Beyond Cotton, Searching for “Green Gold”

Yoshiko Matsumoto-Izadifar

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Since the beginning of the new millennium, African governments, donors and the private sector have all stepped up their efforts to revitalise the agricultural sector by mobilising additional resources and putting new business initiatives to work. Through the approval of NEPAD’s Comprehensive Africa Agriculture Development Programme (CAADP) in 2003, African leaders agreed to governmental responsibility for providing technical and financial support to the agricultural sector and the development of the agro-based private sector. In addition, trade issues have been increasingly seen as intrinsic to agricultural development strategies.

Governments and business actors agree on the need for better co-ordination of each other’s strategies and interventions in the agricultural sector. This places public-private dialogue at centre stage of Africa’s agricultural development process. More emphasis should therefore be placed on policies in favour of market expansion and improved regulatory conditions to underpin private-sector development and redefine the roles of government, donors and business.

Africa is facing new challenges daily caused by market transformations on a global scale. Technological advances, changes in food consumption patterns, the demands of private retail companies and stricter quality and health standards imposed by OECD importing countries have been at the root of some of this change. Meanwhile, African agro-food companies are faced with a rising demand for food in Africa due to rapid urbanisation and increased industrial activity. In addition, China and India have provided new outlets for African agricultural exports but have also increased competitive pressures.

To address these challenges, a change of perspective is needed to promote commercial agriculture and the development of rural non-farm activities. More emphasis should be placed on policies that raise agricultural productivity and expand market opportunities at the international, regional and national levels. Private investment in appropriate technology and scientific expertise to support the agricultural sector in Africa requires adequate policies and regulations.

This edition of Business for Development: Promoting Commercial Agriculture in Africa looks at recent trends in trade and aid in African agriculture, including an overview of the corporate landscape of the agro-food sector, and takes stock of donor activities aimed at supporting commercial agriculture in the continent. This new publication will make a substantial contribution to what we know and need to do to support private-sector development in Africa.

Javier Santiso,
Director, OECD Development Centre
March 2008
Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>AFD</td>
<td>French Development Agency (Agence Française de Développement)</td>
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<td>AfDB</td>
<td>African Development Bank</td>
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<td>AfDF</td>
<td>African Development Fund</td>
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<td>APCAM</td>
<td>Permanent Assembly of Malian Agricultural Chambers (Assemblée Permanente des Chambres d’Agriculture du Mali)</td>
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<td>BIS</td>
<td>Special Investment Budget (Budget d’Investissement Spécial)</td>
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<td>BDS</td>
<td>Business Development Support</td>
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<tr>
<td>BOAD</td>
<td>West African Development Bank (Banque Ouest Africaine de Développement)</td>
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<td>CIDA</td>
<td>Canadian International Development Agency</td>
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<td>CMDT</td>
<td>Malian Textile Development Company (Compagnie Malienne pour le Développement des Textiles)</td>
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<td>CSCRP</td>
<td>Poverty Reduction Strategy Paper, second generation (Cadre Stratégique pour la Croissance et la Réduction de la Pauvreté)</td>
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<td>EIB</td>
<td>European Investment Bank</td>
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<td>EU</td>
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<td>EurepGAP</td>
<td>Euro-Retailer Produce Working Group Good Agricultural Practices</td>
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<td>FAO</td>
<td>Food and Agriculture Organisation</td>
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<td>IDA</td>
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<td>IER</td>
<td>Rural Economic Institution (Institut d’Economie Rurale)</td>
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<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
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<tr>
<td>IsDB</td>
<td>Islamic Development Bank</td>
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<td>JAS</td>
<td>Joint Assistance Strategy</td>
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<td>LOA</td>
<td>Agricultural Guidelines Law (Loi d’Orientation Agricole)</td>
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<td>MCA</td>
<td>Millennium Challenge Account</td>
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<td>PACCEM</td>
<td>Mali Cereal Marketing Support Project (Projet d’Appui à la Commercialisation des Céréales au Mali)</td>
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<td>Acronym</td>
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<td>PASE</td>
<td>Improvement Programme for Exploitation Systems in the Cotton Zone (Programme d'Amélioration des Systèmes d’Exploitation en Zone Cotonnière)</td>
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<td>PASAOP</td>
<td>Agricultural Services and Producers Organisations Programme (Programme d’Appui aux Services Agricoles et aux Organisations Paysannes)</td>
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<td>Agricultural Products Value-Adding and Marketing Project (Projet d’Appui à la Valorisation et Commercialisation des Produits Agricoles)</td>
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<td>Agricultural Supply Chain Support Project (Projet d’Appui aux Filières Agricoles)</td>
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<td>PCDA</td>
<td>Agricultural Competitiveness and Diversification Programme (Programme de Compétitivité et Diversification Agricoles)</td>
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<td>PNIR</td>
<td>National Rural Infrastructure Programme (Programme National d’Infrastructures Rurales)</td>
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<td>National Agricultural Research Project (Projet National de Recherche Agricole)</td>
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<td>PRODEPAM</td>
<td>Agricultural Production Development Programme in Mali (Programme de Développement de la Production Agricole au Mali)</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>RoM</td>
<td>Republic of Mali</td>
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<td>SDDR</td>
<td>Master Plan for Rural Development (Schéma Directeur de Développement Rural)</td>
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<td>UNDP</td>
<td>United Nations Development Program</td>
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ABSTRACT

The Malian economy faces the challenge of reducing its over-dependence on cotton and gold. In order to do so, a search for “green gold” — commercial agriculture beyond cotton — is underway. Mali has started to exploit export market opportunities for horticulture products in Europe as well as in neighbouring countries. Moreover, the country is currently testing the introduction of domestic wheat production for local processing.

Although donors are increasingly supporting the development of these new agricultural products, the reform of the cotton sector continues to receive their special attention. Moreover, certain agricultural sub-sectors such as livestock and fishing receive only limited support. The development of a vibrant private sector in agriculture requires further improvements in government policies and donor support, but also more active private sector participation. The government should re-engage in agricultural diversification, and donors should strive to increase the sustainability of their interventions. To this end, greater co-ordination between donors and government is needed in tandem with strengthening the capacity of the local private actors.

The study highlights progress towards better donor co-ordination in agriculture and encouraging results, especially with respect to facilitating access to credit for farmers and fostering producers’ organisations. At the same time, it argues that there remains ample room for improvement. Donors tend to crowd in certain segments of the agricultural value chain and to specialise in specific export crops (e.g. the mango sector where 12 donors are currently operating) at the expense of some other important areas, which require additional support (e.g. livestock, transport infrastructure and logistics). A more balanced and coherent approach is warranted.
INTRODUCTION

This Mali country study reviews the initiatives of the government and donors to promote agricultural diversification in Mali, and tries to examine to what extent the country is reducing its over-dependence on cotton. The study starts with a short analysis of the Malian agricultural and agribusiness sectors, followed by an examination of the government’s agricultural strategies to promote private sector-led agricultural development. Afterwards the chapter provides an overview of donor activities in the agricultural sector and discusses several major donor programmes supporting agricultural diversification in more detail. The chapter concludes that local needs and conditions in the agricultural sector should be more carefully taken into account in donor and government interventions.

STATUS OF AGRICULTURE AND AGribUSINESS

Mali’s economy faces the challenge of agricultural diversification, as it needs to go beyond its excessive dependence on cotton and gold. Livestock, cotton and gold are currently the country’s main sources of export earnings (5, 25 and 63 per cent in 2005, respectively) (CCE, 2007). But recent estimates suggest that the country’s gold resources will be exhausted in 10 years (ibid.), and “white gold”, as cotton is known, has been in a difficult state due to stagnant productivity and low international market prices (see Box 1). Therefore Mali is currently striving for “green gold” — that is, commercial agriculture beyond cotton.

First Step Towards Agricultural Diversification

While Mali has a large agricultural potential with regard to fertile soil, rainfall and irrigation, particularly in the Office du Niger zone along the Niger River (Koulikoro, Sikasso and Ségou regions), the agricultural growth rate has been surprisingly low, counting only 2.1 per cent during 2000-04 (ibid.)5. With the exception of rice produced in the Office du Niger zone, yields of major crops have either increased only marginally (millet) or declined (groundnuts, maize, cotton, sorghum), averaging an increase of only 1 per cent a year over 1990-2004 (World Bank, 2007a). Moreover, the use of fertilizers and agricultural equipment is still very limited and only 15 per cent of Mali’s irrigation potential has been exploited so far (CCE, 2007). Adoption of new irrigation technologies would greatly improve yields and contribute to expanded production for both the domestic and export markets.

The Office du Niger zone, one of the oldest and largest irrigation areas in sub-Saharan Africa, has the most promising agricultural potential. Today this zone alone accounts for half of the country’s rice production. The expansion of irrigation, the introduction of new product varieties and the intensification of production supported by technical improvements have led to an increase in rice yields (Baris et al., 2005). Mali exports rice to Burkina Faso, Mauritania and Nigeria and has made some progress in recapturing the regional market from imported Asian rice. Currently, 60 per cent of the demand for rice in West Africa is supplied by imports, mainly from Asia (CCE, 2007).

Improvements in irrigation and agricultural techniques in the Office du Niger zone have also helped producers to generate additional incomes from horticultural production. The zone has started to supply the country’s major horticultural products, such as mangoes, shallots and potatoes destined for regional and international markets. But environmental risks, in particular soil degradation due to salinisation, may harm diversification efforts in the long term. It will be necessary to improve control of water and land use.

Despite Mali’s landlocked situation, horticultural exports have been on the rise. The country’s leading horticultural product, mangoes, has been breaking into European markets, mainly France
and the Netherlands, thanks to optimised transport modalities which combine air transport and shipment. Though its market share remains small, mango exports to Europe have been continuously growing and recorded an increase of more than 40 per cent in 2006 (CCE, 2007). In addition, shallots, potatoes and mangoes are being exported to neighbouring countries, benefiting largely from the geographic proximity and market niches developed in the region.

Agricultural diversification is also taking place in the domestic market. Mali has launched a private sector initiative to support domestic wheat production for local processing in view of replacing costly wheat imports from Europe (see the following agribusiness section). On the other hand, mainly because of the complete absence of private investment, the livestock and fishing sectors are lagging behind and risk losing export opportunities to the neighbouring countries.

Agribusiness: Early Stages of Development

The development of agro-processing and other agribusiness activities in Mali has been hampered by various factors, both geographical and economic. In particular, it has been negatively affected by the underdevelopment of the domestic packaging sector, as it has increasingly relied on modern packaging materials for exports (OECD/AfDB, 2005). About ten large enterprises dominate the agro-food industry in Mali. They include, among others, a privatised cotton oil processing company (Huilerie Cotonnière du Mali - Huicoma), two mineral-water companies (Le Lido S.A. and Diago), a brewery (Bramali) and a flour mill (Grands Moulins du Mali - GMM). In addition, mostly informal small and micro enterprises are engaged in the processing of domestic agricultural materials. Field interviews conducted in June 2006 found that these enterprises are active in processing of cotton seed and cereal (millet, sorghum, maize and rice). Owing to their informal nature, they are more or less excluded from government support and have not been able to attract private investors. However, they demonstrated development potential and should be supported to upgrade their production and management skills.

The efforts of the Malian government to promote foreign investments, both private and public, in agro-food or other agro-related industries including agricultural infrastructure development, have met some success. The sugar sector for instance has attracted financial contributions of an estimated amount of $104 million from China and the government of the United States. Primary financing destinations were two sugar mills, Markala and Sukala-II. Also, the Grands Moulins du Mali (GMM) foresees an increase in its local wheat production in the Office du Niger zone in the next ten years with funding coming from the Belgian government (CCE, 2007).

Box 1. The Cotton Sector at a Crossroads

Cotton remains the dominant cash crop, but the cotton sector is at a crossroads. While cotton contributes about 8 per cent of Malian GDP and 6 per cent of the government’s total tax revenues, the sector’s importance in agriculture has been in a gradual decline. Furthermore cotton production dramatically fell from 600 000 to 330 000 tonnes in 2007, leaving the position of the largest cotton producer in sub-Saharan Africa to Burkina Faso. Given low levels of purchase prices of cotton, some producers have moved away from it to millet, sorghum, maize or horticultural products from which they now generate half of their total incomes.

In Mali, the cotton sector reform appears to have gained some momentum since 2005 when a new price-fixing mechanism was introduced to better inform producers of cotton purchase prices. Furthermore the Government of Mali has adopted a new cotton sector strategy, including the introduction of a regulatory framework for cotton fibre and seed classifications. Privatisation of Compagnie malienne pour le développement des textiles (CMDT) is also expected during 2008.
During this transition process, it is critical to ensure a smooth transfer of the responsibilities of CMDT (e.g. training of cotton producers and technical support to cotton-related activities) to new cotton companies which will be created in four geographical zones. This process is critical to the success of Mali’s cotton sector reform, as exemplified by the reform experience of Burkina Faso. Burkina Faso’s reform experience illustrates the importance of strengthening the managerial and organisational capacity of cotton producers to mitigate shocks arising from the sector’s structural reform. In this respect, in Mali, Dagris, a French company, and major stakeholder of the CMDT, will play an important role.

Source: Behrendt (2006); Camara (2005); Dewbre et al. (2007); OECD/SWAC (2006).

WHAT IS THE GOVERNMENT DOING?

The liberalisation process occurring in Mali since 1982 has transformed the government’s role in the agricultural sector. In 1992 the country established the Master Plan for Rural Development (SDDR), revised in 2002, to underline the political commitment in pursuing the government’s disengagement from the agricultural sector. The aim was to pass certain public functions over to private stakeholders who had displayed better organisational skills. Except for cotton, which was left in the hands of the Compagnie malienne pour le développement des textiles (CMDT), the government withdrew from controlling prices and marketing/trade of cereals, fertilizers and machinery (Noray et al., 2007). This encouraged greater private sector participation in agricultural marketing functions (Bingen, 2003).

The 2006 Agricultural Guidelines Law (LOA) represents a milestone towards the development of agro-based private sector development. By providing a sector-wide policy orientation, the LOA covers not only agriculture but also related policy areas such as finance, infrastructure and more generally private sector development. The government should now put policy into action by setting clear priorities and detailed strategies for agricultural diversification.

Mali’s new Strategic Growth and Poverty Reduction Paper (CSCRP, 2007-2011), the second generation of the Poverty Reduction Strategy Paper (PRSP, 2002-2006), seeks to strengthen the policy orientation defined by the LOA. The CSCRP’s top priority is to modernise the value chains in the agricultural sub-sectors that display strong growth potential — namely cotton, livestock, rice, and fruits and vegetables — and help to increase the production and marketing capacities of producers and breeders. As rural poverty is persistently very high — hitting in some regions more than 70 per cent of the population, against a national poverty index of 47.5 per cent in 2006 (RoM, 2006a) — the CSCRP also stresses the importance of rural basic infrastructure development to facilitate the transport and marketing of agricultural products.

Investing in Agriculture and Rural Infrastructure

The government’s budget statement shows that the annual share of the agricultural sector in the national budget was 11.4 per cent (FCFA91.2 billion or $204 million) and 12.6 per cent (FCFA118.3 billion or $266 million) of the total in 2005 and 2006, respectively (RoM, 2007). The latest budget estimates indicate that the share of agricultural budget allocation for the period 2007-2011 will remain the same, underlining continuing government efforts to invest in agriculture (RoM, 2006a). However, it should also be noted that public subsidies for the cotton sector consume a significant part of the national budget. For example in 2004/05, the CMDT accumulated deficits of FCFA68 billion ($153 million) by subsidising cotton producers, of which the government covered FCFA28 billion ($64 million) (OECD/AFDB, 2006).

Infrastructure development received 8 per cent of the total budget in 2006 (RoM, 2006a). By integrating the objectives of the CSCRP, the 2008 budget foresees increased budget allocation...
to finance infrastructure for productive sectors (Forum Malikounda, 2007). Although transport infrastructure development could have a substantial positive impact on agricultural input provision and product marketing, it accounted for only 1.1 per cent of the national budget in 2006 (RoM, 2006a). Owing to data limitations it is not possible to assess how much has actually been spent on rural infrastructure which can benefit farmers directly. Moreover, government figures suggest that budget allocations often do not translate into actual public expenditure, as the execution rate of the budget is currently less than 70 per cent (ibid.).

Facilitating the Organisation of Private Stakeholders

The LOA encourages the organisation of private stakeholders working in agriculture. Mali has seen the evolution of producers’ organisations for mango, potato, rice and cotton; the formation of producers’ organisations for other crops will need more time. The Permanent Assembly of Malian Agricultural Chambers (APCAM), a private institution representing agro-related private stakeholders, provides producers’ organisations in agriculture with a platform for mutual consultation with other private stakeholders such as input providers, transporters and exporters. The National Co-ordination of Rural Producers’ Organisations (CNOP) also represents various rural producers’ organisations. However, conflicting interests and differences in the economic weight of private stakeholders make organisation and co-ordination among them difficult (RoM, 2005a).

Meanwhile, APCAM has increasingly become an important counterpart to both the government and donors. APCAM and its nine Regional Agricultural Chambers participate in most agricultural policy discussions at the national and regional levels, with the issues discussed ranging from land tenure reform to co-operative regulations. They also mediate contentious issues between private actors in the agricultural sector (Bingen, 2003). Furthermore, APCAM is serving as a planning and implementation agency in donor projects by playing an intermediary role between the government, donors and agro-related private actors.

The producers’ organisations have been increasingly active in both political and business scenes. Through and with the support of APCAM, the producers’ organisations have their voices heard by decision makers at the national level, as exemplified in the formulation process of the LOA. Certain producers’ organisations have been successful in transforming their status to co-operatives and gradually obtaining bargaining power in their business and credit negotiations. The country’s ongoing decentralisation process also provides a positive environment for the producers’ organisations, because it allows them to work through the nine Regional Agricultural Chambers which reflect their needs in the local context.

WHAT ARE DONORS DOING?

Mali is heavily dependent on foreign aid. According to the CSCRP, between 2002 and 2005 Mali received $407 million ($36 per capita), of aid annually (RoM, 2006). The actual amount would be much higher, ranging from $800 million to $1 billion, if non-accounted aid, in particular from Arab countries, was included. As a consequence, 60-80 per cent of the Malian Special Investment Budget (BIS) is financed by donor projects and programmes (Dewbre et al., 2007).

Agriculture and infrastructure (e.g. transport, energy and communication) are the largest aid-receiving sectors. According to a recent survey of donor-supported activities in agriculture (Colombo, 2006), donor support to agro-based private sector development was estimated at $241 million (on disbursement basis) in 2005 (see Table 1), with aid for economic infrastructure development included. This made up 44 per cent of total aid, where agriculture and infrastructure accounted for 22 per cent each. Aid to each of these two sectors is on a par with aid to the social sector (e.g. education, health), which receives about 25 per cent of the total.
Mapping Donor Support to Private Sector Development in Agriculture

Donors support the Malian diversification process by using an agricultural value chain approach which promotes private sector-led agricultural development. Donors target specific product value chains and/or closely work with producers’ organisations to increase their institutional and business management capacities. Eventually, donors aim to transform producers’ organisations into private co-operatives which may possess higher credibility in business negotiations, in particular those with private banks. Among major donors, USAID and the World Bank apply a value chain approach to targeted products, while AFD, CIDA, the Netherlands and, to some extent, Switzerland focus on the institutional capacity building of domestic institutions, including producers’ organisations or co-operatives and decentralised agricultural administrations.

Donors are Supporting a wide-range of Activities for Agro-based Private Sector Development

CIDA, USAID and the World Bank are leading agencies for aid to agriculture in Mali and are known as the “agricultural troika”\[16\]. This troika is closely working with other donors in agriculture, for example the Netherlands for agriculture extension capacity building, Belgium for local wheat production and Switzerland for fostering producers’ organisations. Other major donors are the African Development Bank (AfDB), the International Fund for Agricultural Development (IFAD), the Islamic Development Bank (IsDB) and Arab development funds, which collaborate on the broader agenda of rural development, in particular rural infrastructure (e.g. irrigation and transport) and the livestock sector.

Agro-based private sector development programmes have attracted a variety of donors, intervening in areas ranging from production, processing and marketing to transport infrastructure, irrigation and policy support to private sector development (see Table 1). Infrastructure takes up to 45 per cent of total aid to agro-based private sector development, with large proportions channelled to transport (38.6 per cent). Outside infrastructure, integrated rural development is the leading form of aid (8.7 per cent), closely followed by aid to promote productive capacities through the adoption of a value chain approach (8.1 per cent). Donors also provide substantial support to agricultural research and extension (7.3 per cent), irrigation (5.1 per cent) and natural resource management (5.1 per cent).

Access to credit is another important area where donors provide support. Donors such as the AfDB, the Aga Khan Foundation, GTZ and the World Bank are actively encouraging decentralised Malian financial service and microfinance institutions to facilitate access to credit for rural producers and other private actors. As part of their projects, Germany, IFAD and the United States are also supporting the development of the national financial service sector, in line with the Government’s National Action Plan for Micro Finance Development.

Furthermore donors are co-ordinating their efforts with respect to the cotton sector reform. Strong co-ordination will be ensured between the World Bank-funded Agricultural Competitiveness and Diversification Project (PCDA) and the AFD-funded Farming Systems Improving Programme in Cotton Production Zone (PASE) with regards to agricultural advisory services and the rehabilitation of rural roads in cotton-growing areas. The European Union will finance the producer price fixation mechanism (Norey et al., 2007). Oxfam America will also intervene to fill in the gap between the implementation periods of the PASE I and II (the second phase of the project is currently under preparation). Both APCAM and regional agricultural chambers are expected to play a key role in the co-ordination of the numerous interventions.

The arrival of the five-year, $460 million Millennium Challenge Account (MCA) in late 2006 has brought about a major change in this global picture. The focus of the MCA programme will be the large-scale development of irrigation, roads and airport infrastructure in the Office du Niger zone. The interventions of the MCA programme will be co-ordinated with a common intervention agreement to be signed in 2008 along with AFD, the European Union, KfW, the Netherlands, the World Bank, the Government of Mali and the regional administration of the Office du Niger.
Table 1. Donor Support for Private Sector Development in Agriculture (2005, $ million)

<table>
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<tr>
<th>No.</th>
<th>Areas of Intervention</th>
<th>Donors</th>
<th>No. of Projects</th>
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<th>% of Total Disbursement</th>
<th>Average per Project ($ million)</th>
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<td>Production – Irrigation</td>
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<td>Organisation of Producers</td>
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<td>5.3</td>
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<td>0.8</td>
</tr>
<tr>
<td>1.6</td>
<td>Natural Resource Management</td>
<td>EU, FAO, France, Germany, Italy, the Netherlands, Sweden, World Bank</td>
<td>23</td>
<td>12.3</td>
<td>5.1</td>
<td>0.5</td>
</tr>
<tr>
<td>1.7</td>
<td>Food Security</td>
<td>FAO, Italy, WFP, World Bank</td>
<td>15</td>
<td>3.4</td>
<td>1.4</td>
<td>0.2</td>
</tr>
<tr>
<td>1.8</td>
<td>Rural Development</td>
<td>AfDB, Germany, IFAD, IsDB, the Netherlands</td>
<td>15</td>
<td>21.1</td>
<td>8.7</td>
<td>1.4</td>
</tr>
<tr>
<td>1.9</td>
<td>Agricultural Financing</td>
<td>AfDB, France, the Netherlands</td>
<td>7</td>
<td>7.5</td>
<td>3.1</td>
<td>1.1</td>
</tr>
<tr>
<td>2</td>
<td>Public/Private Sector</td>
<td>Canada, FAO, the Netherlands</td>
<td>5</td>
<td>3.9</td>
<td>1.6</td>
<td>0.8</td>
</tr>
<tr>
<td>2.1</td>
<td>Agricultural Policy / Public Institutional Capacity Building</td>
<td>Canada, FAO, the Netherlands</td>
<td>5</td>
<td>3.9</td>
<td>1.6</td>
<td>0.8</td>
</tr>
<tr>
<td>2.2</td>
<td>Trade Negotiation</td>
<td>UNDP</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>Infrastructure</td>
<td>BOAD, Canada, EIB, EU, France, Germany, IsDB, the Netherlands, Saudi Arabia, World Bank</td>
<td>28</td>
<td>93.2</td>
<td>38.6</td>
<td>3.3</td>
</tr>
<tr>
<td>3.1</td>
<td>Transport Infrastructure</td>
<td>BOAD, Canada, EIB, EU, France, Germany, IsDB, the Netherlands, Saudi Arabia, World Bank</td>
<td>28</td>
<td>93.2</td>
<td>38.6</td>
<td>3.3</td>
</tr>
<tr>
<td>3.2</td>
<td>Energy</td>
<td>AfDB, BOAD, Germany, Saudi Arabia, Switzerland, UNDP, World Bank</td>
<td>11</td>
<td>10.5</td>
<td>4.3</td>
<td>1.0</td>
</tr>
<tr>
<td>3.3</td>
<td>Communication</td>
<td>BOAD, Switzerland</td>
<td>4</td>
<td>2.3</td>
<td>1.0</td>
<td>0.6</td>
</tr>
<tr>
<td>3.4</td>
<td>Water</td>
<td>Germany, Kuwait, Italy, UNDP</td>
<td>4</td>
<td>2.3</td>
<td>0.9</td>
<td>0.6</td>
</tr>
<tr>
<td>4</td>
<td>Support to Private Sector Development Policies</td>
<td>AfDB, Aga Khan Foundation, Germany, World Bank</td>
<td>4</td>
<td>17.2</td>
<td>7.1</td>
<td>4.3</td>
</tr>
<tr>
<td>4.1</td>
<td>Access to Credit</td>
<td>Germany, World Bank</td>
<td>2</td>
<td>4.9</td>
<td>2.0</td>
<td>2.5</td>
</tr>
<tr>
<td>4.2</td>
<td>General Support to Private Sector Develop</td>
<td>Germany, World Bank</td>
<td>2</td>
<td>4.9</td>
<td>2.0</td>
<td>2.5</td>
</tr>
<tr>
<td>4.3</td>
<td>Privatisation</td>
<td>EIB</td>
<td>2</td>
<td>1.8</td>
<td>0.7</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>164</td>
<td><strong>241.3</strong></td>
<td><strong>100.0</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Based on Colombo (2006) and RoM (2006b).

Better Division of Labour between Donors is Improving Aid Co-ordination.

Rather than undertaking a sector-wide approach to agriculture, as the case of the Office du Niger zone demonstrates, donors are increasingly linking-up their projects to enhance the joint impact of their assistance. While aid to agriculture continues to be delivered in the form
of projects, Mali is improving aid co-ordination through better information-sharing and co-financing which has become increasingly common in major agricultural sub-sectors, such as cotton, rice and horticulture. As expected, concrete results are most visible in the Office du Niger zone where donors share a long history of aid co-ordination and are adopting common procedures in planning, implementing, monitoring and financing (see Box 2).

Co-ordination efforts are also underway between the government and donors. The government has recently established a forum for regular consultation with donors, called “Commission Mixte”. It is too early to judge the effectiveness of this commission, other than that it provides an open space for discussion and consultation to stimulate dialogue and information-sharing between the government and donors. In 2007 the government also set up the “Secretariat for Aid Harmonisation”, a new office aimed at promoting aid harmonisation. This is seen as a sign of its political commitment to increasing aid effectiveness and more specifically to implementing the Malian Action Plan of Harmonisation, following the guidance of the Paris Declaration.

In response to the government’s efforts to co-ordinate aid and increase its effectiveness, donors are also preparing a new Joint Assistance Strategy (JAS) in Mali. The JAS will serve as a common framework for sector analysis, interventions and monitoring and eventually for establishing a more effective division of labour among them. During the preparation of the CSCRP in 2006, donors established a common platform for policy discussion and hoped to transform it into that for the JAS. A first evaluation of the JAS was set for 2008, when a first review of the CSCRP was also planned.

**Box 2. The Office du Niger Zone: Example of Donor Co-ordination and Harmonisation**

Among the seven donor sectoral working groups (environment, cotton, Office du Niger, rural sector, food security, private investment and microfinance), the Office du Niger zone provides the first concrete example of sub-sector donor co-ordination in which donors have signed a charter to co-ordinate their operations better. The charter spells out the mission and functions of the Office du Niger and the relationship between the government, the producers, the Office du Niger and the water-users’ association.

The charter highlights the importance of key elements such as the Overall Office du Niger Master Plan (Schéma Directeur de Développement de l’Office du Niger: SDDON) and the respective roles of producers, the government and the administrative body of the Office du Niger. The charter also states that donors promise to enhance their dialogue with the Office du Niger and harmonise their individual administrative activities (missions, reports and audits). Following the charter, which was established by the Malian initiative in the late 1990s, the donors have agreed to help the Office du Niger to expand and rehabilitate irrigated areas, assist new farmers and promote sustainable development.

*Source: Colombo (2006) and RoM (2005a).*

**Major Support Programmes for Agricultural Diversification**

This section will look at major projects and programmes funded by AFD, CIDA, USAID and the World Bank and discuss their key features and lessons. Given the information available, the focus of this section is on commercial agriculture. Table 2 summarises eight projects and programmes.
Table 2. Selected Donor Projects in Agro-related Private Sector Development

<table>
<thead>
<tr>
<th>Projects</th>
<th>Donors</th>
<th>Execution Period</th>
<th>Amount ($ million)</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAVCOPA</td>
<td>World Bank</td>
<td>1996-2002</td>
<td>6.0</td>
<td>Address key sectoral constraints to private investment in agricultural processing and marketing</td>
</tr>
<tr>
<td>PASAOP</td>
<td>FAO, the Netherlands, World Bank, Japanese Trust Fund</td>
<td>1999-2007 2007-2009</td>
<td>43.5 20.0</td>
<td>Establish an institutional framework conducive to efficient agricultural service delivery to producers</td>
</tr>
<tr>
<td>PCDA</td>
<td>AFD, CIDA, the Netherlands, Germany, USAID, World Bank</td>
<td>2006-2011</td>
<td>46.4</td>
<td>Improve the performance of supply chains for agricultural and livestock products</td>
</tr>
<tr>
<td>Trade Mali</td>
<td>USAID</td>
<td>2003-2007</td>
<td>30.0</td>
<td>Improve marketing of targeted agricultural products</td>
</tr>
<tr>
<td>PRODEPAM</td>
<td>USAID</td>
<td>2004-2009 (closed in 2007)</td>
<td>34.9</td>
<td>Upgrade production technologies</td>
</tr>
<tr>
<td>Mali Finance</td>
<td>USAID</td>
<td>2003-2007</td>
<td>28.2</td>
<td>Expand access to microfinance to Malian agro-entrepreneurs</td>
</tr>
<tr>
<td>PACCEM II</td>
<td>CIDA</td>
<td>2003-2009</td>
<td>4.1</td>
<td>Support cereal production and marketing through institutional capacity building in producers’ co-operatives</td>
</tr>
<tr>
<td>PASE I</td>
<td>AFD</td>
<td>2003-2006</td>
<td>8.1</td>
<td>Support the cotton sector reform to mitigate institutional, financial and economic adverse effects on cotton producers</td>
</tr>
</tbody>
</table>

Source: Based on projects’ appraisal documents, implementation completion reports and evaluation reports.

The World Bank is Moving Towards a Comprehensive Agricultural Diversification Programme

The World Bank is currently implementing a new comprehensive agricultural diversification programme, the Agricultural Competitiveness and Diversification Programme (PCDA, 2006-2011). This is a major support programme succeeding the Agricultural Products Value-Adding and Marketing Project (PAVCOPA, 1997-2002). To increase synergies among its agricultural and rural development programmes, the World Bank is also planning to merge its two major programmes, Agricultural Services and Producer Organisations Programme (PASAOP, 1999-2009) and Rural Infrastructure Development Programme (PNIR, 2001-2009) into PCDA in 2009.

PCDA is playing a leading role in driving the country’s agricultural diversification by improving the performance of agricultural value chains in line with the Master Plan for Rural Development (SDDR). This programme aims to enhance the institutional, productive and marketing capacities in both traditional (e.g. cotton, rice) and non-traditional (e.g. horticulture products, oil seeds, gum arabic, cashews) products (World Bank, 2005b). PCDA is expected to receive some financial and technical support from AFD, CIDA, Germany, the Netherlands and USAID.

According to a recent evaluation report of the World Bank, the early results of PAVCOPA were positively rated, as it successfully initiated agro-processing and marketing activities (onions in the Niono region; potatoes in the region of Sikasso) as well as exports of mangoes through road transport (World Bank, 2007a). However, the report also points out the problem of sustainability of these activities, due to insufficient attention paid to institutional capacity-building of producers’ organisations and the limited transfer of technology and know-how.

Building upon the experience of the first-generation programme, PCDA has sought to reinforce its institutional capacity building component by merging with PASAOP and thereby empowering producers’ organisations (World Bank, 2007b). More specifically, PCDA aims to provide them with tools adapted to their specific business needs and to facilitate access to credit in collaboration
with domestic private financial institutions (World Bank, 2007c). Furthermore, the integration of PNIR will strengthen the infrastructure and logistic components of PCDA.

By co-ordinating donors’ efforts at agricultural diversification, PCDA has established a matrix of interventions on product-based and cross-cutting issues and consolidated donors operations (World Bank, 2005b). One example is the takeover of PCDA from the Dutch co-operation to put into operation “Plaza™”, a stocking, processing and packaging centre for agricultural exports, at Bamako airport. Another example is the transfer of management from USAID to PCDA in mango export development (TradeMali) and financial sector assistance (Mali Finance).

**USAID is Restructuring its Operations to Strengthen the Whole Agro-food Value Chain**

In order to avoid duplication with other major programmes (i.e. PCDA and MCA) and increase the synergies among its interventions, USAID has decided to restructure its operations and consolidate three agricultural programmes under its strategy of “Accelerated Economic Growth and Trade Development” (2003-2012). The Agricultural Production Development Programme in Mali (PRODEPAM)20, TradeMali21 and Mali Finance will be merged into a single programme, which is currently under preparation.

These three programmes were different components of USAID strategy for promoting agricultural trade development and diversification in Mali. PRODEPAM helped producers’ organisations to reduce risks involved in production by improving irrigation and access to markets (CLUSA/Chemonics, 2006). TradeMali provided producers with market information and assisted them in processing agricultural products, post-harvest conditioning and buyer-seller negotiations22. Mali Finance facilitated their access to credit. However, these three programmes were implemented rather independently, without seeking the synergies of three different activities, i.e. production, marketing and finance, necessary to strengthen the whole agro-food value chain.

TradeMali played a leading role in co-ordinating 12 donors in the mango sub-sector. TradeMali worked with the Netherlands for the “Plaza” and with AFD, the World Bank, the Swiss Association for International Cooperation (Helvetas) and Center for Promotion of Imports from Developing Countries (CBI) to obtain EurepGAP certification. At the same time Mali Finance initiated an innovative approach to facilitating producers’ access to credit by mobilising business service providers. The approach was found to be effective in the provision of micro-credits. Furthermore, Mali Finance also introduced a new approach to credit risk management by shifting the income assessments of targeted beneficiaries from single crop and single season to multiple crops and multiple seasons where appropriate (Chemonics, 2007a). The experience of Mali Finance suggests that this new approach provided a sounder basis for agricultural credit risk, which CIDA has already incorporated in its project below.

**CIDA is Targeting Institutional Support in the Office du Niger Zone**

CIDA is moving away from single-product projects and turning attention to building the institutional capacity of producers’ organisations dealing with multiple products. In the Office du Niger zone, its Mali Cereal Marketing Support Project (PACCEM) is helping producers’ organisations and co-operatives to improve their institutional capacities and strengthen their financial positions. The PACCEM started in 1999 and it is now implementing its second phase, expected to end in 2009. The CIDA’s approach presents a broader perspective beyond the product-based approach, as it takes account of the mixed cropping system in Mali and facilitates access to credit for producer co-operatives.

According to the programme’s mid-term evaluation in 2007, the targeted co-operatives have registered good production and marketing records for rice, millet, sorghum, maize and shallots, but their marketing strategy and financial capacities could be further improved. While PACCEM contributed to marketing 8 600 tonnes of rice in the Ségou region, in addition to the volume destined for local consumption, benefits could have been higher if the co-operatives had
developed more strategic marketing plans and increased their financial accountability (Bah et al., 2007).

Moreover, overall sustainability of the programme could be improved if PACCEM further reinforced its support for creating an effective local training and support structure for co-operatives. The mid-term evaluation also suggests that there is room for improvement in facilitating cooperation between the co-operatives and domestic institutions such as agricultural research institutes, Chambers of Agriculture, domestic financial institutions, or local arms of the Ministry of Agriculture. Without institutionalised agricultural and business advisory support, the co-operatives would not be able to sustain what they have learnt through the PACCEM’s technical assistance (ibid.). What is required is to make better use of local experts to strengthen the link between co-operatives and agriculture-related local institutions.

**AFD/PASE is Strengthening the Local Capacity of Cotton Producers**

AFD is working with cotton producers through its flagship programme, Farming Systems Improving Programme in Cotton Production Zone (PASE). At the same time, through its parallel programme — the Trade Capacity Reinforcement Programme (PRCC) — AFD is also working with cotton producers who cultivate other cash crops. The first phase of the PASE was completed in 2006 and its second phase is currently under preparation.

In line with the government’s Cotton Sector Development Policy adopted in 2001, the first phase of the PASE (2003-2006) contributed to transforming former village associations into co-operatives, helped develop cotton inter-professional contacts and provided advisory services to cotton producer organisations. The project evaluation of PASE I, however, points to a sustainability problem. Concern has been raised that four years of implementation were not sufficient to create stable inter-professional linkages among cotton producers, agricultural public institutions, agro-industries, private banks and business development support institutions (Norey et al., 2007).

Little is known about the second phase of PASE. Yet, according to the field interviews conducted at AFD Bamako in September 2007, PASE II will pay more attention to improving local scientific knowledge, (e.g. genetically modified organisms (GMO)), strengthen the industrial use of food crops (e.g. biofuels) and diversifying into new products (e.g. sunflowers), by taking advantage of different climatic and agro-ecological conditions in four cotton producing zones. In the words of the AFD staff: “the one who has information is the one who will survive (in the cotton sector)” (Field Interview in Bamako, September, 2007).

**CONCLUSIONS**

Mali is taking a first step toward the development of commercial agriculture by restructuring the cotton sector and moving beyond cotton dependency. While the cotton sector reform keeps getting donors’ special attention and certain cereals and horticulture are increasingly receiving more aid, other agricultural sub-sectors such as livestock and fishing receive limited support. Further improvements are possible in government policies, donor support and private sector participation. These include seeking government re-engagement in agricultural diversification, making aid programmes more sustainable and building institutional capacity of emerging private actors.

**Government is Re-engaged in Developing Commercial Agriculture and Diversification...**

Agricultural diversification is the government’s top agenda, but the current government’s efforts still focus disproportionately on the cotton sector. The government allocated around 12 per
cent of the national budget to the agricultural sector in 2005 and 2006. This high proportion of budget allocation has already met the 10 per cent budget allocation target set by the NEPAD’s Comprehensive Africa Agriculture Development Programme (CAADP). It should be noted, however, that this budget allocation to agriculture includes public subsidy to the cotton sector. The country therefore needs to take a more balanced approach to promoting agricultural diversification beyond cotton, develop rural infrastructure and invest in human resources in relevant ministries.

The government’s re-engagement in the country’s agricultural diversification policy should include primary responsibility in supporting the private sector. Organised producers are emerging in certain key sectors besides cotton, such as mangoes, rice and potatoes. The government should establish nationwide consultation schemes to accommodate the needs of these emerging private actors who are increasingly involved in implementing its comprehensive agricultural development strategy.

...but a More Balanced Approach is Required to Meet Local Needs and Conditions

The amount of aid for agriculture and infrastructure development was estimated at $241 million in 2005, 44 per cent of total ODA to the country. Despite a high volume of aid to agro-related private sector development, donors tend to concentrate their efforts only on certain crops, without taking a more balanced approach to meeting the needs of the private sector. For example, the mango sub-sector attracts 12 donors, while the livestock sector receives little donor support, despite its growth potential and importance to the Malian economy.

Past experiences also suggest that donors should better take into account existing local conditions. For instance, the single-product approach which was popular until recently tends to ignore the mixed-cropping system commonly applied in Mali, where producers diversify their income sources by mixing various crops and livestock production. Moreover, limited access to credit in rural areas remains a problem. Facilitating access to credit for rural producers and improving their financial management capacities will increase the probability that targeted producers apply appropriate technology and knowledge to their business. Interestingly, donors are moving towards more integrated and coherent programmes, adopting a value-chain approach to programme design and seeking to exploit synergies better between their own projects and also with the projects of other donors. The development of the JAS should further improve such co-ordination and strengthen complementarities. CIDA’s attempt to build the capacity of producers’ organisations or co-operatives to make better use of various crop production and marketing possibilities appears to be more promising.

The Office du Niger Zone Provides a Successful Case of Agricultural Diversification through Local Institutional Capacity Building

The Malian private sector in agriculture is transforming itself from a passive beneficiary to an active player. The Permanent Assembly of Malian Agricultural Chambers (APCAM) and the National Co-ordination of Rural Producers’ Organisations (CNOP) are increasingly representing the business and political voices of the producers’ organisations and other agro-based private operators. The producer’s organisations and co-operatives are most active in the Office du Niger zone. Nevertheless their financial and management capacity remains limited.

The success of the Office du Niger zone as a promising case of agricultural diversification is based on the tripartite consultation among government, donors and the private sector. This has helped identify the gaps in donor support programmes and encourage the participation of private stakeholders in developing commercial agriculture. Building local productive capacity is possible when private stakeholders are given the right incentives.
NOTES


2. Despite the efforts of the CMDT, average productivity of Malian cotton stagnated at around 1 000 kg/ha between 2001 and 2005. It fell back to 975 kg/ha in 2005/06 (Noray et al., 2007).

3. Eliminating cotton export subsidies in developed countries will increase world prices by between 2 and 35 per cent and therefore also increase Mali’s exports and cotton producers’ earnings (FAO, 2004).

4. In addition, the country is also seeking investments in the livestock and fishing sectors, as their growth potential has been largely unexploited.

5. Value added per agricultural worker averaged $222 (in constant US$ 2000) from 2000 to 2003, well below the average of $323 for sub-Saharan Africa, whereas the benchmarks for Senegal and Ghana are $264 and $336 respectively (World Bank, 2005a).

6. At the national level, only 40 per cent of producers have agricultural equipment, of whom around 80 per cent are cotton producers in the CMDT and the Office du Niger zones (CCE, 2007).

7. The World Bank estimates that if 20 per cent of Malian producers adopted new irrigation technologies, the domestic market for horticultural produce would increase by between 5 and 10 per cent, the export market for gum Arabic, French beans and mangoes would double, the export market for skins would increase by 25 per cent, and the regional export market for potatoes and onions would increase by 33 and 50 per cent respectively (World Bank, 2005b).

8. Pressure on natural resources and the environment is an important issue. Conflicts over land and water use are increasingly frequent, while efforts to preserve natural resources are receiving little attention (RoM, 2005b). This is particularly marked in a southern triangular agricultural area between Mopti, Sikasso and Bamako which attracts short- and long-term seasonal workers from all over Mali. In this area, 75 per cent of the total population are crowded on to 8 per cent of the country’s total land surface (ibid).

9. The Aga Kahn Foundation is currently providing financial support to the sector by investing in a Malian packaging enterprise.

10. After privatisation in May 2005, the Malian group Tomota became its major shareholder (CCE, 2007).

11. The only domestic fruit and vegetable processing enterprise, la Société Malienne de Conserves (SOMACO), was closed down in 1998.

12. Energy and communication account for 5.8 and 1 per cent of the 2006 national budget, respectively (RoM, 2006a).

13. The APCAM also plays a critical role in the provision of market information, used frequently in marketing support projects by donors, through the Observatoire des Marchés Agricoles (OMA). The OMA, which replaced the Market Information System (SIM) in 1998, provides agricultural market information. See also http://www.oma.gov.ml.

14. Comments from field interviews in Bamako (18 September 2007).
15. This analysis is an attempt to compensate for lack of accurate official aid data by sector. Information is based on a donor survey with a response rate of 80 per cent of active donors in Mali.


17. Co-financing of projects is not a new phenomenon, but its realisation has not always been easy. As for the Agricultural Products Value-Adding and Marketing Project (PAVCOPA), unanticipated funds for technical assistance from Japan and Canada were channelled after the project’s start (World Bank, 2007c). In the case of the Agricultural Services and Producers Organisations Project (PASAOP), planned co-financing from the Netherlands on agricultural research did not finally work (RoM, 2005c).

18. The institutional reform component of the PASAOP will be transferred to budgetary support as part of a multi-donor investment operation scheduled for 2009. At the same time, all elements targeting the entire value chain including the production support — based on technology, dissemination and agricultural practice intensification — as well as processing and marketing of agricultural products will be integrated into the PCDA (World Bank, 2007b).


20. PRODEPAM contributed to intensifying and diversifying agricultural production, in particular with rice, potatoes and onions, by incrementing efficient use of water resources. Public-private partnerships were particularly active in agriculture inputs (seeds and fertilizers) (CLUSA, 2007).

21. Building on the basis established by the World Bank-funded PAVCOPA, which initiated mango test exports, TradeMali reached exports of 15 000 tonnes of mangoes to sub-regional and international markets. Moreover, the number of Malian mango exporter groups which are EurepGAP-certified rose from one at the PAVCOPA implementation period to seven in 2007. (Chemonics, 2007b).

22. Mali managed to export mangoes to one of the biggest European supermarket chains, Royal Dutch Ahold, through its purchaser Bakker Barendrecht (ibid.).
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RoM (2005b), Plan cadre de gestion environnemental et social du projet de compétitivité et de diversification agricole, Ministère de l’Agriculture, Bamako.


