



Oxfam

Media Background Note

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The Aftershock of Cyclone Nargis: Credit Crunch in the Delta

When Cyclone Nargis hit the Ayeyarwady Delta of Myanmar on May 2 – 3, 2008, it resulted in multiple aftershocks for the vast majority of families in the region who rely on fishing and farming to generate an income. Oxfam's assessments and experience with communities in Myanmar have seen that Cyclone Nargis led to a sudden reduction in the availability of affordable credit, causing what can best be described as a 'credit crunch' in the Delta. Without continued assistance, hundreds of thousands of cyclone survivors are facing a debt trap with little prospect of escape. Rebuilding their lives and livelihoods requires a comprehensive response to this debt burden, and another \$US189 million over the next three years from international donors. Only then will people in Myanmar be able to completely recover from the impacts of this devastating cyclone.

Introduction

The majority of families in the Ayeyarwady Delta engage in crop farming, usually of rice, raising livestock or poultry, fishing or vegetable cultivation, and rely either on paid employment in these areas, or income through the local trade of the goods they produce. Cyclone Nargis systematically and simultaneously impacted each of these income sources: It flooded 783 000 hectares of farmland, destroyed 707 500 tonnes of stored paddy and milled rice, resulted in widespread deaths of farm animals, damaged 15 000 hectares of fish and shrimp ponds, and destroyed 200 000 fishing boats. In addition, 20 000 commercial enterprises were destroyed or damaged, severely impacting the future trade and exchange of each of these goods¹.

One of Oxfam's medium-term assessments conducted in September 2008 in one cyclone-affected township Dedaye found:

- Families reporting very limited labour opportunities in order to earn an income.
- People reporting increased reliance on remittances from friends and relatives, which they declared as their principal source of income.
- 63 per cent of households surveyed had less than one week's supply of food.

Oxfam's findings in Dedaye have since been validated by Oxfam assessments in other affected townships and broader analyses of all cyclone-affected townships such as the *Post-Nargis Recovery and Preparedness Plan* and the *Post-Nargis Social Impact Monitoring Report*². This background note will explore Oxfam's experiences in Myanmar of how Cyclone Nargis has caused high levels of debt for its survivors, the work it is doing directly and through partners to alleviate the debt burdens of fishing and farming communities, and will highlight future funding needs from international donors.

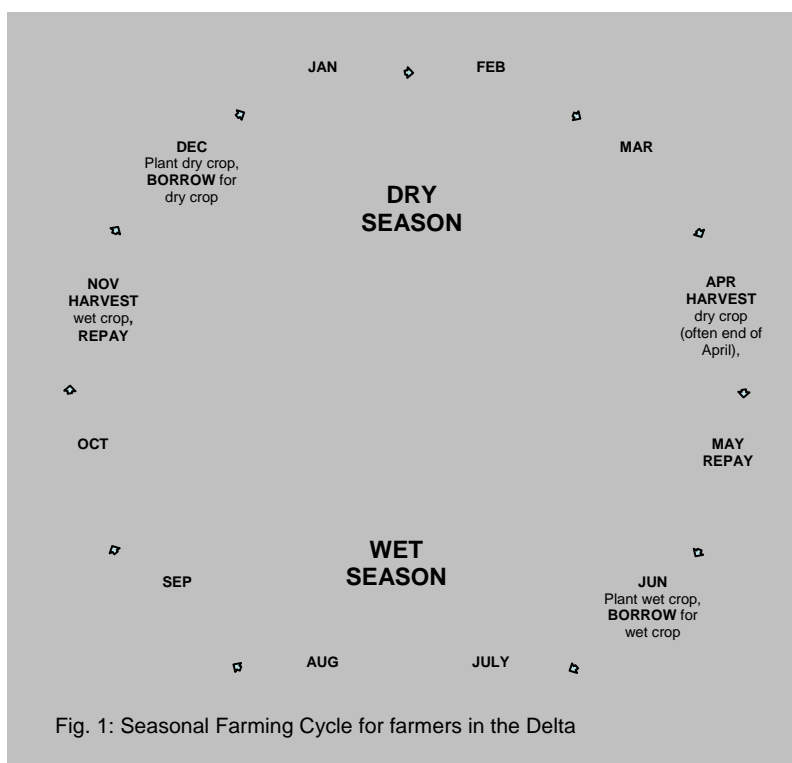
¹ Association of South East Nations (ASEAN), the United Nations in Myanmar & the Government of the Union of Myanmar, *Post-Nargis Recovery and Preparedness Plan*, Yangon, December 2008, p. 23.

² Association of South East Nations (ASEAN), The United Nations in Myanmar & The Government of the Union of Myanmar, *Post-Nargis Social Impacts Monitoring Report: November 2008*, Yangon, January 2009.

The causes of debt for Cyclone Nargis survivors

Traditionally, farmers in the Ayeyarwady Delta region follow a seasonal farming cycle that can be explained in Fig. 1. Farmers in the region have two separate harvests of a dry season crop and a wet season crop. Before planting, small-scale farmers³ borrow money, animals or agricultural tools from mid-scale farmers⁴ who are a common source of credit to cyclone-survivors in the Ayeyarwady Delta. The expected returns of the two harvests inform a predictable financial cycle of borrowing, harvesting and then repaying on a bi-annual basis.

Cyclone Nargis hit Myanmar in the first few days in May and impacted farmers in the final stages of their 2008 dry season harvest. As a result, much of this harvest was destroyed or damaged as the cyclone and the subsequent storm surges hit. This meant that small-scale farmers were unable to fully repay the loans



borrowed in late 2007 and subsequently experienced difficulty in accessing credit to finance their 2008 wet season crop. Small-scale farmers and mid-scale farmers alike sustained losses to seeds, farming equipment and animals, which contributed to drastically reduced crop yields in the 2008 wet season. The wet season harvest in the Ayeyarwady cyclone-affected areas was 32 per cent lower than the previous year⁵. These losses have limited the ability of mid-scale families to lend money and equipment to small-farmers and provide employment for landless labourers.

Landless labourers⁶ who rely on fishing are also experiencing high levels of debt due to the timing of Cyclone Nargis in their seasonal calendar. The fishing season usually starts in June and ends in February, with June to September considered the peak season⁷. Landless fishermen borrow from either fish collectors⁸ or fisheries businessmen⁹. The cyclone's damage to 15 000 hectares of fish and shrimp ponds, and the destruction of 200 000 fishing boats and fishing nets and many other fishing tools¹⁰, have resulted in landless fishermen not being able to repay their loans in full. Fish collectors also sustained damages to their essential tools, limiting their ability to provide landless fishermen with credit, and the loss of boats has diminished the productive capacity of fisheries businessmen, who are also no longer able to provide either credit or employment to landless fishermen; resulting in high levels of debt for landless labourers, and limited opportunities for employment to relieve it.

The average debt of farmers per acre owned is Kyat 70,000-100,000 with the monthly interest rate for those with collateral of 5 – 10 per cent, and a rate of 10 – 20 per cent for those without collateral¹¹. High levels of debt are creating greater need in other areas where aid agencies work, and causing the real threat of chronic poverty for cyclone-survivors. Less availability of affordable credit provides the loss of a 'cushion' against the

³ Farmers who own a small amount of land.

⁴ Farmers who own about twice the amount of land as small-scale farmers.

⁵ C Fang *et al* the Food and Agriculture Organisation of the United Nations, Rome & The World Food Programme, Rome, *FAO/WFP Crop and Food Security Assessment Mission to Myanmar*, Rome, January 2009, p. 14.

⁶ Casual workers who are either employed by mid-scale farmers, fisheries businessmen, or conduct small trade of goods and services

⁷ *Post-Nargis Social Impacts Monitoring Report: November 2008*, p. 23.

⁸ Fish collectors coordinate the packaging and transportation of fish.

⁹ Fisheries businessmen pay fish collectors and offer employment to landless labourers.

¹⁰ *Post-Nargis Recovery and Preparedness Plan*, Yangon, December 2008, p. 23.

¹¹ *Post-Nargis Social Impacts Monitoring Report: November 2008*, p. 26. It is important to note that even before the cyclone, debt levels were relatively high as credit is central to the economy in the Ayeyarwady Delta. However, villages interviewed in the *Post-Nargis Joint Assessment* reported that before Nargis, paying back debt was not normally a problem, quoted in *Post-Nargis Social Impacts Monitoring Report: November 2008*, p. 26. Association of South East Nations (ASEAN), The United Nations in Myanmar & The Government of the Union of Myanmar, *Post-Nargis Joint Assessment*,

natural shocks that the seasonal farming cycle brings year-to-year and to withstand the lean periods outside peak agricultural or fishing opportunities. Debt impacts the ability of families to purchase food and even water, which must be bought in some villages during the peak of the dry season. The consequences of high debt also cross-cut other impacts of the Cyclone Nargis, even preventing communities from purchasing shelter materials and other essentials needed to rebuild their lives.

Key affected groups:

Landless Labourers: Men and women who are employed casually by mid-scale farmers or fisheries businessmen, or who conduct small trade of goods and services. This group comprises 50 to 60 per cent of people affected by Cyclone Nargis. They have lost much of the equipment that sustained their income source, and are currently experiencing high levels of unemployment.

Small-scale farmers: Farmers who own a small amount of land. Their harvests since Cyclone Nargis have been drastically reduced, they have lost fishing tools and animals, and are currently experiencing high levels of debt to mid-scale farmers.

Mid-scale famers: Farmers who own two to three times the amount of land as small-scale farmers. Their harvests since Cyclone Nargis have been drastically reduced, they have endured losses to productive assets, have not had their loans repaid in full, and are no longer in a position to provide credit and employment to landless labourers.

Fish Collectors: Fish collectors coordinate the packaging and transportation of fish, and have sustained losses to their infrastructure and tools, have not had their loans repaid in full by landless labourers, and are no longer in a position to provide credit.

Oxfam's Response

Before Nargis we had a lot of work as casual labourers, but since the cyclone we have had to wait... We have asked for money from others...loans with interest. We have two children... aged 11 and six. If we have money we will send them to school... but only if we can afford it.

Thin Thin Soe

Responding to the impact of debt in cyclone-affected communities is just one aspect of Oxfam's livelihoods program that aims to provide communities with permanent sources of food, income, and employment. Oxfam and its partners work to prevent people falling further into debt using two strategies: *asset distribution* and *cash-for-work*.

Oxfam is providing landless labourers with small livestock, such as pigs, that can be bred and sold for income. As landless labourers engage in multiple trades, Oxfam is also replacing the lost tools, boats and fishing equipment so that their pre-Nargis livelihood activities can be maintained. For farmers, this includes the provision of tools, fertiliser, fuel and seeds and for landless labourers engaged in fishing, Oxfam has provided large fishing nets and boats, and established fishing collectives of five to ten fishermen who 'timeshare' this equipment to all increase the size of their catch.

Cash-for-work is considered the most effective means of aid for men and women who do not own land as, unlike farmers, they rely on the market for food¹². Oxfam's cash-for-work scheme has been increasing incomes for landless labourers by engaging them in the repair of small-scale community infrastructure damaged by Cyclone Nargis, such as roads, jetties and ponds. One of Oxfam's major partners Metta Development Foundation has implemented a cash-for-work scheme in a mangrove plantation that provides landless labourers with ongoing employment. Metta is also engaging labourers in larger-scale infrastructure

¹² For more information see P Creti & C Jaspars for Oxfam GB, *Cash-Transfer Programming in Emergencies*, Information Press, Eynsham, 2006.

projects such as the construction of cyclone-resistant schools, which also address the issue of disaster preparedness in cyclone-affected communities. Oxfam has also implemented a business grants scheme, primarily targeted at women, to teach them additional vocational skills such as trading or fishing net making to diversify their source of income. Oxfam's cash-for-work schemes are working toward a 25 per cent increase in household income, and subsequent debt-relief, in its target cyclone-affected townships. To date, Oxfam and its partners have given approximately 11 000 households fishing or farming support so that they can continue to generate an income and 26 000 households food or cash-for-work support.

Oxfam gave the same to all farmers for cultivation of the summer paddy... every farmer whether they had two acres or 20, and this has helped a lot... giving to everyone because that has meant everyone could restart their livelihood after losing everything. I would like to say that the summer paddy is a good success this year because of the assistance the farmers received, and that they received it at the exact right time.

U Than Tun

Oxfam's asset distribution and cash-for-work schemes have prioritised the most vulnerable cyclone-survivors, casual labourers and small-scale farmers. However, while cash-for-work schemes have been benefiting thousands of cyclone-affected families across the Ayeyarwady Delta, many of the designated small-scale rehabilitation projects used for the cash-for-work scheme will soon near completion. This is indicative of the reality that, while extremely valuable and effective in the short-term to increase income, offering people temporary work is not a permanent source of income.

Currently Oxfam's livelihoods program receives the majority of its funding through the Disaster Emergency Committee and the general public. With increased international support, Oxfam would expand its program to also include support for mid-scale farmers and fish collectors, while continuing to assist small-scale farmers, fishermen and landless labourers. Oxfam has designed a scheme for mid-scale farmers which provides financial support conditional on the hire of landless labourers. Similar support schemes have been designed for fish collectors in order to create permanent employment opportunities for small-scale fishermen.

While aid distribution naturally prioritises the most vulnerable in the community, the case of the credit crunch facing Cyclone Nargis is an example of a situation where the sustainable solution to the problem must be addressed at a higher level. Although mid-scale farmers and fish collectors are relatively wealthier than landless labourers and small-scale farmers, financial assistance to these groups would free the availability of capital, reduce overall debt burden and generate employment among the poorer groups.

Restoring the local economy and rebuilding the relationships between landless labourers, small-scale farmers, mid-scale farmers and fish collectors is an important part of solving the debt burden facing hundreds of thousands of people in Cyclone Nargis-affected regions in Myanmar. The challenge now lies in convincing the international donor community of the change that is possible, and the need for continued funding.

Conclusion & Recommendations

In the days following Cyclone Nargis, the United Nations launched an international flash appeal as one of the funding mechanisms open to international donors to contribute to recovery efforts. That appeal draws to a close today (Thursday April 30, 2009) only 67 per cent funded. With only 28 per cent of the original request received, agriculture has received the least funding of all clusters with a \$US 42 million shortfall in the aid requested for agricultural projects¹³, despite being the area with the greatest need going forward¹⁴

The Tripartite Core Group (TCG) is co-ordinating body that brings the United Nations and the Association of Southeast Asian Nations (ASEAN) together with the Government of the Union of Myanmar, and its discussions following the cyclone enabled expanded humanitarian access to the affected regions. The generous response of donors in the immediate aftermath of the cyclone and the work of the TCG has meant that one year on all cyclone survivors have been reached with some level of aid.

The TCG has been taking a lead role in facilitating the delivery of immediate relief and current recovery efforts in the cyclone-affected regions.

¹³ *Flash Appeal: Myanmar Flash Appeal (Revised) 2008, List of Appeal Projects (grouped by cluster), with funding status of each as of 26-April-2009*, <http://www.reliefweb.int/fts>, retrieved 26/04/09.

¹⁴ *Post-Nargis Recovery and Preparedness Plan*, Yangon, December 2008, p. 12.

In February 2009 it released an assessment of the cyclone-affected areas, titled the *Post-Nargis Recovery and Preparedness Plan* that includes the following recommendations:

- i. International donors need to commit \$US 690 million to the 2009 – 2011 phase of the recovery efforts.
- ii. International donors need to commit \$US 189 million of that \$US 690 million to livelihoods work and respond to the long-term challenges that Cyclone Nargis has posed for the predominantly agricultural society in the Ayeyarwady Delta.

While this appears to be a considerable aid package, it is important to put it into relative terms. Following the 2004 Indian Ocean Tsunami, Aceh in Indonesia experienced an impact of a similar scale to Cyclone Nargis in terms of impact on lives and the size of the affected populations. \$US 690 million is one fifth of the US\$ 5,140 million in international assistance provided to Aceh during the first three years. Cyclone Nargis was a natural disaster of an enormous scale; and the debt issue highlighted in this paper exemplifies just one of the many long-term implications that it is continuing to have on its people.

The *Post-Nargis Recovery and Preparedness Plan* is a plan, not an appeal; international donors can contribute to any chosen local or international organisation operational in cyclone-affected areas. The TCG oversees the financial tracking and monitoring of contributions through direct discussions with donors and the operational agencies, and this process is supported by the Office of the UN Resident/Humanitarian Coordinator. At an organisational level, Oxfam has been able to maintain the same robust financial and monitoring systems as it has in place in every other country where it works that ensures that aid is delivered directly to the people who need it.

International donors must look to new ways to contribute to the long-term recovery efforts under this plan. Oxfam welcomes the efforts of the European Community, the United Kingdom and Australia for their role in the proposed Livelihoods and Food Security Trust Fund (LIFT) and other international funds. We await the pledges to this fund and hoped they can be provided in a timely manner to assist the people of the Ayeyarwady Delta as they now prepare for the next fishing and farming season.

Everyday Oxfam sees the overwhelming resilience of people determined to put Cyclone Nargis behind them and rebuild all aspects of their lives. In the immediate aftermath of the cyclone, international donors displayed immense generosity providing the largest ever aid effort to be staged in Myanmar, a country that previously received among the lowest levels of aid per capita in the world¹⁵. With the first anniversary of the cyclone approaching, the initial generosity must be maintained as the people affected by Cyclone Nargis need to know that their resilience is buoyed by our unwavering support.

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¹⁵ World Development Indicators Database, 2005, Retrieved at http://www.nationmaster.com/graph/eco_aid_per_cap_cur_us-aid-per-capita-current-us on 26/04/09.