PRO-POOR GROWTH AND THE ROLE OF AGRICULTURE IN MALI

The poor have derived little benefit from Mali's brisk growth in recent years. Gold mining, a rapidly expanding sector, is not labour intensive. Agricultural production on the other hand, which is a key sector since the majority of poor people live in rural areas, is variable and rather weak due to well-known difficulties such as dependence on rainfall and the effects of other natural hazards. Poverty has thus declined a lot less than expected and urban/rural inequalities have increased. A new approach is needed if, as is hoped, the agricultural sector is to become the driver of strong growth that enhances the ability of the poor to participate in and benefit from economic activity. This will mean recognising agriculture as a private sector activity supported by incentives and taking measures to encourage more investment by private investors. Further, strengthening the capacity of smallholders to express themselves and participate in reform processes, and introducing measures which will reduce the risks associated with agricultural activities are needed. The implementation of the Law on Agricultural Orientation (LAO) provides an opportunity to promote the development of rural areas and to draw up a strategic framework to which Mali's development partners can align.

Over the period 2003-2006, the Malian economy recorded an average annual growth rate of 5.3% thanks, in particular, to gold mining activities and the expansion of transport and telecommunications services. Despite this good performance, Mali remains one of the poorest countries in the world – ranking 173rd (out of 177 countries) in the UNDP's 2007 Human Development Index. Mali has a population of some 14 million, the majority of whom live in rural areas, and a population growth rate of around 3% per year.

Supported by a large number of donors, Mali received 825 million USD of net official development assistance (ODA) in 2006, 13.4% of its GDP. With the objective of strengthening the contribution that agriculture makes to pro-poor growth in Mali, a workshop was held in Bamako on 18 and 19 March 2008. The aim was to translate the policy guidance for donors developed by the DAC/POVNET on the role of agriculture in promoting pro-poor growth into the Malian context. In this way, the workshop is contributing to improve aid effectiveness and promote implementation of the Paris Declaration. The following report summarises the presentations and discussions, highlighting the salient points.

Agriculture is a priority area for reducing poverty in Mali

This is a particularly opportune time to increase investment in agriculture. An examination of the sector from a new perspective is justified by the prominence it currently has at a global level due to the 2008 World Development Report, discussions about climate change and biofuel production and soaring world food prices.

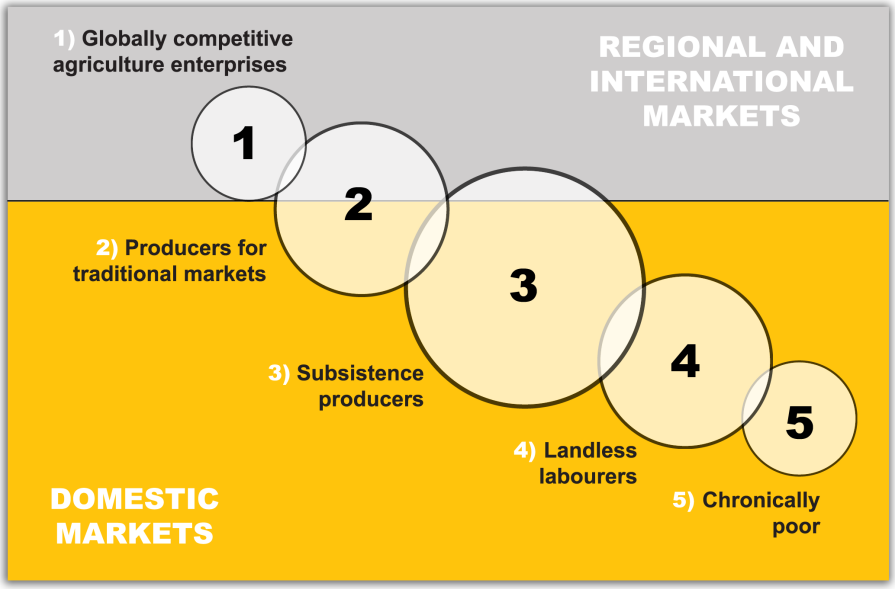
Agriculture, which is the main economic activity in rural areas in Mali, is crucial for the wellbeing of most of the population. The evaluation of the first Poverty Reduction Strategy Paper (PRSP I), shows that 67% of Mali's population lives in rural areas. Between 2002 and 2006, the average poverty rate fell from 68% to 59%. However, the decline in poverty over that period was proportionately greater in urban than in rural areas (respectively, 20% and 73% of the poor in 2006). At the macroeconomic level, agriculture accounts for 38% of GDP and the primary sector recorded a growth rate of 4.7% between 2002 and 2005 (5.3% and 4.8%, respectively, in the secondary and tertiary sectors).

In her statement, the Minister for Economic Affairs, Industry and Trade not only recognised agriculture as a driver of pro-poor growth, but also saw Mali as an agricultural power. In its Growth and Poverty Reduction Strategy Paper 2007-2011 (PRSP II), Mali has set itself some ambitious targets for agricultural production. Cereal production is forecast to increase by 39%, cotton by 29% and livestock by 31%. The Law on Agricultural Orientation (LAO), adopted in 2006, confirmed the government's intention to invest up to 20% of its budget (13% at present) in this sector.

In adopting the LAO, Mali is seeking to reorganise the development of its agriculture. However, the provisions for implementing the Law have still not been defined. The Bamako workshop provided an opportunity to tackle the issue of why the substantial investment in Malian agriculture has had so little impact on poverty.

POVNET's Key Policy Messages stress that rapid and sustained poverty reduction requires pro-poor growth, i.e. a pace and pattern of growth that enhances the ability of poor women and men to participate in, contribute to and benefit from growth. If agriculture is to contribute fully to growth and poverty reduction, support to this sector will have to adjust its strategies and approaches to the diversity of rural households (the five "rural worlds" in Figure 1) and encourage the establishment of appropriate and specialised institutions. It will also have to include the empowerment of stakeholders, the support of international measures in favour of the poor and the encouragement of country-led partnerships.

Figure 1: The Five "Rural Worlds" (DAC/POVNET 2006)



The agriculture potential in Mali has not been harnessed

Agriculture employs 83% of the labour force and is thus the biggest provider of jobs. It provides a livelihood for between 9 and 10.5 million people. Agricultural production is mainly family-based and extensive, uses few agricultural inputs and is under-equipped. Drought is endemic and the soil is of poor quality with little water holding capacity. In addition, numerous biotic constraints (striga, diseases, and pests) make agriculture a high risk and highly vulnerable sector.

Although increased productivity is a key indicator of a sector in good health, all crops, with the exception of rice and maize, have experienced falling yields. This is due to the above mentioned production constraints, but also because of inappropriate cropping techniques and the declining soil fertility, that overall agricultural productivity has declined in Mali over the past ten years. On the other hand, labour productivity has slightly increased; above all thanks to the expansion in animal haulage (nearly half of all rural families now possess a draught animal, either an ox or a donkey).

Livestock farming, which accounts for 30% of primary sector GDP, does not seem to be benefitting from investment commensurate with its importance. This sub-sector has a great potential for development and an important role in agriculture (labour force), in food security, in household saving and in the domestic economy. Yet it receives insufficient attention and co support.

With the largest proportion of Mali's poor people living in rural areas, agriculture is the prime sector for pro-poor growth.

Given these circumstances, poverty evaluation should mainly look at households' vulnerability from the point of view of their food security. Based entirely on dry cereals, Mali's food system is highly vulnerable, resulting in a high level of proteino-energetic malnutrition. The Malian Government has put in place a mechanism designed to reduce the effects of cyclical food shortages (in particular by means of a physical stock of cereals) but it also intends to improve structural factors related to agricultural production so as to lessen vulnerability in this sector.

From an institutional standpoint, the organisation of the sector is complex. Three ministerial departments (agriculture, livestock and fisheries, environment) plus a commission for food security, share responsibilities in the agricultural sector. Six other ministerial departments are also involved in the sector. There is a divergence of interests between the different stakeholder groups - producers, traders, agro-industrialists and policy-makers, especially where supplies of inputs are concerned. The resulting business and policy conflicts are hindering

the development of the whole sector. Under these circumstances some donors seem to prefer to intervene directly at producer level, which explains why 70% of aid goes directly into production. However, the areas in which investment is the most effective (research, training, infrastructure) receive very little funding.

How can agriculture be promoted in a different way?

Agriculture cannot be supported in a coherent manner unless there is a real rural development strategy. This implies the existence of a genuine vision for a rural society – one which recognises the different types of rural households (the five "rural worlds"), especially family farms, and also traditional nomadic livestock farming as a mode of production. The constraints on farming have been documented for decades, so why has no real progress been made?

Any policy decision in favour of agriculture has to be evidence-based, which is why workshop participants were unanimous in their belief that producers have to be recognised as belonging to the 'private (informal) sector'. This being the case, they must be free to express their own choices on the basis of their own interests. Agricultural production cannot be decreed. Support for agriculture will be more effective and better adapted if it is provided by means of incentives, which will usually be indirect. They have to be conceived, sequenced and differentiated for the poor, slanted in favour of producers and producer organisations, to the promotion of better market functioning, and to a better consideration and management of risks.

Producers and farmers organisations need support to give poor people a voice:

- *Improve the image of agricultural producers* by recognising agriculture as a genuine profession rather than a 'fate' of the poor. This can be fostered by providing the rural population with access to good basic education. Professional training is key to promoting the emergence of young, well-trained producers who are able to understand and implement agricultural innovation and diversification and develop rural entrepreneurship.
- *Make farmers efficient economic and political actors.* Promoting farmers' organisations and strengthen their technical and organisational capabilities will enable farmers to play an active role in policy-making.

Indirect production incentives ought, ideally, to include the following:

- *Set clear rules for gaining access to land ownership.* It is not inevitable that there should be a degree of monetary or power speculation with regard to ownership of agricultural land. Making land management more secure is an important measure for the poor and warrants the drawing up of clear rules.
- *Facilitate access to inputs and means of production for all types of farmers, to make it easier to invest in agriculture.* Access to inputs and credit is still very much bound up with the production of cotton, and this needs to change. Family farms' access to inputs and credit would be facilitated by the further liberalisation of the markets for fertilizer and the means of production as well as by a reduction in import taxes.
- *Recognise that research remains key to increasing the productivity and sustainability of agricultural output.* Producers' access to innovation should be improved by strengthening the link between adaptive research and advisory services. It is also useful to improve linkages between national and international research.
- *Ensure effective access to agricultural advisory services.* With competent staff, agricultural advisory services play an important role. Innovative and dynamic approaches in this area have proved effective and possible to finance.

Support for **market** functioning should benefit both agricultural production and livestock farming::

- *Cereals markets need to be better organised at both regional and national level.* Following the example of the rice industry, regulations should be aimed at encouraging production and guaranteeing outlets.
- *The livestock market needs infrastructure and organisational investment.* There is scope for significant value-adding in the meat and dairy industries. Increased investment in the processing sector would generate more income and provide more jobs.

Support for **risk management** is particularly important for countries in the Sahel region:

- *Make productive investment more secure and reduce the effects of climatic variability.* While production risks remain too high, producers will not invest in inputs and the means of production and banks will continue to justify interest rates that are too high for loans to small producers. Innovative insurance products or guarantee funds that have been tested in other countries should be tried and adapted to stimulate production.
- *Make family farms more secure*. Any system of protection aimed at small-scale farmers has to set out to break the vicious circle of poverty and promote this mode of production in ways appropriate to the country.

The promotion of **local consumption** should also have a positive impact on demand for local products. The urban population of Mali consumes a lot of imported goods; encouraging a preference for home-grown produce would stimulate growth in the agricultural sector.

Opportunities not to be missed: Conclusions and guidance for donors

1) In Mali, implementation of the LAO is unanimously recognised as a significant move towards improving the sector. Nevertheless, the implementing provisions have not yet been adopted. At this stage, a programme approach based on consultations between national stakeholders and donors would be more effective than a sector-wide approach. Implementation of the LOA and undertaking some of the proposals flowing from the workshop would stimulate the sector to become a driver of pro-poor growth.

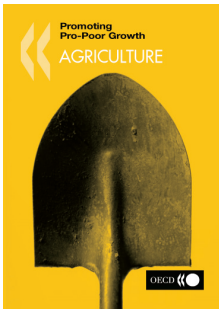
2) Decentralisation provides an opportunity to better adapt approaches to the reality of local contexts. It could help ensure that local interests are taken more fully into account (bottom-up planning) and promote resource allocation more in line with real challenges and people's needs.

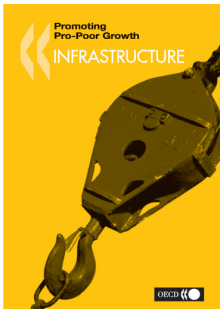
3) The interests of the disadvantaged, however small their voices, must be considered to achieve pro-poor growth. Donors need to make sure that all reforms heed what is being said by the poor, and especially by women. Rather than being directly in touch with the poor themselves, donors should support farmers' and consumer associations and look upon them as representatives of civil society.

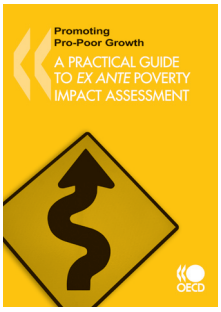
4) More effective research would stimulate growth in the agricultural sector, but it is currently receiving little support. Donors need to step up and co-ordinate their support for research in rural areas and not only in research stations.

5) Decision-making needs to be evidence-based, informed by lessons learnt and by observation of realities in order that appropriate policies and strategies can be drafted and implemented more efficiently. For donors, this also means helping to strengthen institutional capacities.

For furthur reading:







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