ACCELERATING GLOBAL ACTIONS FOR A WORLD WITHOUT POVERTY: GAPS, CHALLENGES AND PROGRESS

Inter-agency Expert Group Meeting on Implementation of the Third United Nations Decade for the Eradication of Poverty (2018-2027)

Accelerating global actions for a world without poverty: the experience of Mali

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1. Country context

Mali, a large, land-locked country, covers an area four times that of Italy and nearly twice that of France. Much of the country, particularly in the north, is sparely populated; Mali's total population (slightly under 20 million) is less than a third of that of Italy and of France. It is a country of plains and lowlands, with an average altitude of 500 meters. Two major rivers cross Mali: the Niger and the Senegal. The hydrographic network mainly serves the southern part of the country. Annual rainfall ranges from 900 mm to 1,200 mm in the south, while the average is around 200 mm in the north. Economic activities depend primarily on agriculture, animal husbandry and fishing. This means that economic growth remains vulnerable to weather conditions and the prices of raw materials on the international market. The primary sector (excludes mining in Mali) occupies around 70% of the active population and represents around 35% of the Gross Domestic Product (GDP). The country's large area and low population density present serious challenges to providing infrastructure and public services such as health, education and agricultural extension to the population.

Mali experienced its most serious crisis with a coup d'état in March 2012 and the occupation of its northern part for almost a year by rebel and terrorist groups. Combined efforts by the Malian army, France and the international community helped push back the terrorist groups towards the northernmost part of the country and facilitated the formation of a Transitional Government in January 2013. Presidential elections were held in July-August along with legislative elections in November-December in 2013. The new elected president initiated inter-Malian negotiations that led to the signature in May 2015 of the Agreement on Peace and Reconciliation in Mali, ratified by the government and the rebel groups in June 2015.

Despite the signing of the Peace and Reconciliation Agreement, Mali still faces a difficult security crisis. This situation affects millions of Malians, their economic activities, and the development prospects of the country, as security spending is consuming a bigger share of public spending at the expense of much-needed expenditures on social services and development investment.

Despite the difficult security situation, the Malian economy has shown some resiliency. After negative growth in 2012, the economy recovered in 2013, with a 1.7% real GDP growth rate, and that recovery was consolidated in 2014 with 7.2% growth rate, fueled by a 15% increase in agricultural production due to good rainy season. During the last 5 years, the economy achieved an average 5% real GDP growth rate, driven mainly by good performance in the agricultural sector.

This dependence of the economy on rain-fed agriculture makes it vulnerable to climate variability and environmental degradation.

Mali has a young population, which is growing at 3.1% a year. The number of young people entering the job market is estimated at 300,000 per year. However, the economy can only create a maximum of 50,000 jobs in the formal sector per year, making the provision of productive and remunerative jobs to the young a challenge for the country. In addition to the lack of jobs in the formal sector, most of the young who enter the job market lack the required skills demanded by employers, especially among school graduates. Currently, Mali's education system supplies training to young people that do not match the skills requirements of the evolving job market (ADB, Mali Economic Outlook, 2020).

2. ***Trends in poverty and inequality***[1]

Mali's poor live predominantly in rural areas and are mainly farmers who depend on low-productivity agricultural production systems. The great majority of the urban poor are workers in the informal sector who are engaged in low-productivity activities. Neither farmers nor the workers in the informal sector have social protection coverage.

Women are likely to be poorer than men, but families headed by women are less likely to be poor than men-headed families. Large families are also likely to be poorer than small families. Families headed by educated people are less poor than families headed by non-educated people.

Analysis of poverty shows that Mali has made some progress in reducing the overall poverty rate, which fell from 55.6% in 2001 to 47.7% in 2011, a decline of 7.9 % over 11 years. Two-thirds of the reduction of the poverty rate was due to economic growth, while the remaining one third resulted from reduction in inequalities. In spite of the 5% overall growth rate, rapid population growth resulted in an increase in the absolute number of the poor even though the poverty rate declined Indeed, he number of poor people rose from 5.7 million to 6.4 million, thus adding pushing additional 700,000 people under the poverty line.

The rural poverty rate also experienced a reduction over the same period, going from 66.8% to 51.1%, even though it is above the national rate – meaning that poverty remains a predominantly rural phenomenon in Mali. However, the drop in the rural poverty rate was 15.7%, compared to a decline of only 7.9% in the national rate. Thus, the country was successful in reducing poverty in rural areas. The urban poverty rate (excluding the capital city) increased from 28.6% to 47.7% during the period 2001 – 2011. This is an increase of 19.1% in the rate of urban poverty. The poverty rate dropped from 17.6% in 2001 to 10.7% in 2011 in Bamako, the capital city This contrasting evolution of poverty between urban and rural areas indicates that the economic rowth experienced during the period was pro-rural. However, it could be that productive job growth in the rural areas was so poor that there was a big influx of migrants from the rural areas to urban

[1] Data on poverty rates are drawn from:

1. "Cadre Stratégique pour la Relance Economique et le Développement Durable (CREDD 2019-2023), Ministry of Economy and Finance, May 2019, Mali ;
2. Consommation, Pauvreté Bien-Etre, Avril 2016 – Mars 2017, Institut National de la Statistique du Mali (INSAT) Mai 2017, Bamako, Mali.

slums during this period. Indeed the urban poverty rate is at least in part a reflection of rural-to-urban migration, which is in turn a reflection of how well the rural economy is doing?

Between 2011 and 2017, the overall poverty rate continued its downward trend, dropping slightly to 47.2% in 2015 and to 44.9% in 2017. The poverty rate dropped by 6% in Bamako, the capital period the period. In contrast, the rural poverty rate started to increase, reaching 55.1% in 2015 and then falling to 53.6% in 2017. This increase in rural poverty is surprising given the strong contribution of agricultural production to overall economic growth during the period. Indeed, the primary sector grew at an annual rate of 9.3% against 7% for the economy as a whole in 2014, 7.5% for the primary against 6% for the economy in 2015 and 7.8% for the primary sector against 5.8% for the economy in 2016. This growth performance of the primary sector was fueled in part by the allocation of 15% of the national budget to the rural sector, which translated into substantial increases in seed, fertilizer and farm equipment subsidies. The increasing rural poverty rate during this period in spite of the rapid growth of the rural sector could be that the government subsidies and policies during this period favored the better-off rural residents during this period ("pro-rich growth"), while excluding the rural poor or maybe making them worse off .

The urban poverty rate (excluding the capital city) showed a downward trend after increasing between 2001 and 2011. In fact, the urban poverty rate dropped from 47.7% in 2011 to 46.9% in 2015 and to 32.9% in 2017, for an overall decrease of 14.9% over a period of seven years.

This is an extraordinary achievement of poverty reduction during the overall period of 2011 to 2017 despite the fact that the country faced a political, security and humanitarian crisis since 2012, with armed groups and terrorists still occupying two-thirds of the national territory.

The evolution of poverty rate over the period 2001 to 2017 thus showed two distinct sub-periods during which urban and rural poverty evolved in opposition. During the sub-period 2001-2011, both the overall poverty rate and rural poverty dropped. In contrast, the urban poverty rate increased sharply during the sub-period. Since the drop in overall and rural poverty rates was explained mainly by economic growth, the process of that growth during the period was rural inclusive. Indeed, Mali liberalized its agricultural economy during the mid-90s, mainly through output and input market liberalization, and both the efficiency gains and better incentives that resulted from these reforms could explain this performance of rural poverty reduction.

During the second sub-period that ran from 2011 to 2017, the rural poverty rate increased from 51.1% in 2011 to 53.6% in 2017. In contrast, urban poverty dropped from a peak of 47.7% in 2011 to 32.9% in 2017. Since the drop in overall and urban rates was also due mainly to economic growth, the process of that growth seems to have been more pro-urban than pro-rural Or that growth in the rural area was biased away from the poor.

Comparing the poverty rates for overall poverty between 2001 and 2017 reveals that the rates decreased by 10.7% over 17 years, with rural rates, dropping by 13.2% and urban rates increasing by 4.3%. Therefore, the government of Mali seems to have been more successful in reducing rural poverty than urban poverty even if the rural poverty rate is still higher than the urban poverty rate. Thus, poverty still remains a rural phenomenon in Mali despite some successes in its reduction.

Overall inequality as measured by the Gini index was 0.35 in 2016. Spatial analysis showed that inequality in Bamako, the capital city is highest (0.37) followed by other urban agglomerations (0.32), while it is less pronounced in rural areas (0.29). Thus inequality appears to be greater in urban centers than in rural areas.

The dynamic analysis of inequality over the period 2001-2016 is mixed, marked by ups and downs. From 2001 to 2009, the Gini index fell from 0.39 to 0.32, reflecting a substantial reduction in disparities. In 2011, the index increased to 0.42 reflecting a sharp increase in inequality. The index fell back to 0.35 in 2016 meaning that inequality was reduced in 2016. Thus inequality as measured by the Gini index shows substantial volatility.

Given that the reduction in inequality has accounted for one third of poverty reduction and inequality is high in urban centers where little progress has been made in poverty reduction, ***reducing urban inequality remains a challenge*** for the Malian government.

With economic growth dependent on a rain-fed agriculture that accounts for the remaining two thirds in poverty reduction, ***climate variability that results from climate change constitutes another important challenge*** for poverty reduction efforts in Mali.

3. Poverty reduction programs

For decades, Mali has adopted the fight against poverty as national priority in economic and social development policies. Indeed, the government of Mali developed in July 1998 the National Strategy to Combat Poverty (SNLP), covering the period 1998-2002, before the international financial institutions (IFIs) decided to link debt relief for heavily indebted poor countries to the drafting of poverty reduction strategy papers. The objective of the SNLP was to provide all Malians, and particularly the poorest, with a reasonable standard of living through access to sufficient healthy food, drinking water, health care, education and decent housing.

After receiving the full support of the donors at the Round Table in Geneva in September 1998, the SNLP quickly became the reference document and coordination framework for all interventions of government and development partners aimed at fighting poverty in Mali. However, the SNLP was criticized by the IFIs for its strong emphasis on basic social services at the expense of economic growth-enhancing investments. The IFIs argued that in a context of extreme poverty and vulnerable populations, the lack of emphasis on economic growth made the strategy unsustainable in the long run. In 2002, the government under pressure from the donors, decided to review the SNLP to make it more consistent with macroeconomic and sectoral policies that would ensure strong growth.

The new Poverty Reduction Strategy Paper (PRSP) built on the major axes and priority actions of the SNLP. Contrary to the SNLP, the PRSP was a long-term strategy with short term actions aimed at creating a “structured institutional and macroeconomic environment conducive to growth and increased economic competitiveness, as well as conditions for the effective participation of the population in the achievements and benefits of this growth, with an emphasis on improving income and access to basic social services.”

The PRSP covered the period 2002-2006 and became the unique framework of reference for economic development policy and social security of the country in the medium term and the framework of reference for negotiations with all technical and financial partners. It enabled the implementation of various projects and programs in each of its priority axes: (i) institutional development and improvement of governance and participation, (ii) human development and strengthening access to social services; and (iii) infrastructure development and support for the main productive sectors.

The PRSP was evaluated in June 2011 by the Government and its development partners and the results indicate that the strategy didn't achieve most of its basic social targets because of poor control of population growth, insufficient economic growth, and inequalities and poor access to basic social services[2]. This led to the drafting of the Strategic Framework for Growth and Poverty Reduction (CSCRP) for the period 2007-2011 (the 2nd generation of the PRSP), with focus on structural reforms and on the Special Investment Budget (BSI) in order to finance growth sectors such as rural production, mining and infrastructure. The overall objective was to significantly reduce poverty (6 percentage points over the 5 years) using strong and sustained economic growth of around 7 % per year. In reality, the average annual growth rate over this period turned out to be 4.8% against a target of 7.3% for the primary sector (due to irregular rainfall and the invasion of locusts), 4.8% against a target of 6.2% for the secondary sector and 5.1% against a target of 5.9% for the tertiary sector.

Following the socio-political and security crisis of 2012, the priorities of the government changed, with a major focus on political stability, peace and security. Thus, the second generation of CSCRP, which covered the period 2012-2017, had 2 priority axes: the strengthening of peace and security and the strengthening of the stability of the macroeconomic framework. It also included 3 strategic axes: (i) the promotion of accelerated, sustainable pro-poor growth, creating jobs and income-generating activities, (ii) strengthening the long-term foundations of development and equitable access to quality social services and (iii) institutional development and governance.

The overall objective of the CSCRP was to reach the main targets of the MDGs by 2017. However, the enduring multidimensional crisis in Mali made it difficult to achieve the expected results. Finally, the 2012-2017 CSCRP was reviewed and a new strategy document was drafted for the period 2016-2018, named the Strategic Framework for Economic Recovery and Sustainable Development (CREDD).

Thus, from 1998 to 2018, Mali has adopted six poverty reduction strategies with varying levels of focus on poverty. The first strategy focused mainly on the poor's access to basic social services without taking into account the potential impact of its implementation on public finances and macroeconomic stability. As the government needed to mobilize external resources and to get debt relief from the IFIs, it was obliged to alter the focus of its following strategies by

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[2] See the document : NOTE DE PRESENTATION DU RAPPORT DE LA REVUE 2010 DU CADRE STRATEGIQUE POUR LA CROISSANCE ET LA REDUCTION DE LA PAUVRETE (CSCRP), Septembre 2011, Ministry of Economy and Finance, Bamako, Mali

integrating the macroeconomic stability constraints. The focus now includes growth, sustainable development, governance, and public finance soundness.

4. Social protection measures[3]

The Malian government didn't initially see social safety nets as part of its overall poverty reduction strategy. Most social protection measures are initiated during periods of environmental shocks such as droughts, floods and economic shocks such as the general food price hikes of 2008. These ad-hoc measures do not constitute an integrated social protection strategy.

The main social protection measures widely used in the country are school feeding programs, universal subsidies (tax and duty exemptions), and transfer programs for nutrition, cash transfers and food transfers. The school feeding program and the food transfer programs are structured and receive important funding from the government. For example, food transfers are managed by the food security commission housed at the Presidency. The commission manages a national food security stock of about 35,000 tons of coarse grains and, depending on the years, the amount distributed can exhaust the quantity in stock.

The food transfer mechanisms are decentralized and institutionalized down to the lowest level of the administrative districts. The mechanisms are supported by a data collection and analysis system to identify the most vulnerable people in need of food assistance and their location in order to facilitate the targeting of beneficiaries.

Despite widespread poverty and high vulnerability of most household incomes, it is estimated that 78% of Malians, mainly workers in rural areas and informal sectors, are not covered by any sort of social protection measures. However, the government made some progress in budget allocation, moving from 0.5% of GDP on social protection measures in 2009 to about 3.3% of GDP in 2011. This level of funding is still far below what is needed given the high level of poverty and the extreme vulnerability of Malians to environmental and economic shocks. Furthermore, most of this funding goes to social health insurance that benefits only civil servants and to universal subsidies tax and duty exemptions.

Besides government interventions, many donors intervene directly or through NGOs in social protection initiatives in Mali. These interventions focus mainly on nutrition programs, food-for-work schemes and cash transfers. The lack of coordination between the different interventions tends to limit their impact to a few places and beneficiaries through crowding out, while other parts of the country are totally left out of these initiatives. In addition to the lack of coordination, targeting tends to be a problem specifically with food and cash transfers.

To address the issue of coordination, the government adopted a new social protection policy in 2016, which was developed through a participatory process including sectorial ministries, donors

[3] Statistics for this section come from:

1. Mali, Social Safety Nets by Cécile Cherrier, Carlo del Ninno and Setareh Razmara, Social Protection and Labor Series, discussion paper N-1412, January 11, The World Bank
2. Social Protection Financing Diagnostics for Mali , Version September 2017, World Bank

and members of civil society. The objective of the policy is "to create an efficient and coordinated social protection system that guarantees coverage and protection of a large share of the population, while promoting productivity".

5. *Conclusion and implementation of the UN Third Decade for the Eradication of Poverty: 2018-2027 in Mali*

Poverty is more prevalent in rural areas than in urban centers, while income inequality is more an urban than a rural phenomenon. As the Malian economy and farmers' incomes depend heavily on a rain-fed agriculture, the frequent occurrence of drought, floods, and economic shocks makes farm households' incomes and GDP growth subject to large fluctuations.

With the ongoing security crisis, political instability and the country's vulnerability to environmental and economic shocks, a large majority of Malians are experiencing poor living conditions, which will hurt human capital formation and productivity growth of the economy in the medium to long run.

To implement the Third United Nations Decade for the Eradication of Poverty (2018-2027) agenda, the government of Mali will have to focus its efforts on:

- Addressing rapidly the current security and political crisis to create conditions conducive economic growth;
- Developing a more integrated social protection program and expand it to accommodate more vulnerable people, specifically farmers and workers in the informal sector. The informal sector constitutes a refuge for environmentally displaced rural migrants, whose number will be rising with climate change;
- Initiating programs to address urban inequality by improving the productivity of the informal sector through skill training, promotion of the private sector to create more decent jobs and redistributive policies;
- Promoting sustainable agriculture practices by directing the current input subsidy program toward improved agro-ecological practices;
- Implementing vigorous population policies to curb the current population growth rate; and
- Strengthening the capacity of the state to deliver basic public goods, social services and economic infrastructure necessary for economic development.

The proposed actions will require increased funding that will exceed the capacity of Malian government, particularly in light of the ongoing security crisis that is sapping the government's financial resources. Therefore, the UN system in its different components as well as other international partners will have to make a long-term commitment to close the funding gap in a predictable manner and to provide technical expertise. Mali has shown its capacity and willingness to reduce poverty by mobilizing domestic resources in complementarity with external resources.