

# INSTITUTIONS AND PRO-POOR GROWTH IN MALI: OVERVIEW AND CONCLUSIONS OF AN EXPLORATORY STUDY

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THIS IS ONE OF FIVE PAPERS ON MALI WHICH WAS PREPARED BY A TEAM OF RESEARCHER WHICH INCLUDED ADABAYO OLUKOSHI (CODESRIA), ISAIE DOUGNON (UNIVERSITY OF BAMAKO), ABDOULAYE TRAORÉ (UNIVERSITY OF BAMAKO), BAKARY LAMISSA COULIBALY (UNIVERSITY OF BAMAKO), EBRIMA SALL (CODESRIA), JOHN MORTON (UNIVERISTY OF GREENWICH) AND KUNAL SEN (UNIVERSITY OF MANCHESTER)

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The main aim of the research into institutions by the Research Consortium on Improving Institutions for Pro-Poor Growth (IPPG) is to make clear the different ways in which institutions – and the interactions between different institutions – impact upon the processes of economic growth, which may either enhance or constrain pro-poor growth.

It is now understood by the majority of researchers and policy-makers that the simple fact of economic growth does not automatically lead to a reduction in poverty. In order to achieve pro-poor growth, the intervention of institutions, notably the State, and of other social actors is necessary. Numerous studies have shown that institutions play a determining role in the processes of growth insofar as they can stimulate it, consolidate it and sustain it – or, on the contrary, they can halt its progress; they can both increase or decrease the beneficial effects of economic growth for poor people. During the inception phase, exploratory studies have been conducted by the IPPG consortium's multidisciplinary teams in Bangladesh, Bolivia, Tanzania and, as reported here, Mali.

The IPPG studies were conducted in Bamako and in rural areas. We were looking for answers to several questions, in particular: from an historical point of view, how well anchored are the institutions? What reforms have they undertaken since their creation? What has been their capacity to encourage and help maintain pro-poor growth?

Mali is often presented as a country with enormous difficulties to overcome: a landlocked country, partly desert and partly Sahelian, a sub-Saharan country endowed with few natural resources, and so on. Mali ranks among the least developed countries in the world, and shows very low human development; it has nonetheless been the site of intense investment activity.

But perhaps the most significant is the important endeavour of social engineering in which successive governments have engaged, from pre-colonial times up to the present.<sup>1</sup> Two of the key institutions studied in this project, the Office du Niger and the Compagnie Française pour le Développement des Fibres Textiles (whose Malian branch later became the Compagnie Malienne pour le Développement des Fibres Textiles') were created by the French colonial administration. When Mali gained independence, successive governments not only supported these institutions but also transformed them, creating many other institutions and organisations within the general push to establish sustainable growth

and development, often with the backing of foreign investors. Further institutions were created or transformed by communities, the private sector and the State, in all sectors and at all levels of society and the Malian economy. To what extent and by which means these efforts have contributed to the creation and improvement of institutions for pro-poor growth are clearly key questions.

A number of studies have shown that since 1991 Mali has established or reformed several institutions with the specific aim of reducing poverty. During the course of this study, the Mali team have focussed their attention on diverse economic, social, political and cultural institutions as well as international donors (GTZ, the World Bank, USAID, Agence Française du Développement, among others).

## BUSINESSES AND FARMS

In many respects, Mali has trodden a well-worn path in its efforts to reduce poverty and make progress, notably during the experiment of 'socialist development'. The same could be said of the years of economic and political liberalism (since 1991). Even the experience of military rule is one shared by many other countries. A great deal has been written about poverty in Mali, and on the two major national institutions whose activities have had direct and indirect consequences on poverty in Mali: the CMDT and the Office du Niger (ON). This Mali team will contribute to this body of research by:

- 1) concentrating on the institutions engaged in stimulating, regulating and, more generally, managing pro-poor growth
- 2) clearly underlining the interconnections between institutional processes at macro, meso and micro levels, and growth on national, regional and sectoral levels
- 3) according a special interest to pro-poor growth

Taking these as key preoccupations, in the scope of this preliminary study the team have chosen to focus their attention on what is happening in rural areas, in particular within the two main agricultural regions: 1) the Niger Valley, which is the site of the most ambitious development scheme in West Africa aimed at tackling mass rural poverty by bringing about economic growth; 2) the cotton growing areas. Each of these regions finds itself under the control and influence of

1. According to the Senegalese historian Bouba Diop, King Soni Ali tried to regulate the flow of the River Niger for agricultural and navigational purposes by constructing canals and dams.

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one of the big institutions: the ON and the CMDT respectively. To each institution, the majority of household farms must seem very small indeed; but these little smallholdings support families and are, or have been, farms which produce goods for export. Studying the reforms and institutional histories at the heart of these two big enterprises, and their relations with small individual or family farms in rice and cotton regions is consequently considered to be the best means of tackling the problem of improving institutions for pro-poor growth. Evaluating the impact and significance of the policies and actions of the ON and the CMDT on the Malian economy, society and politics, and on a large number of farmers and livestock-producers will certainly form one of the main parts of the project's in-depth study. Other micro- and macro-processes and policies also have an impact on farms.

Within the framework of liberalisation, pressure is placed on the ON and the CMDT to adopt practices similar to those of private enterprise, looking to maximise output and profit margins rather than farmers' well-being. What this means in the case of the ON, for example, is that small farms might soon be displaced and their land acquired by big agribusiness companies which, if they do bring rapid economic growth, is likely to lead to the marginalisation and increased impoverishment of many Malians. The consequences of these transformations in terms of changes to land tenure, and questions of infrastructure and the provision of services for those whose livelihood depends on small farms could be catastrophic.

As for the CMDT, the logic of liberalism has gone even further: we are talking here about the privatisation of the institution. It is probably a little optimistic to hope that the State could formulate policies that take account of the needs and well-being of the victims of this process.<sup>2</sup>

## MACRO-POLITICS, WORLD PROCESSES, INSTITUTIONAL PROCESSES AND DYNAMICS AND PRO-POOR GROWTH

What certain Malians call the 'democratic revolution' of 1991, during which the military dictatorship was replaced by a more democratic and legitimate form of government, seems to have constituted a major change in the socio-political environment of the country, with consequences in a number of sectors. Processes such as decentralisation – in particular the creation of a large number of local institutions such as rural councils (now numbering more than 700) to deal with various social issues – reached unprecedented levels in Mali during the 1990s and 2000s. New institutions such as the High Council of Local Authorities were created, as were numerous

finance projects (see Research Brief 4). Economic liberalism via Structural Adjustment Programmes, and decentralisation have certainly been the most important policy developments affecting farms and businesses in Mali.

One of the report's main conclusions is that State policy-makers must take account of the interests of the poor in their reforms, at a national level within institutions such as the ON or the CMDT, and at the local level of institutions such as rural councils, land tenure systems and the institutions of microfinance. The State must also work towards a better redistribution of profits generated by the growing extraction industry (notably mining) and service sector.

The exploratory studies raise questions for more extensive research, some of which are underlined in different sections of the report. It is hoped that in future phases of the IPPG programme, more exhaustive research can be undertaken into farms as businesses and social institutions, the growth of big business, and institutions created by or for the poor, such those in the microfinance sector.

2. In principle, the minerals sector, which is significant for growth overall, should be examined in the context of pro-poor growth. In practice, as highlighted by various informants, the *gold mining industry* in Mali has helped raise the level of growth, but has not led to a considerable reduction in poverty thresholds. The view that further exploitation of the country's *oil reserves* will lead to significant reductions in poverty is consequently treated with scepticism.

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