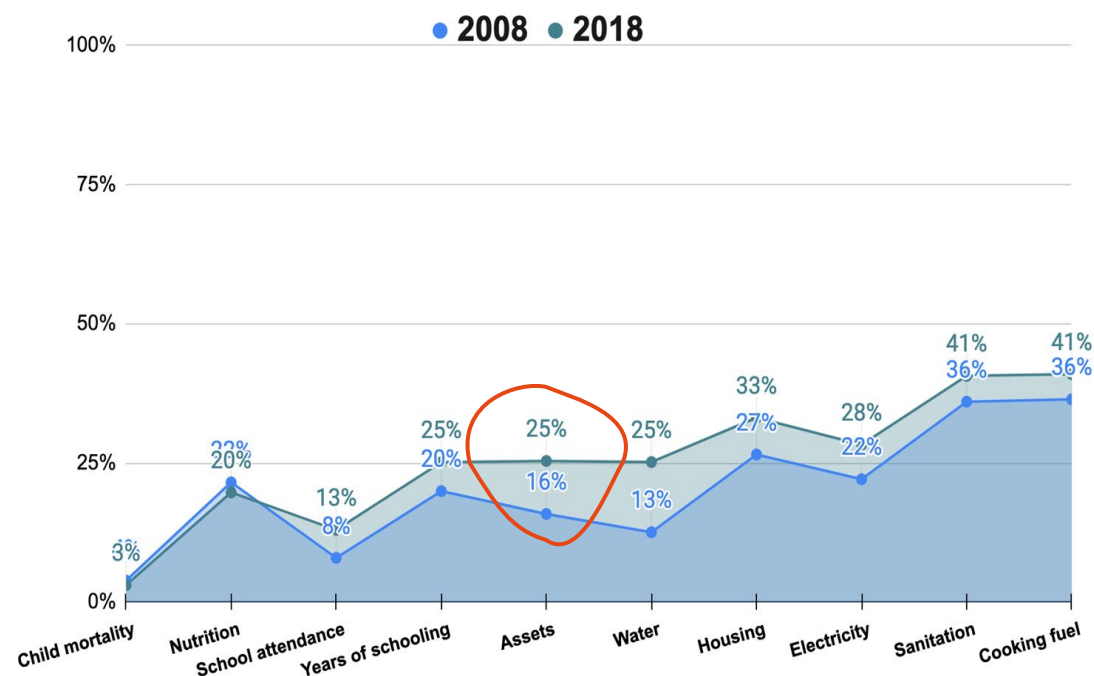
Urban population growth is dominated by growth in number of poor



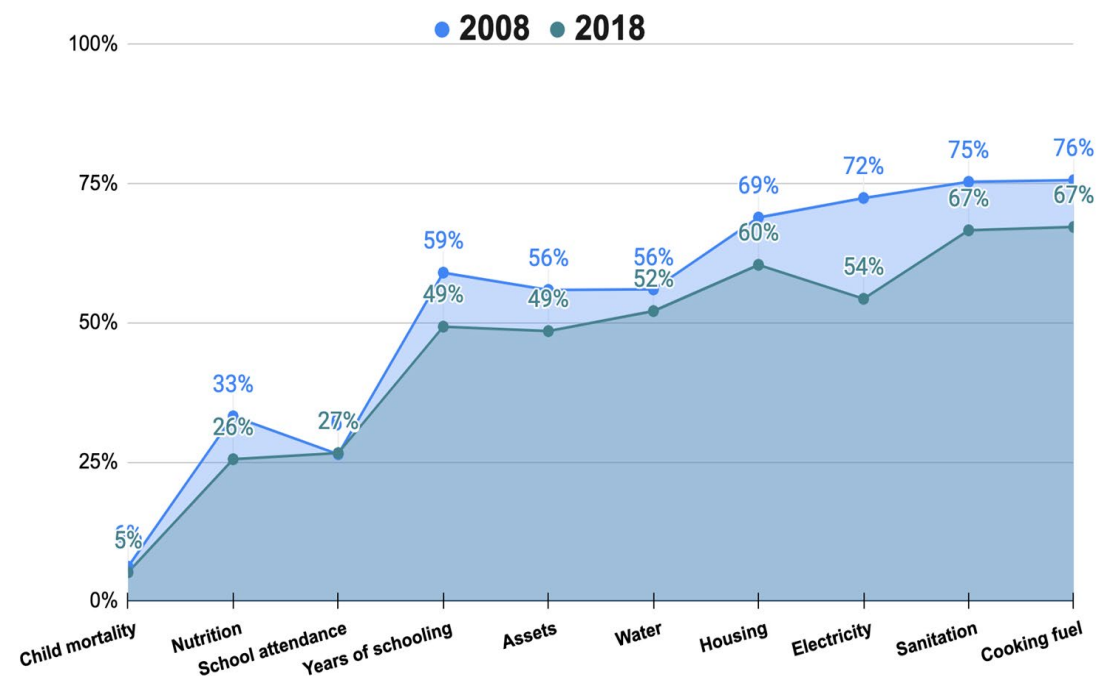
- The urbanization process has been notably slow in Madagascar, with urban population increasing from 16 percent in 1975 to 23 percent in 1993 and falling to 20 percent in 2022.
- In urban areas, population growth is entirely explained by an increase in the number of poor, which increased by over 70 percent in the last decade. The increase in the number of urban poor is explained by higher fertility among the poor, recent economic shocks and income losses, and in some cases migration of rural poor.
- Higher fertility in rural areas contributed to faster rural population growth, but among rural population, the number of non-poor increased faster than the number of poor between 2012-2022.

While non-monetary living standards improved between 2008 and 2018, they worsened in urban areas

Share of deprivation in **urban** areas



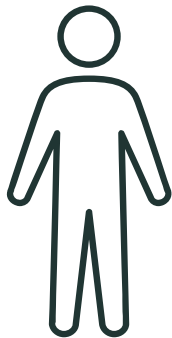
Share of deprivation at the **national** level



Source: World Bank staff estimates based on data from MICS (2018) and DHS (2008) for Madagascar. For peers, the source is Oxford Poverty & Human Development Initiative (OPHI).

Voices from the rural poor

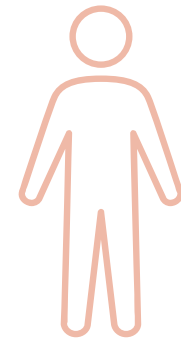
« Nous les femmes Antandroy [...] même si on a du cheptel, la richesse est toujours attribuée au mari, et il peut avoir plusieurs épouses [...] Mais à sa mort [...] on tue tous ses zébus, et on brûle ses biens [...] et toute sa fortune va servir à financer le rituel très coûteux de ses funérailles »



« Notre commune n'est qu'à 20 km du Chef-lieu de District, mais la charrette est notre seul moyen de transport à cause du mauvais état de la route [...] comme il n'y a pas d'électricité, nous n'avons pas de moyens de communication et aucune information. Comment voulez-vous que nous puissions sortir de notre ignorance et de la pauvreté ? »

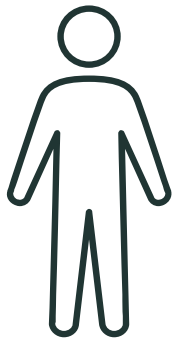


« On dit [...] que nous tirons beaucoup de bénéfices de la culture de rente, surtout la vanille, mais il n'en est rien [...] Ce sont les intermédiaires et collecteurs qui se sucent sur notre dos à nous les paysans [...] nous n'avons aucune capacité ni en exportation ni même en marchés locaux [...] nous sommes obligés de suivre leurs règles pour avoir un peu de ressources et survivre »



Voices from the urban poor

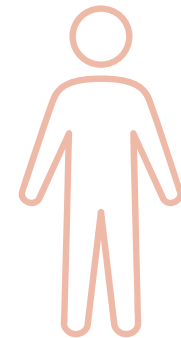
« Je [viens] d'Antsohy [...] j'ai vraiment espéré une vie meilleure à Tana: poursuivre mes études [...] et trouver facilement du travail [...] Malheureusement, je n'ai pu ni finir mes études ni trouver de l'emploi [...] je ne veux pas revenir au village [car] mes parents sont déjà très pauvres avec 7 enfants à nourrir»



« J'ai cherché du travail durant des années sans en trouver car je n'ai pas de diplôme. Finalement, j'ai pris la décision de piocher dans les bacs à ordures du quartier [...] les revenus que j'en tire sont vraiment minimes mais j'essaie d'en survivre avec ma petite famille, plutôt que d'être oisif et devenir un voleur»



« Je suis mère cheffe de famille avec 4 enfants à élever toute seule. Comme je suis analphabète, je n'ai pu trouver d'autre métier que celui de « Tireur de pousse-pousse » [...] mon plus profond regret est qu'aucun de mes enfants ne peut aller à l'école car ils n'ont pas d'acte de naissance... comme moi aussi je n'ai pas de carte d'identité nationale. Et, c'est mon désespoir... car nous nous sentons marginalisés et exclus de tout »





Approach to the question of elite capture



Low aspirations and lack of cooperation

- Low aspirations may in part reflect adaptation to external constraints on opportunities and experienced failures (Camfield et al., 2013; McKenzie et al., 2022)
- Psycho/social factors may contribute to low equilibrium, including perceived social norms, zero-sum mindsets, and interpersonal trust (Kobis et al., 2022; Kraft-Todd et al., 2015)



Some evidence of elite capture

- Two key constraints in the context of Madagascar are (i) control of a large share of the economy by a small “elite” and (ii) lack of successful peer role models
- This is evident in the **lack of competition** in key sectors such as telecom, banking, construction, petroleum distribution, and agricultural exports such as vanilla and lichi, high **power concentration** and tight networks (Razafindrakoto, Roubaud & Rua, 2021), associated to Merina group.



Looking for an “Elite Bargain” and increasing aspirations

Requires commitment to growth (Dercon, 2022), like other prosocial behavior dilemmas.

Apply a behavioral science lens to identify factors that can **increase willingness** of the elite to ‘bargain for development’ and leverage the power of ‘positive deviant’ role models to **increase aspirations** among the poor

Research questions:

- What attitudes are associated with prosocial behavior among the ‘elite’?
- What messages and contextual factors can increase prosocial behaviors?

Testing willingness to cooperate

Digital Experimentation

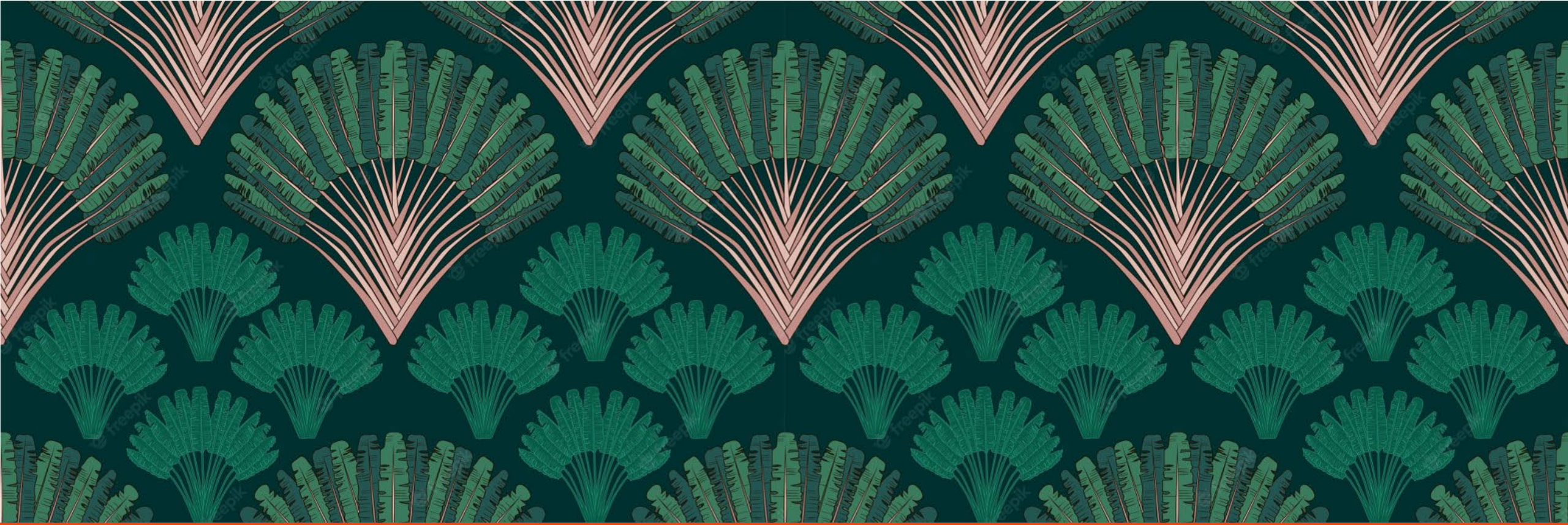
- Using social media, we deploy an interactive online chatbot to test conditions under which prosocial behavior can be increased in a trust game. Conditions that emphasize social norms for cooperation will be tested.
- The study also includes questions about attitudes and outcomes, including zero-sum mindsets and tolerance for corruption.

Lab-in-the-Field Experimentation

- Building on digital experiment, we will test solutions to increase pro-sociality and willingness to bargain among the elite. Use lab-in-the-field techniques with elites or hyper-elites to directly assess impacts on the key target audience in an innovative corruption game.
- Communications campaigns can also be tested in a randomized controlled trial design

Working with positive deviants

- Role models can increase aspirations (Bernard et al., 2022) if pathway is clear and achievable. Such pathways can be identified by learning from *positive deviants*.
 - Individuals from disadvantaged circumstances who outperform their peers through application of effective and sustainable behavior.
- We try to identify positive deviants from poor communities and their unique strategies to overcome their constraints.
- Formative Qualitative Research: key informant interviews, focus group discussions and in-depth interviews with community members to understand how positive deviants in the community are perceived.
- Repeated Measures Diary Method: Obtain in-depth insights (Anderson and Ahmed, 2016; Saxena & Puneekar, 2020; Zollmann, 2015) on positive deviants and their communities for a longer period.
- Solution Design: behavioral interventions for replicating successful strategies of positive deviants to the wider community



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