Cotton Sector Reform in Mali: Explaining the Puzzles

Renata Serra

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The paper provides a detailed analysis of the still ongoing cotton sector reform process in Mali, explaining the delays and modalities of the reform in terms of the political, economic and social factors characterizing the Malian cotton sector. The purpose is to examine how externally imposed economic reforms get adapted and transformed in a home-grown policy process, and what such ‘endogenized’ reforms look like in countries where aid dependence is high, productive sectors are strategically important to a wide set of actors, and the democratic institutional context, though firmly established, is still very fragile. By shedding better light on economic reforms in African democratic contexts, the paper derives lessons on desirable forms of engagement by outside partners and experts.

1 Introduction

‘Vous imaginez – que Dieu nous en garde ! – le Mali sans coton ! [...] Le coton est le revenu le mieux partagé au Mali. C’est le seul qui profite à 3,5 millions de personnes sans oublier toutes les autres activités annexes qui tournent autour de cette locomotive, des transporteurs en passant par les banques.’

‘Can you imagine? May God protect us from it: Mali without cotton! [...] Cotton has become the most important source of income throughout Mali. It is the only one that benefits 3.5 million people, without counting the impact on all other activities connected with this powerhouse, from transporters to banks’ (interview with Ousmane Amion Guindo, then CEO of the Malian cotton parastatal, in Traoré (2007); author’s translation).

In comparative analyses of reforms across African cotton sectors, Mali is singled out as a late, slow and hesitant mover, even within West Africa, where cotton reforms have been introduced later than other regions (Tschirley, Poulton and Labaste, 2009; Baffes, 2009). Other major cotton producers have reformed to a greater extent, such as Benin, Côte d’Ivoire, and Burkina Faso, or their cotton sector was considered as less in need of reforms, like Cameroon (Folefack, Kaminski and Enam, 2011). Furthermore, what sets Mali apart from other slow reforming countries, such as Chad and Togo, is that the government in Mali has been committed to substantial policy changes since 2001, while the others have not.¹ The

¹ Center for African Studies, University of Florida (rserra@ufl.edu). This research would not have been possible without the continuous work and dedication of Bouréma Kone (IER, Bamako), and two assistants, Mahamadou Moro and Moussa Coulibaly, who provided important contributions during my fieldwork, and conducted the interviews in 12 Malian cotton villages. I am grateful to Manda Sadio Keita and Kako Nubukpo, who facilitated several meetings with cotton stakeholders in Bamako, and secured access to key resources. Veronique Theriault procured useful data from the CMDT and overall research assistance. I would like to thank Isaline Bergamaschi, David Booth, Jonathan Glennie, Jonathan Kaminski and Mette Kjaer for their useful feedback on previous versions of this paper, and Richard Crook for valuable editorial comments. Finally, I would like to thank the many people whom I encountered in Mali and who, during my several visits, shared with me their immense knowledge and opened my eyes to the complexities of the cotton world. The usual disclaimers apply.

¹ This is so due to lack of political will in Togo, and to reduced strategic role of cotton since the discovery of oil in Chad.
apparent failure to address needed reforms represents also a sort of a puzzle, when contrasted with the success story of the well-conducted liberalization reforms of the cereal markets during the 1980s (Staatz et al., 1989; Dembele and Staatz, 2000) and with the general perception of Mali as having a good record of introducing political and economic reform (Bratton et al., 2004).

This paper aims to explain the reasons for the pace, modalities and outcomes of the still ongoing Malian cotton sector reform process, by providing an in-depth analysis of the political economy and socio-cultural context of cotton sector policies and examining the roles, actions and constraints of the different stakeholders. One crucial element in the Malian reform debate has been the ideological divide between two alternative paradigms. The first regards the cotton industry as separate and autonomous economic sector, whose goal is to maximize profitability and reduce dependence on the state budget. Several reforms promoted by the World Bank, which led the donors’ cotton sector reform agenda in Mali, fall under this paradigm, especially setting prices right and separating the cotton from non-cotton service provision, possibly implying a smaller, yet financially sound, cotton sector.

The second approach regards the cotton sector as integral part of a wider rural development framework, whose objectives are to enhance food security, reduce poverty and increase rural infrastructures. Proponents of this holistic perspective, whether domestic (Nubukpo and Keita, 2005) or foreign (Oxfam, 2006), are skeptical of first-best market approaches to reform, due to externalities from cotton production and pervasive market failures, and place a greater value on supporting cotton production rather than maximizing cotton profits. This second approach draws from the significant material and symbolic significance of cotton as both object of national pride and engine of socio-economic development in southern Mali. The quote given at the start of this paper well captures the extent of veneration for cotton, as well as the horror of losing it. These widespread feelings contrast with the alternative notion that cotton is just an economic sector, bearer of economic and social benefits, but devoid of any symbolic value.

The juxtaposition between these two distinct logics, with their contrasting policy implications, I argue, has been responsible for hindering mutual comprehension and dialogue among stakeholders. Though donors understood very early on the importance of strengthening farmer organizations to facilitate their participation, they did not quickly adapt other policy recommendations, especially on liberalization and competition. The reform agenda pushed through as a conditionality for further loans neither reflected the complex realities of the Malian cotton sector nor paid sufficient attention to the need for second-best approaches in the presence of state and market failures (Rodrik, 2008). This was so both under the two Structural Adjustment Credits by the World Bank, SACIII and SACIV (World Bank, 2004, 2006), and under the IMF Poverty Reduction and Growth Facility (IMF, 2002). That this is the case, despite research presented to the World Bank underlining the role of these realities and warning against prevailing policy recommendations (e.g. Goreux, 2003), attests to the persistence of first-best policy paradigms which dismiss the role of local context and informal institutions (Booth, 2009). Furthermore, domestic actors, divided by multiple interests and goals (with the Ministry of Economy pressing to speed up the policy process so to receive a new tranche of loans), never succeeded in presenting a coherent alternative program. The result has been a very slow and divided reform process, characterized by a good dose of initial schizophrenia.

Nonetheless, actions have been taken to overcome this initial impasse. Contrary to interpretations according to which the government of Mali has shown a distinct lack of commitment and ownership (Baffes, 2009), I will show that domestic actors’ motivations and
incentives have changed over time, with domestic support for reform increasing, although according to a timeline, modalities and features that were not always aligned with the original World Bank recommendations. These considerations instead reflected the government’s attempt to find some middle, and acceptable, solutions through compromise and adjustments. This process has been painful and slow due to both the strong influence of the ‘sector approach’ to reform and the weak capacity of the government and other national actors (Bergamaschi, 2007).

The government thus pursued two objectives: to buy more time to make the reforms more acceptable to Malian stakeholders, and to modify some reform features in ways that would be more compatible with the existing system. In turn, this reflects two constraints. First, given the cotton sector’s historical strategic position, in the double sense of being a key source of government revenues and an engine of rural development, the government cannot ignore the positions of key stakeholders, especially cotton parastatal officials and cotton producer associations. Furthermore, while institutional capacities of opposition parties, the Parliament and formal systems of downward accountability are weak in Mali, opposition to government policies do materialize, but they come mainly from informal and spontaneous means of civil society mobilization, such as street protests and farmers’ cotton boycotts. Although rarely employed, these forms have proven to be damaging to state interests, as we shall show, and corrosive of its overall legitimacy. To the extent that the government wants to minimize such threats, it cannot afford to implement policies without some base of support.

These features explain both why governments in weak democratic contexts do not have the capacity to impose policies in a top-down fashion, and why, if they were to do so, the short-term benefits from swift policy implementation could be offset by long-term costs in terms of lower legitimacy, decreased ownership and thus limited sustainability. The policy process unfolding in the Malian cotton sector, however slow and costly, could be thus considered as an imperfect, but inevitable step, towards the goal of developing mechanisms for devising, implementing and sustaining home-grown economic reforms. The recent positive trends in the cotton sector are, to some extent, a vindication of this more positive interpretation of the reform process. Through an iterative process of trials and errors, the government has learnt the costs of inaction and seems to be more eager to find better solutions.

The case of Mali’s cotton sector reform processes can thus serve as a context for deriving more general lessons about the potential for economic reforms to be consensual and have a positive developmental impact. Strict donor conditionalities may delay reform implementation, because they push governments into difficult dilemmas and hinder fruitful stakeholders’ dialogue, without removing the need for wider policy consensus. Dictating the specific content of policies without truly considering alternative options proved, once again, counter-productive (Oxfam, 2006; Hayes, 2005). There are thus no shortcuts to the goal of sustainable developmental policies in emerging democracies (van de Walle, 1999). The latter would still need to develop, from within, the formal and informal institutions that increase democratic accountability, so as to reconcile the goals of economic growth and democracy.

The paper thus supports findings from other research streams in the Africa Power and Politics program, which have argued for the need to go beyond the standard package of institutional ‘best practices’ that are still promoted by donors (Booth and Golooba-Mutebi, 2011; Booth, 2010). Evidence from multiple African countries shows the advantages of more realistic policy approaches, approaches which are attentive to specific local realities, and based on understanding of existing political, economic and socio-cultural constraints. The real challenge is how to work with these local realities rather than against them, and how to treat them as resources to be capitalized upon, rather than mere constraints. We hope this
approach will contribute to shifting the debate in emerging democracies, from an all encompassing ambition to increase state capacity in order to implement ‘best practices’, to a more fitting target of identifying solutions that are feasible and sustainable, because anchored in countries’ own realities.

The paper is organized as follows. Section 2 describes the steps and delays in the Malian cotton reform process, and considers a number of possible explanations. Section 3 discusses the two contrasting paradigms about how the Malian cotton sector should be managed and reformed, to illustrate the number of challenges that reform promoters had to face. Section 4 presents a detailed analysis of the cotton parastatal’s privatization puzzle, proposing a new interpretation of the delays and uncertainties as tactics to overcome stakeholder resistance and identify a viable compromise. Section 5 draws some implications from the analysis in terms of prerequisites of more effective home-grown policy processes. Section 6 concludes.

This research is based on multiple encounters and repeated open-ended interviews held in Bamako with over twenty representatives of the government, the main cotton company, producer organizations, research institutes, national and international NGOs and donors, undertaken by the author during four visits to Mali in the period 2008-2010. During summer 2009, fieldwork was also conducted in twelve villages from all major cotton zones by the Malian based team under the author’s guidance, according to a common methodology consisting of a focus group discussion with the cooperative management committee, questionnaire-based surveys of ten producers in each village, and individual interviews with extension workers, credit agents and local union representatives. This micro-level research has produced invaluable evidence on farmers’ own evaluation of their situation, their relationships with their union leaders, and their perceptions of the reform process. Field research was complemented by the analysis of a wide variety of policy documents and unpublished material from the government of Mali and other organizations, written press releases, and secondary data obtained from various sources.

2 Cotton sector reform in Mali

2.1 The current reform period

The organizational foundations of the Malian cotton system were laid towards the end of the colonial period, when the French, after failed attempts to scale-up indigenous cotton production by means of violence and coercion (Roberts, 1996), established a new system, based on economic incentives for small-scale farmers. The integrated industry model inherited from that period is centered on a ginning company, which buys seed cotton from hundreds of thousands farmers, processes it into cotton lint, and exports it to international markets. The ginning firm also provides farmers with inputs on credit, extension, transport and other services (Fok, 1993). A few years after Malian independence, the monopoly/monopsony position was transferred from the French cotton state company, Compagnie Française pour le développement des fibres textiles or CFDT, to a new Malian parastatal, the Compagnie Malienne pour le développement du textile or CMDT, a joint venture between the Malian state (60%) and the CFDT itself (40%). The integrated vertical

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2 The twelve villages (with their respective cotton regions) are: Batimakana and Maniko (Kita); Guana and Kola (Fana); Dounanaba and Foh (Sikasso); N’tarla, Pala and Kaniko (Sikasso); Faragouaran (Bougouni); Soukoula and Kafara (zone OHVN). The author personally visited Guana (2008); Faragouaran, Soukoula and Kafara (2009); Batimakana and Maniko (2010). Written reports from all visits were shared between the author and the research team. The full study of village level realities will be the object of a separate paper, which will fully exploit the micro-data collected.
industrial structure is completed by several downstream companies, in which the CMDT holds majority shares, such as the oilseed crushing company HUICOMA (only recently privatized) and the cotton exporting firm, COPACO, the commercial arm of the CFDT.\(^3\)

The CMDT has played over the decades an indisputably central role in the country's cotton success story, by actively promoting, managing and controlling all key phases in the cotton value chain (Tefft, 2000). Over the decades, there has been an extraordinary expansion of cotton production (Figure 1) and yields, along with a true transformation of the southern rural landscape, thanks to small-holder mechanization (draught animal power), increases in cereal production and food security, and development of rural infrastructures, such as roads, schools and health centers. The sharp drop in international cotton prices during 1985-86 (Figure 1) was the first blow to the system. Since farm-gate prices were actually increased during that year, CMDT profitability margins dwindled, requiring infusions of resources from the state budget over the next few years. The situation improved temporarily following the 50% devaluation of the CFA Franc (or FCFA, Franc of French African Community) in 1994, which doubled, in local currency terms, CMDT revenues from the sale of cotton lint. Since some of the windfall gains were also passed onto producers in terms of higher farm-gate prices, production almost doubled between 1993/94 and 1998/99 and farmer incomes received a boost. However, the CMDT management had deteriorated over the years, and it could not face the challenges from the unexpected decline in international prices during the second half of the 1990s. With corruption and diversion of funds for political purposes increasing after the democratic transition, the company did not dispose of sufficient resources from the previous years of the price bonanza, and called for yet new massive state transfers.

Figure 1: Seed cotton production, international and farm-gate prices

Notes: Since the cotton season starts in May and ends April of next year, 1974 stands for 1974/75 and so on. Production refers to total seed cotton produced in a cotton season, measured in (metric) tonnes. International prices are measured in US cents/lb of lint cotton, and are taken as averages of Cotlook A index over the period August-July. Farm-gate prices are measured in F CFA per kg of seed cotton. Sources: CMDT Annual Reports (various years), IMF Primary Commodity Prices (various years).

\(^3\) Due to progressive liberalization and entry of new traders, the share of Malian cotton commercialized by COPACO has lately decreased but is still substantial.
As international financial institutions (IFIs) became increasingly unwilling to cover the rising fiscal outlays in favor of the CMDT, the pressure for reforms escalated. The IFIs’ recommendations were: to align producer prices with international prices, to reduce the degree of involvement of the CMDT in non-cotton function, to open competition to private operators, and to privatize the CMDT. Under stress, the CMDT decided to lower the producer price from FCFA 185 to 150 FCFA in 1999/2000, but without following the proper procedures. In response, farmers first organized spontaneous meetings to express their dissatisfaction at CMDT corrupt management and low cotton prices, and then called for a national boycott of cotton. Despite the partial farmer adhesion to the boycott, following disagreements between a newly formed Crisis Committee and the main farmer union (Syndicat des Producteurs de Coton et de Vivriers, SYCOV) (Roy, 2010), cotton production abruptly halved (from about 460,000 tonnes in 1999/2000 to 243,000 tonnes the following season). This marked a political victory for farmers, demonstrated cotton growers’ strategic importance, and gave the CMDT and the government a lesson they have not forgotten to this date.

Squeezed between the opposing pressures of discontented farmer movements and increasingly impatient IFIs, the government called for a reform process and established a task force for cotton sector restructuring (Mission de Restructuration pour le Secteur Coton, MRSC), charged with the mission to consult stakeholders, evaluate reform options, and make recommendations to the Prime Minister. Following the forum of cotton stakeholders in April 2001 (the Etats Generaux du Secteur Coton), at which farmers’ unions expressed their opposition to plans for privatizing the CMDT, the government laid out, with donor support, the Cotton Sector Development Policy Paper (Lettre de Politique de Développement du Secteur Coton or LPDSC), which espoused a gradual approach to reform, implying a focus on increasing actors’ institutional capacity before liberalizing the sector. Though the document mentioned the intention to privatize the CMDT for the first time, it was not to happen until during 2003-05 (République du Mali, 2001). At the end of 2005, the government adopted a revised timeline (Chronogramme Révisé du 28 decembre 2005), which deferred privatization until after the 2007 general elections, but contained a more detailed indication of its modalities. The CMDT would be split into four subsidiaries (filiales), each operating in an exclusive cotton zone (thus generating four cotton regions), initially controlled by a CMDT holding company. It also established that new organisms were to be created before the privatization in order to craft a solid and balanced governance structure for the cotton sector, such as the Inter-professional Cotton Association (Interprofession du Coton) and the Cotton Grading Bureau (Office de Classement du Coton), both of which saw light in 2009. Subsequently, the 2006 privatization plan (Schéma Opérationnel de Privatisation, SOP) specified in more detail how the shares of each of the four subsidiaries were to be assigned: 61% to a private operator, 20% to cotton producers, 2% to company employees, and 17% remaining with the state. The creation of the four subsidiaries was supposed to occur early in 2007 but it became effective only in December, since most of that year went into the elaboration of several studies commissioned by the MRSC to evaluate different aspects of the privatization. The draft bill for the privatization was elaborated in May 2008 and approved by the Parliament in July. These delays meant that the privatization could not occur in 2008 as originally anticipated, so its date was again postponed.

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4 A third organisation, which was to regulate the trade in cotton in a liberalized market, Société de Bourse du Coton, was never established.
The year 2010 marked some progress. A tender launched in February led to pre-offers from six companies (all international except one Malian group)\(^5\), followed by visits to the industrial sites, and the analysis of the documents. Out of three final offers made, only one met the required criteria, the offer from the Chinese company Yue Mei, which is negotiating to purchase two subsidiaries (Sikasso-Bougouni and Kita). At the time of writing, the privatization process is not complete, and there is still a possibility for it to be stalled, especially now that international cotton prices are high and the CMDT appears to be in a much better financial situation. To outside observers, the length and hesitancies of the process demonstrate the lack of clear commitment by the government.

Nonetheless, other reforms agreed with donors were implemented during 2001-05, such as the transformation of village associations into cotton producer cooperatives (Sociétés coopératives des Producteurs du Coton, SCPCs), which have now formal statutes and the legal status required to sign contracts with banks, input distributors, and other private operators. The 7,177 cooperatives elect delegates at local, district and national level. At the top, the National Alliance of Cotton Cooperatives (Union National des Sociétés Coopératives des Producteurs du Coton, UN-SCPCs), established in 2007, has become the main entity recognized as the representative of cotton farmer interests during consultations and negotiations with the government, the CMDT and donors.\(^6\)

The government also reduced the CMDT involvement in non-cotton related functions, which led to the laying off of almost 600 CMDT employees and extension workers in 2003. Furthermore, it introduced privatization in some sub-sectors, such as transport, with private truckers allowed to haul part of cotton production, and oilseed crushing, with the sale, in 2005, of HUICOMA, the company processing cottonseeds. These reforms were regarded as problematic by many Malian actors. The shedding of non-cotton functions, although judged positively by the World Bank for helping to restore CMDT credibility with the banking sector (World Bank, 2004), had negative effects on farmers’ uptakes of sound environmental practices, village literacy rates and development infrastructures. The decrease in transport costs induced by increased competition was offset by greater delays in transport services, with negative repercussions on the quality of cotton lint. Finally, the privatization of HUICOMA was marred by several serious irregularities, as identified by an independent 2010 audit, which has consequently recommended the government to rescind the contract with the Malian private investor.\(^7\)

Even more controversial was the new price determination mechanism adopted in early 2005 under SAC IV, and applicable for three cotton seasons. Prepared by an external consultant, the purpose of the new mechanism was to link producer remuneration to a share of the total profits accruing to the cotton value chain, the latter calculated through a formula based on expected international cotton prices (the Cotlook A index) (République du Mali, 2005). It was hoped this would reduce the budgetary risks for the ginning company. The base price for the three seasons was to be pegged within the 160-175 FCFA range, with the possibility of a further rebate paid to farmers at the end of the season, in the case of higher positive profits.

\(^5\) The six companies were: Yue Mei, Louis Dreyfus Commodities, Geocoton, Olam International, Ivoire Coton, and the Malian FAMAB.

\(^6\) In order to resist political marginalization, the traditional and more politicized unions, SYCOV included, regrouped in an umbrella organization called Groupeement des Syndicats Cotonniers et Vivriers du Mali, which was later attributed more formal functions by the government, such as the task of providing credit for input cereals.

\(^7\) Such anomalies include fraudulent operations by the company’s top managers before the sale, the irregular handling of the bidding process by the government, which unlawfully selected the private Malian group (TOMOTA), and the subsequent failure by TOMOTA to comply with investment objectives and other requirements (La Nouvelle République. 2010).
However, this mechanism was criticized, not only for unduly penalizing farmers, who are already poor, but also for jeopardizing, through disincentives to production, the very goal of economic growth that donors wanted to promote (Nubukpo and Keita, 2005). Since the 2008/09 cotton season, prices, though partly informed by international prices, have been determined in negotiations between the main stakeholders.

In conclusion, while the government implemented several reforms during the 2000s, these have mainly affected the institutional sphere (such as the establishment of new bodies for farmer representation). By contrast, the market reforms recommended by the donors have lagged behind. There has been limited degree of liberalization in the sector, the price determination mechanism was applied for only few years, and the privatization of the CMDT, promised in 2001, has not yet occurred as of end of 2011.

2.2 Explaining reform delays

The GoM has been criticized by donors especially for its ambiguous behavior with respect to the CMDT privatization, manifested in a tactic of promising reform while repeatedly delaying implementation. To some extent, the case of the Malian cotton sector reform appears a classic case of opposition to reform due to vested political interests and high economic stakes. State companies in key economic sectors such as cotton provide rents to elites, revenues to fund state programs, and sources for sustaining (or expanding) patronage relationships. Therefore, politicians and company bureaucrats adopt all sorts of resistance and delaying tactics to fight privatization (Tangri, 1999). An analysis of the privatization of the copper state company in Zambia, for instance, argues that delaying tactics served particular interests in the government quite well and helped to secure protracted high salaries for the officials involved in the reform process (Rakner et al., 2001).

Any explanation of reform hold-ups in African contexts must also address the obstacles to policy ownership. The latter is particularly challenging in countries like Mali, due to the insidious cycle of high aid-dependence, weak state capacity, and donors’ heavy use of conditionalities (Bergamaschi, 2007). In Uganda, an important reform of the agricultural extension system, which gained wide donor and farmers’ approval, subsequently unraveled, and got transformed in a diminutive sense, since ownership within the government was in reality much more limited than anticipated by donors (Kjaer and Joughin, 2011). In spite of the numerous efforts spent by donors and national governments to increase stakeholder participation at all phases of the reform, the goal of ownership appears not only elusive, but possibly a contradiction in terms. According to Faust (2010), consensus on the content of policies is inherently impossible in democratic contexts, where the political process is open to demands from a large number of different interest groups and civil society actors. Moreover, consensus on procedural aspects (and thus on rules defining the reform process), while representing a form of ownership that mature democracies can aspire to, is difficult to obtain in new weak democracies. Institutional insecurity and emerging distributional conflicts represent difficult challenges for governments, inducing them to revert to populist means and making the policy environment even more volatile.

Another key for understanding policy delays and reversal is provided by studies emphasizing the challenges intervening during the policy implementation phase. Even if a particular intervention has been adopted and endorsed by the President and the political elites, it can get stalled at a later phase, because the bureaucrats and civil servants in the state administration may be against it, and may find it more advantageous to boycott it or try to modify it along the way (Thomas and Grindle, 1990). Especially in African contexts where state capacity is weak, and the executive power has limited control of the administration, the
challenges of implementation are quite distinct from those underlying policy adoption. Since donors have much more leverage and influence on the latter than the former, implementation can go in completely different directions than what may be predicted by the initial phase of adoption.

Finally, countries in the Francophone West African region provide a particularly challenging policy environment due to a pronounced weakness of the political party system (Bleck and van de Walle, 2010). The absence of programmatic differences between political parties and the unwillingness of opposition parties to challenge the government on substantive issues, such as economic reforms, imply weak Parliaments, and limited real debates in the formal institutional arena. Furthermore, the predominant elitist nature of the governing class, composed by highly educated and urban elements, espousing westernized and secular values, lead to policies that may be aligned with donors and external partners, but are remote from the values and priorities of the wider population.

All the factors just mentioned are certainly applicable to the Malian case. There is no doubt that the CMDT bureaucrats actively sought all means to block the privatization process and that the government was initially opposed to privatization. It accepted it in 2001 only to procrastinate over a worse ill: further reductions in the IFIs’ loans. Policy ownership was low, and much of the initial reform debate was actually not between domestic actors, but between the World Bank and the AFD, with the latter disagreeing on the advantages of liberalization and the breaking up of the monopoly system (Bergamaschi, 2007). The government only exploited such conflict to delay reform. The weakness of the electoral and political party systems in Mali has become even more pronounced under the two terms of Amadou Toumani Touré (known as ATT, 2002-12), who has run as an independent. His ‘politics of consensus’ has been the hallmark of his government, emphasizing the need for unanimity at the expense of political debate, smoothening out differences and simplifying issues (Bergamaschi, 2011). This explains the almost unanimous vote for the privatization bill in Parliament, while the disconnect between government and civil society is evident in the fierce attacks on the government from the press, farmer organizations and prominent social activists. The CMDT bureaucrats used this antagonism to defend their case, in turn obstructing privatization reform during implementation.

However, for a deeper understanding of the complex political and social factors underlying the reform debate, we need to consider two new elements: the unique nature of the cotton sector in Mali, and the inevitability, as well as the limits, of consensual policies processes. Cotton is a strategic productive sector in Mali, in the double sense of being a source for rents to elites (politicians and bureaucrats) but also a source for widespread development and poverty reduction. What distinguishes cotton from other rent-producing economic sectors, such as gold, is that it also represents the main source of livelihood for about one quarter of the Malian population; and profits from cotton have been funding most of the infrastructural development and interventions in the cotton regions, such as road maintenance, schools, health centers, wells, and literacy classes. Over time it has become much more than a relevant economic sector, becoming also an object of national pride, a basis for village social organization in southern Mali as well as a source of symbolic and cultural capital. This reality gives cotton a unique position in the Malian context, ensuring the emergence of an important constituency sensitive to the developmental impact of the cotton sector, one that cuts across various sectors of society including elements of the government and political elites.

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8 Bergamaschi (2011) appropriately emphasizes how the slogan for the 2007 presidential campaign ‘a Mali which wins’ (un Mali qui gagne) negates the possibility for ‘a Mali which changes’ (un Mali qui change). An example of Malian populist policies is the ‘Rice Initiative’ of 2009 (Roy, 2010).
A large number of cotton stakeholders coupled with the political landscape of democratic Mali makes broader consultation processes inevitable if any kind of reform is to gain support. As mentioned earlier, in Mali, as in other emerging democracies, the institutional capacities of opposition parties and the Parliament are weak (Bleck and van de Walle, 2010). As a consequence, opposition to government policies comes mainly from informal and spontaneous means of civil society mobilization, such as street protests and farmers’ cotton boycotts. Although rarely employed, these forms have proven to be damaging to state interests, and corrosive of its overall legitimacy. Examples of these instances are the role of farmer organizations in the popular protests that toppled the one-party illiberal regime of Moussa Traoré in 1991, and the 2000 cotton boycott, which led to sizeable decreases in government tax revenues. To the extent that the government wants to minimize such threats, it cannot afford to implement policies without some form of support from below.

If broader consultation processes are inevitable in the cotton sector, they are also particularly challenging, not only due to the weak state capacity, but due to the emergence, in the cotton reform debate, of ontologically different positions on what a cotton sector reform is supposed to achieve. Moreover, both domestic and foreign actors discounted the intrinsically uncertain, iterative and experimental nature of policy processes (Faust, 2010), making them unable to take full advantage of the benefits of policy dialogue. It is often assumed that policy dialogue is a clear process, where stakeholders discuss the pros and cons of alternative options, then decide the one that is supported by the strongest coalition. However, such rational logic denies the possibility for institutional and political processes to generate unpredictable consequences, arising out of the dynamics of adjustment and compromise among key actors, the modalities of their ongoing learning process, and the mobilization of hitherto unutilized collective resources (John, 1998). Section 4 argues that the delays to the CMDT privatization were a response to the particular exigencies of the political and social reform context, and though very costly may paradoxically now lead to more favorable conditions for privatization than those in place in the early 2000s. This has more general implications for our understanding of economic reform policy processes in emerging and institutionally weak democracies such as Mali.

3 Two contrasting paradigms

A major initial obstacle to the Malian cotton sector reform process was the existence of markedly differing views about how the cotton sector should be run. Though the reality is more complex, it is useful from an analytical standpoint to regroup these distinct positions into two main paradigms. The first is a sector approach, which aims to turn the cotton industry into a viable economic sector, by means of reforms that reduce distortions and enhance actors’ efficiency. The second is a holistic approach, according to which the cotton sector is one component, albeit fundamental, of the wider rural economy. Reform here should prioritize the goals of development, stability and cohesion of this wider system, rather than cotton profitability per se. Table 1 represents the two logics in a comparative fashion, obtained through the analysis of the content of at least forty interviews with a variety of actors throughout Mali, and beyond, and on direct observation of stakeholders’ interactions.

While the first logic is supported by major donors and international consultants, and the second paradigm is shared by the CMDT, the government, producer and other civil society actors...
organizations, the divide is not just between foreign and domestic actors. Within the
government, officials from the Ministry of Economics and Finance are more sympathetic to
the first approach, while officials from the Ministry of Agriculture are mostly on the other side.
Among donors, international NGOs such as Oxfam would certainly identify with the second
approach, in contrast to the World Bank and the IMF. The French cooperation could be seen
as moving in between, by making a case for reforms enhancing competitiveness and sector
efficiency, while at the same time defending the benefits of integration between multiple
agricultural functions. Finally, Malian farmers’ interests and perspectives also differ, with
large and well-endowed farmers supporting amore capitalist agriculture. 11 In the following, I
will mainly analyze the difference between the two logics, occasionally referring to some of
the actors supporting a particular argument.

Table 1: Two distinct paradigms

<table>
<thead>
<tr>
<th>Sector approach (first-best principle)</th>
<th>Prices</th>
<th>Subsidies</th>
<th>Production quantity</th>
<th>Non cotton functions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reduce price distortions to maximize profitability</td>
<td>Keep subsidies to a minimum</td>
<td>Production should be carried out only by profitable farmers</td>
<td>Cotton should be run as separate enterprise</td>
</tr>
<tr>
<td>Holistic approach (second-best principles)</td>
<td>Producer prices should cover farmer production costs to stimulate planting</td>
<td>Subsidies are justified given international markets are distorted</td>
<td>Production by marginal farmers is essential for food security and poverty reduction</td>
<td>Due to inter-dependencies, cotton is to cross-subsidize other rural activities</td>
</tr>
</tbody>
</table>


The proponents of the first approach typically think of cotton sector reforms as an opportunity
to turn into profitable business something they see as run as a social enterprise. 12 They
disapprove of an institutional configuration that burdens the cotton industry with too many
responsibilities for rural development functions, thus penalizing its ability to withstand foreign
competition. In order for the Malian cotton sector to survive in a new global environment
characterized by yield increases and price declines, the purported solution is to embrace a modern approach, which promotes cotton as a viable and sustainable activity, whereby farmers are encouraged to maximize cotton yields and economic returns. This involves elimination of price and other distortions; and the withdrawal of the cotton company from all other rural activities, with the latter delegated to the state, private actors or rural communities (Table 2, first row). Proponents of this view sometimes argue for the need for Malian stakeholders to change their minds and attitudes, and dismiss old practices and entrenched modalities of running the sector, thus implying cultural, not just economic, reform.

The alternative approach instead starts from a different perspective, one that regards the
maximization of cotton production as a precondition for rural development, poverty reduction
and overall economic growth, through the backward and forward linkages with other
economic sectors such as cereals, livestock, transport, cotton seed processing, banking,
equipment repair, and so on. This approach defends the use of subsidies and other forms of
support to encourage cotton production, even by less productive farmers, since the benefits

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11 Large-scale farmers have exercised their influence, for instance, through the Permanent Assembly of Chambers of Agriculture of Mali (Assemblée Permanente des Chambres d’Agriculture du Mali, APCAM) (Bingen, 2000).

12 Interviews with AFD and USAID-funded West Africa Cotton Improvement Program (WACIP), May-June 2009.
are supposed to extend beyond the revenues from the sale of cotton and its by-products, to include improvements in these other economic sectors as well in literacy, health, rural roads and other infrastructures.

One main difference between the two approaches is the extent to which market and institutional failures are believed to persist. According to the proponents of the sector approach, market and institutional failures are bound to disappear with suitable market reforms, which allow actors to respond appropriately to economic signals thus increasing overall efficiency – as if in a first-best world. The second paradigm is, by contrast, consistent with the notion that such failures are so profound and impervious, that inefficiencies could actually increase with policies that try to establish a first-best situation. It is better to recognize the limits of existing interventions, and settle instead for second-best objectives (Rodrik, 2008).

A starting point for understanding such differences is the debate on the effects of cotton price liberalization, which took place during the early to mid-2000s. The sector approach argues that, if the producer price is allowed to align with declining international prices, then three outcomes will emerge, all considered as beneficial from the static efficiency point of view: cotton will be only undertaken by sufficiently productive farmers, marginal farmers will turn to other crops or to other activities such as livestock raising, and the ginning company would break even (Baghdadi et al., 2007). The alternative approach contends, on the other hand, that were the producer price allowed to decrease, there would not be an efficient shift of resources, first because cotton cultivation, even on marginal land, yields benefits to farmers for which there is no ready substitute; and second, because there are no alternative profitable activities for farmers.

The evidence collected during our fieldwork suggests that there are valid bases for supporting the application of second-best principles to cotton sector policy in Mali, and the scope for correct price signal transmission is limited due to the important positive externalities generated by cotton cultivation. Table 2 reports the answers from 66 farmers in our 12 villages, who answered the question: ‘which three main factors were most responsible for your decision to increase or decrease acreages in 2009/10 compared to 2008/09?’. The main reason why farmers expanded the area under cotton was that cotton represents a guaranteed source of revenue; the second main reason was its positive background effects on other crops – since fertilizers used on cotton also benefit cereal crops, given the practice of cotton-cereal crop rotation. Furthermore, during focus group discussions, farmers insisted that they lacked valid alternatives to cotton. Though maize is also used as cash crop, many farmers feel uncomfortable with it, since its price has been highly variable, especially after cereal market liberalization and then more recently the global economic crisis, and it is thus seen as less effective as a sure and known source of cash income. These pieces of evidence suggest that, even if the price of cotton were to decrease, farmers may not reduce land planted on cotton correspondingly.

This is confirmed by the responses from farmers who had reduced the area under cotton in 2009/10 (Table 2), according to whom the most important reason was payment delays rather than low prices. Past studies also showed that the most common response to declining output prices has been to increase the degree of ‘extensification’ of cotton cultivation, which involves applying fewer inputs per hectare over a larger surface. Extensification in turn implies lower soil fertility and yields, with negative impact on long-term environmental and economic sustainability (Fok et al., 2000).

13 55 farmers answered that they did not change the area under cotton cultivation while two did not give any answer, of a total of 113 farmers in our survey.
Under these peculiar conditions, a policy of market price alignment risks producing perverse results on poverty. Poorer farmers, who may suffer the most from lack of alternative economic options, may be the ones to stick longer to cotton. However, because they tend to apply insufficient doses of fertilizer, they face a vicious cycle of low yields, low profitability, greater indebtedness and lower soil fertility, leading them to long-term reduction in food and cotton crops. As argued by Nubukpo (2006) among others, price liberalization, in the presence of existing market imperfections, rather than taking marginal farmers out of cotton production, as expected, may only push them further into poverty.

Table 2: Reasons for farmers to increase/decrease hectares on cotton from 2008/09 to 2009/10

<table>
<thead>
<tr>
<th>Reasons to increase cotton surfaces</th>
<th>Reasons to decrease cotton surfaces</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1st</strong></td>
<td><strong>1st</strong></td>
</tr>
<tr>
<td>Guaranteed revenue</td>
<td>Delays in payment</td>
</tr>
<tr>
<td>Reduced input prices</td>
<td>Others</td>
</tr>
<tr>
<td>Better prices/less delays</td>
<td>Lack of labor</td>
</tr>
<tr>
<td>Access to equipment</td>
<td></td>
</tr>
<tr>
<td><strong>TOT</strong></td>
<td><strong>TOT</strong></td>
</tr>
<tr>
<td>46 100</td>
<td>20 100</td>
</tr>
</tbody>
</table>

| **2nd**                            | **2nd**                            |
| Side effects on other crops        | Too low cottonseed prices          |
| Guaranteed revenue                 | Delays in payment                  |
| Access to credit                   | Difficulty to access credit        |
| **TOT**                            | **TOT**                            |
| 32 100                             | 14 100                             |

| **3rd**                            | **3rd**                            |
| Side effects on other crops        | Delays in payment                  |
| Access to credit                   | Too low cottonseed prices          |
| Access to inputs                   | Delays input supply                |
| **TOT**                            | **TOT**                            |
| 21 100                             | 13 100                             |


Another distinction between the two approaches is in terms of their recommendations to tackle poverty reduction in the vast rural areas. The sector approach argues that the cotton company should not subsidize cotton production for the benefits of the poorest farmers, and that it is more efficient for the cotton industry to maximize its profits, and for the state (or other agencies) to tackle poverty reduction directly through appropriate instruments such as income transfers. In this vein, many international experts have criticized the widespread use in Mali of one pan-territorial price, which is identical for all farmers without regard to their location (distance to the ginning plant) or productivity. From a first-best theory, this is inefficient, since it transfers resources from more to less efficient producers, ‘in effect playing the role of a poorly designed and poorly executed poverty reduction strategy’ (Baghdadli et al., 2007: 2). However, the MRSC and other domestic actors, such as NGOs and local experts, defend the system, on the ground it has worked fairly well as way of relieving poverty in rural areas.

Again, second-best arguments are applicable here, considering that the Malian state has so far been unable to implement any kind of targeted anti-poverty programs, due to lack of
administrative capacity and of financial resources (UNICEF, 2009). In the absence of targeted interventions, the only policies have been fees removal (for primary schools and basic health services) and subsidizing prices of food and other necessities, which of course are imperfect instrument as they benefit both poor and non-poor people. In this context, relying on the CMDT to identify and benefit needy farmers in the cotton areas could be considered the best option, given this institution possesses, like no other, a capillary network of technical agents scattered through a vast rural area and the long-term expertise of working with rural people.

Similar considerations could be applied to justify the advantages of a pan-territorial price mechanism: it is simple to administer, it guarantees smoother payment operations, and reduces scope for opportunistic behavior – which would arise as result of bribes and arbitrage between price differentials. To the extent that less productive farmers are also the poorest, a pan-territorial price can be regarded as good enough, albeit not first-best, poverty reducing instrument.  

Another argument used in support of a holistic cotton sector approach is the positive side effects of cotton cultivation on cereal production – a product of the fact that fertilizers used on cotton benefit subsequent cereal crops in the prevailing crop rotation systems (usually cotton-sorghum-millet or cotton-mais) – in a context where state officials are under political pressure to promote cereal production and diminish country’s dependence on food imports. Although removing the institutional constraints in the cereal sector, such as low access to credit for cereal inputs, is the most efficient solution (first-best), these reforms may be hard to pursue in the short term. The surest way to enhance food security in Mali has thus been to promote cotton production by the largest possible number of farmers (OECD, 2006). Even though for many, less productive, farmers the marginal benefit from cotton production may be lower than the marginal cost, the overall benefits may actually be larger if one includes the effects on cereals and food security. The integration between cotton and cereal production produces more poverty-reducing effects, from which the more marginal farmers, who have lower levels of equipment and a limited labour force, benefit.

The evidence discussed so far confirms what an important literature has been affirming all along: that non-price factors are crucial for understanding farmer’s decision processes, more so in complex sectors with interlinked input arrangements, like cotton, than, for instance, in the staple food sector (Kirsten et al., 2009). The latter point would explain why cereal market liberalization has been met with less resistance, and has been more successful, than traditional cash crop liberalization, not just in Mali but elsewhere in Africa (Swinnen et al., 2009).

Emphasizing the limitations of the liberalization agenda does not necessarily imply the integrated system is always superior. There is no doubt that the CMDT unduly taxed farmers until the late 1990s (Baffes, 2007) and diverted and squandered resources, by taking advantage of its unquestioned and unchallenged supremacy. However, the belief that, by dismantling the integrated system, management would necessarily improve, especially considering the poor privatization record in Mali (HUICOMA being just one example), would...

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14 In this respect, Mali is behind many other African countries. Donor organizations are now working with the government to assess the feasibility of implementing conditional and unconditional cash transfers to a limited extent (Cyprik, 2010).

15 Kaminski and Thomas (2011), however, show that non-uniform pricing creates, under certain conditions, a better incentive structure for farmers’ groups to better monitor production and credit repayment. A second-best approach could consist thus in a fixed pan-territorial price supplemented with several quality and other premia, as well as differentiated bonuses.
be simplistic, and possibly counter-productive, considering the wider, more certain benefits of such a system. When considering the institutional context of cotton production in Mali, in particular farmers’ risk aversion and market imperfections, an integrated system where farmers trade a lower producer price for non-cotton related benefits does not appear so far-fetched. Furthermore, this system also corresponds to the deeply ingrained notion that cotton profits are not only a private but also a local public good. When our farmers were asked which factors explained the prestige associated with growing cotton, 20% replied it was due to the village infrastructures and community development projects, while another 21% responded it was the redistributive effects of cotton revenues.

It is, therefore, striking that, despite the fact that individuals within donor organizations were aware of the distinct institutional and cultural factors underlying cotton cultivation in Mali, the policy recommendations have not undergone a process of adaptation. Instead, donors have continued to require, until very recently, that the government privatizes the CMDT, liberalizes the price mechanism and allows for more competition. Under the presumption that a model promising more economic efficiency could stimulate positive responses by the stakeholders, they discounted the constraints to implementing economic first-best principles and stakeholders’ resistance to replacing the existing system with dubious and alien principles.

I argue, therefore, that the conflict between the two logics is partly responsible for the impasse characterizing the Malian cotton sector reform, because the government has had to deal with a high dose of resistance and thus found itself in a very difficult situation with only limited capacity.

4 The puzzle of the CMDT privatization saga

Drawing on the elements provided earlier, this section provides a different, and more nuanced, interpretation of the CMDT privatization saga. The government first used delaying tactics, in order to gain time while it was trying to deal with multiple pressures from stakeholders with quite opposite views. Then, when it finally decided to adopt privatization, it shaped it according to a timeline, modalities and content that would preserve the distinguishing features of the existing system: the vertical integration of market operations.

This thesis relies on a two-part argument: i) since the traditional supremacy of the CMDT implied the government’s reduced capacity to reign in the cotton sector, then ii) government ownership of the reform could only increase through a slow process involving negotiation with other stakeholders. The MRSC found itself as the sole actor with sufficient cultural and political capital to lead this mediation process, and to lay the basis for a more acceptable reform.

4.1 CMDT: The cotton queen

One distinctive feature of the cotton sector in Mali has been the powerful and privileged position enjoyed by the CMDT, even when compared to cotton parastatals in other countries. This was the result of the CMDT’s unique role, not just as holder of monopoly and monopsony rights in the cotton value chain, but as the dominant development actor in the vast cotton areas of Mali, performing such varied functions as road maintenance, natural resource management, the building of schools and health centers. In many ways it represents a materialization of the ‘holistic’ approach. By relying on its dense network of technical agents across all cotton villages and by taking advantages of the inter-dependent nature of many rural functions (notably between cereal and cotton, pastoral and agricultural, productive and conservation activities), the CMDT has performed its rural development
functions probably more effectively than the weak Malian state would have done (Fok, 1997). The indirect evidence advanced to support such a view is the higher levels of cereal production, lower levels of income poverty, greater density of infrastructures and higher levels of literacy in the cotton as compared to the non-cotton areas.16

The CMDT’s power and prestige grew along with the unfolding of the cotton sector success story. By carrying out development programs in the cotton areas on behalf of the state and providing the government with important tax revenues, CMDT top leaders and bureaucrats increased their leverage and influence, notably vis-à-vis the government. This was greatly boosted by the fact that the CMDT was the top choice for the best and brightest of Malian university graduates, and became known as « l’état dans l’état » (‘the state within the state’).

The economic, political and moral power of the CMDT has, however, impeded an independent cotton sector policy by the government. This is reflected in a weak Ministry of Agriculture, which has often resented the CMDT stepping into its sphere of competence; in the lack of implementation of an overall agricultural policy, which is separate from the CMDT integrated approach in cotton areas; and, especially, in the inability to think of a strategy of agricultural development outside of cotton. These features have certainly shaped the reform process, determining its constraints and possibilities.

As it would be expected from any parastatal enjoying huge market power and rent control, the CMDT was opposed to the privatization program and did everything possible to resist it. After privatization was first put on the government agenda in 2001, CMDT officials continued to voice their disagreement, refusing to cooperate.17 As late as 2009, one year after the privatization policy had become law, top CMDT representatives were still publicly criticizing the current reform process, which was, according to them, depriving the company of the essential resources and roles to operate effectively, thus allegedly leading the sector to the current crisis.18

In line with the perception that the CMDT dominates Mali’s social, economic and political identities, most domestic actors were at first absolutely averse to privatization, from the producer associations to the President and the Prime Minister. When donors repeatedly approached the subject in the late 1980s and then again throughout the 1990s, the government advanced contrarian arguments, asserting that it would be sufficient to reform the CMDT from within. The decision to commit to comprehensive cotton sector reforms in 2001 can be attributed to the Minister of the Economy’s dire need to unfreeze IFIs loans, which were made conditional on such reform; and also to the government increased difficulty to defend the status quo, especially after the cotton boycott. At this point, however, there is no doubt that real ownership was quite low. The appointment of Fagnanama Koné (first President of the CMDT, then Minister of Agriculture) as chairman of the newly constituted task force for cotton sector restructuring, MRSC, could be read as a signal that the reform process would not be inimical to the interests of the CMDT, but that the government would continue to consult with the company officials to try and find an acceptable compromise.

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16 Wodon et al. (2006) contested the interpretation that cotton helps reducing poverty in rural areas on the basis of new data showing poverty was actually higher in the cotton region. However, Delarue et al. (2009) disputed these results with quite convincing arguments.

17 According to our informants, the reason why the attempt to transfer to the national producer association the task of input supply in 2008 turned into a fiasco mainly lies in the unwillingness of the CMDT to collaborate in making the transition possible.

18 These opinions were voiced during the cotton sector stakeholders meeting I organized in Bamako, Mali, in 2009.
The government’s reluctant adhesion to the privatization project is also evident in the careful wording used in the cotton sector development policy paper, approved in 2001 (Lettre de Politique de Développement du Secteur Coton, LPDSC). The privatization of the CMDT is only mentioned once, at the end of the document, and as just one element of a wider package of reforms. The document gives instead more emphasis on the need to re-orient the CMDT focus away from non-core cotton operations; to carry out a process of liberalization, by allowing the entry of new private actors and transferring key cotton operations to cotton producer associations; and to adopt a new price determination mechanism (République du Mali, 2001).

However, the position of many government officials, as well as of other actors, such as farmers and their representatives, I will argue, has shifted over time, as a result of the MRSC-initiated process of consultation among stakeholders, and debate over the possible options. Such long and often difficult process has led key actors within the government to adopt a more autonomous stance regarding the reforms, which could envisage a future without a public cotton monopoly, yet one in which the state could still retain a fundamental guidance role.

4.2 Towards a Malian privatization: the emerging role of the MRSC

Though the MRSC was tasked mainly with the functions of consultation and giving advice to the Prime Minister, it has emerged as key player, possibly influencing the reform course and debate more than anticipated. Small in size but cohesive, its core is constituted by the President, an old-school veteran of the cotton and agricultural sector, and two ever-present and faithful associates, an economist and an anthropologist, with North American PhDs and good international exposure. This trio has worked in unison over the past decade, investing a considerable amount of resources and energies to promote dialogue and organize meetings among cotton stakeholders, and to commission research reports and studies on many aspects of the reform process. The MRSC soon found itself in a difficult position. Identified as the most public and visible face of government cotton policies, it has been object of harsh criticism from those in civil society most opposed to the Washington consensus reforms. At the same time, it engaged on numerous occasions in open confrontation with some donors (the World Bank representatives in particular) over the suitability and timing of policy measures. The MRSC had to withstand these opposite pressures while reassuring its interlocutors that it was serious about both implementing reform and making sure that the specific character of the Malian cotton sector would be properly recognized. It managed to navigate through these different waters, thanks to a good dose of resilience and its commitment to promoting dialogue and finding viable solutions. Due to be phased out once the institutions for the cotton sector were established and the CMDT privatization process launched, it has managed to survive as of late 2011, reclaiming its continuing role in guiding the country through the unfinished reform process.

The MRSC has pursued two main objectives: to buy more time to make the reforms more acceptable to Malian stakeholders, and to modify some reform features in ways that would be more compatible with the existing system and its constraints. Their effort has in the end paid off, considering the limited degree of acceptance in 2001 of the policies adopted in the LPDSC document, and the much higher degree of consensus later obtained around the cotton reform project.

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20 A symptomatic aspect is that all my numerous meetings at the MRSC have always taken place with the three members together, regardless of whom I might have called to propose a meeting.
The MRSC certainly spent part of its political capital in engaging with producer associations at all levels, from Bamako to small regional towns, not only to hear their concerns but also to try to convince them of the importance of participating in cotton governance and improving its functioning. Farmer organizations are very vocal in Mali, traditionally representing the most visible and organized stance against structural adjustment measures, and the policies stemming from the neo-Washington consensus (Bingen, 1998). They also represent a relevant political constituency in democratic Mali, which has demonstrated on several occasions its power to challenge the state and its interests, as with the protests during the democratic transition and the 2000 cotton boycott. Consulting with cotton producers thus appears as a first step to ensure reforms that could be supported.

Farmers had multiple anxieties, questioning whether new private investors would be willing to invest to improve not only cotton production, but also living standards and welfare in the rural areas; whether the state was really committed to revamping the cotton sector, developing rural areas and reducing poverty; and whether any stakeholder in the capital could be trusted. The relationship between the main farmers’ union, SYCOV, and the CMDT had deteriorated since the late 1990s, with the latter accusing the former of siding with the privatization policy, while in fact the unions were demanding more voice and some policy changes from the CMDT. Things worsened after the 2000 boycott, with the CMDT blaming the farmers’ unions for its unintended consequences, which were to give the donors more leverage to impose the privatization idea. Yet, the CMDT could as well be equally blamed for this outcome, since the boycott can also be interpreted as a backlash against the CMDT’s earlier attempts to divide and weaken the farmer representation movement (Roy, 2010). Faced with the deteriorating situation during the mid-2000s, many farmers started to distance their interests from the fate of the CMDT. While many rural leaders, NGOs and media outlets in Bamako have argued that farmers are against the privatization (Le Républicain, 22 July 2008), our interviews with farmers from villages across the country, from Fana to Bougouni and Sikasso cotton regions, have instead suggested that, by 2009, many farmers were averse neither to privatization nor to the entry of new actors, as long as they promised an improvement in the situation. Their main preoccupation was to be delivered the inputs on time, be paid regularly and be provided with the necessary extension services. Though farmers from Koutiala and Kita, the core of two important and radical farmer unions, were more likely to voice concerns over the current reform, the unquestioned prestige that the CMDT had held among farmers in the past seems now to have been somewhat eroded.

The MRSC took advantage of this discontent by luring the farmer leadership into the reform process, with the argument that it would reduce the rampant inefficiencies and corruption within the system and give farmers’ groups the opportunity to take a more active role in the management of the sector. This adhesion was made possible by the close relationship between the MRSC and the UN-SCPC, explicitly created to be the farmer representative body in the reform process, and replace the more politicized and internally fractured unions. The MRSC strategy of rapprochement with the farmers succeeded in making producer organizations increasingly recognized as essential actors in cotton policy-making.

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21 Farmer organizations are part of multiple platforms at national, regional and international levels. Malian peasant organizations have waged campaigns against land grabbing and the introduction of GM crops into the country; and are part of La Via Campesina and other prominent international farmer networks. Bamako has hosted many anti-liberalization initiatives, including one of the three Polycentric World Social Forums in 2006.

22 Still, farmer organizations face challenges of how to increase their capacity to carry out new functions; and how leaders can remain accountable to their basis rather than to the government or outside donors. During our interviews, farmers throughout the cotton zones (as well as many Malian NGOs and researchers) openly criticized their leadership for betraying the farmer cause and being only interested in the sharing of wealth that their position gives them access to.
While securing the adhesion by the rural leadership to the reform process was crucial, the MRSC still needed to land a privatization plan that was acceptable to the CMDT, and would not diminish the company’s prestige. This was achieved in two steps. First, by making privatization more acceptable to other stakeholders, including farmer organizations, the MRSC reduced the margins within which it was credible for the CMDT to continue supporting the status quo. Second, the MRSC dealt very carefully with the CMDT, took time to negotiate, and opted for measured language, using the term ‘restructuring’, for instance, in official documents rather than ‘privatization’. Finally, after years of half-agreements not seeing fruition, the social plan for the CMDT was finally approved in January 2010. It contained a very generous package for the early voluntary retirement of 352 CMDT employees at a cost to the state of almost 9 billion FCFA (about US$ 18 million), and the commitment to retain most of the remaining employees in one of the four new companies (L’indépendant, Jan. 8, 2010). This deal, which received much press coverage, confirmed the extraordinary leverage enjoyed by the CMDT in the Malian political context, and the willingness of the new CEO, Tiéna Coulibaly, not to hurt the powerful employees’ union (Nouvel Horizon, Jan. 12, 2010). Undeniably, this long gestation period helped overcome several layers of opposition, and actors within state agencies became more accepting of a change in the CMDT’s legal status, which was referred to as a ‘hand-over of shares’ (cessation des actions) rather than privatization tout-court.

The second important objective that the MRSC pursued, besides buying time to obtain wider consensus, was to negotiate a reform course that would preserve the features and benefits of the vertically integrated cotton system. This compromise was found in the adoption of a zoning scheme, with the CMDT splitting into four zones according to technical and agronomic criteria (to ensure cotton production volumes matched ginning capacities), and by having a distinct firm operating in each zone as a local monopoly, with similar functions and privileges as a national monopoly, but over a more limited area. The option of a local monopoly was generally supported by the French Development Agency AFD, which disagreed with the World Bank over the advantages of a liberalized model, and had already been successfully implemented in Burkina Faso (Kaminski and Serra, 2011). The government thus took advantage of this situation to make this model more acceptable to the World Bank (see, for instance, World Bank, 2011).

I would argue that, ultimately, the MRSC consented to the privatization of the CMDT in order to have more leverage over donors in terms of limiting liberalization of the ginning sector. Allowing entry by private investors into the capital of the CMDT must have appeared as a minor ill when compared to the option of dismantling the existing vertically integrated system, based on an exclusive relationship between farmers and a cotton monopsony. During interviews, government representatives articulated clearly that Mali was not going to make the same mistakes as Ghana and Benin, preferring instead the route undertaken by Burkina Faso, recently hailed as a success. The MRSC, composed of individuals who understand the Malian cotton sector quite well, has been absolutely firm on this point. A liberalization along horizontal functions in the value chain (with different operators for input distribution, transport, ginning and so on), as carried out in Benin in the 1990s, would not only have led to the collapse of the input distribution and credit system, as the market failure argument has it. It would have also destroyed the very core of the Malian cotton system, which is based on long inherited and deeply anchored practices, embodying technical and social knowledge, and common goals. Relationships of trust between producers and technical agents have been historically crucial in building this important shared social and technical capital and are probably regarded as the most important legacy of the Malian system, to be preserved even more than the CMDT itself.
A cotton system with four smaller companies and an increased number of other stakeholders, some of whom enjoy limited institutional capacity, also represents an ideal context for the state to re-position itself as a main player. As long as the new institutional architecture, centered on the Interprofession Coton, remains weak and unable to oversee by its own important functions such as input distribution, producer price determination, and redistribution of the extra profits from the sale of cotton lint, it will continue to need the intermediation of the state.

However, this control by the state is likely to remain indirect. In this respect, the ‘balanced’ local monopoly looks quite different from the local monopoly established in Burkina Faso since 1999, whereby the state company SOFITEX was partially privatized, but remained intact, only ceding a limited share of the market (totaling 17%) to two small private companies. The unbalanced model, centered on one main company, makes it easier for the state to re-acquire majority control, something which actually occurred when, following the financial crisis of SOFITEX, the state recapitalized the latter in 2006. In Mali, on the other hand, the choice of a balanced local monopoly could signal that the state is more committed to privatization and less interested in direct majority control. In other words, the MRSC has attempted to reclaim state ownership of reforms by balancing different interests and paradigms.

5 Implications and lessons

This section aims to draw implications and lessons from the previous analysis. It first looks into cotton sector performance indicators, arguing that, while the poor record up to 2008 is explained by the difficulties already identified, the more recent signs of improvement are consistent, at least partly, with the new policy direction sought by key stakeholders – and lately supported by donors. It then draws lessons from the Mali experience that may be applicable to other emerging democracies.

5.1 The costs of delays

The previous sections have argued that the reform process in Mali faced objective serious constraints, due to the very significant gaps between the perspectives of the main stakeholders. The lack of a constructive dialogue with donors also made it more difficult for the Malian government to identify a feasible and acceptable reform path. Delays in the process were one way to cope with the situation, and gain time to find a compromise. However, these delays and uncertainties, even when possibly an optimum response to existing needs and constraints, involved considerable costs. The lack of a clear institutional framework after 2001 led to ad-hoc and often sub-optimal arrangements for several agricultural seasons. The mishandling of many operations along the value chain and the inability of the actors concerned to react immediately proved costly to the CMDT budget, to the state coffers and, especially, to the millions of farmers dependent on cotton revenues.

Figure 2 points to the costs of the delay, by presenting three indicators for cotton performance from the 1998/1999 to the 2010/11 cotton season. While the level of cotton production is an important performance indicator, two more variables are also included in the graph, as suggestive of the ability of the cotton value chain to provide services of importance to producers: the delays in payments to farmers, and the cotton cooperatives’ credit reimbursement rate. Plenty of qualitative evidence, including from our own fieldwork, suggests that delays in the actual payment to farmers for the seed cotton, and high levels of cooperative’s debt discourage farmers away from cotton, and also reduce the degree of trust...
and cooperation among stakeholders along the value chain, thus impacting sector performance more widely.\textsuperscript{23}

Production levels (Figure 2) experienced a precipitous drop from the peak of over 600,000 tonnes in 2003/04 to less than a third of this amount in 2008/09. Average yields (not in Figure 2) have been also on the decline (and below the mark of 1 tonne/ha for most years since 1999). These downward trends can be attributed not only to exogenous factors – low international prices and unfavorable rainfall patterns, respectively – but also to numerous types of institutional malfunctioning, such as decreased and less effective extension systems, and corrupt and disorderly input procurement methods. When considering the two other indicators – levels of indebtedness by farmer cooperatives and delays in payments - Figure 2 again shows that some of the worst performance occurred during 2003/04-2008/09. For instance, some farmers were paid as late as October 2009 for seed cotton produced during the 2008/09 season (a delay of at least five months). Credit recovery dropped dramatically in 2006, when it was only 66%, and remained low (hovering around 85%) in the next two consecutive years. By the time of our first visits to cotton villages in summer 2009 some cooperatives were unable to obtain credit and thus plant cotton, since the majority of their members were in debt and the cooperative had no funds left. No financial institution was willing to lend to such cooperatives.

\textbf{Figure 2: Recent trends in production and other performance indicators}

![Figure 2: Recent trends in production and other performance indicators](image)

\textit{Notes:} Production is measured in tonnes. Delay Index is the time length of farmer payment delay as percentage of the largest possible delay (where delay is calculated from June 1\textsuperscript{st} and the latest possible date is Nov. 30). Credit repayment rate is the percentage of cooperatives credit recovered by the financial institutions as percentage of total credits conceded.

\textit{Source:} CMDT data (various publications); Theriault et al. (2011).

For these reasons, many observers of the Malian reform process are very critical of the government, stating that this irreparable damage could have been avoided if the government had taken a firmer stance and implemented reform more speedily. Malian stakeholders are rebuked for being too dismissive of the social and economic costs of reform delays and not

\textsuperscript{23} Econometric analysis has now established these important results quantitatively. Theriault et al. (2011) find that payment delays and cooperative indebtedness level have large and statistically significant negative effects on cotton supply in Mali.
appropriately factoring in the consequences of not taking decisions (Guillamont et al., 2001). These failures are expected to magnify the challenges of reviving the cotton sector.

5.2 A new vision? Towards better-owned policies

Recent developments, however, show some positive signs. Since 2009, there has been a slightly increasing trend in production levels (Figure 2), which would have been more marked if it was not for the unfavorable rains in summer 2010 (CMDT, 2010). This trend is expected to become more pronounced in the years to come, with production rising to at least 425,000 tonnes in 2011/12, according to estimates based on planting data (Knight and Sylla, 2011). It cannot be denied that a main cause of rebounding production is the upward trend in international cotton prices24 – at times coupled to a not too unfavorable euro/dollar exchange rate. Nonetheless, an analysis of policies and initiatives on the ground in recent years also suggests that improvements have been also due to better interventions, reflecting a more active and coherent state involvement in ensuring coordination of operations in the cotton sector.

Improvements have occurred at multiple levels along the cotton value chain. Input prices have been stabilized for three consecutive cotton seasons since 2009/10 (at 12,500 FCFA per 50kg bag) thanks to a program of government fertilizer subsidies. Both the state and the CMDT worked harder to get payments to farmers on time in the two last cotton seasons. With donor support, the government has put in place a program for aiding heavily indebted cooperatives. While maintaining the price determination mechanism based on expected international prices, some of its more controversial restrictions have been abolished.25 The CMDT financial accounts are much better, and several extension agents were hired in 2010 in order to provide better services to farmers. Government and CMDT representatives have also intensified their visits to cotton areas before planting, trying to persuade farmers of their commitment to support the cotton sector. All this has renewed the hope that the Malian cotton sector can be revived again (Mben, 2011).

Other improvements are evident at the more general institutional and policy level. Producer associations have become stronger actors, and a law to create a Cotton Regulatory Authority was adopted in February 2011 (Knight and Sylla, 2011). The idea of CMDT privatization, which was anathema in the past, is now widely accepted by many actors, and the relationship with donors has become less conflict-ridden. Whether due to the frustration from failed attempts to push recommendations through, or due to the global economic crisis and a generalized weakening of the privatization and liberalization model, the IFIs have lately softened their stance. The World Bank withdrew from direct cotton sector intervention in 2009, opting for a more general budget support (World Bank, 2011); and the IMF is insisting less on CMDT privatization as an aid conditionality (Les Afriques, 9 Oct. 2010).26 The French cooperation agency, which has also gone through phases of anxiety and frustration in its past dealings over cotton with the Malian government (as illustrated by Cavana, 2008),

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24 International cotton prices doubled in just one year. The season average Cotlook A index went from US $0.78/pounds in 2009/10 to $1.62 a year later, and is forecasted to be around $1.38 in 2011/12 (ICAC, 2011).
25 The clause that the cotton company could, in exceptional circumstances, reduce the producer price after the planting season is now abolished. It was regarded as contradicting the fundamental notion of cotton price as known, sure entity.
26 The IMF approved new funding for Mali in 2010 following satisfactory review of the government stabilization and fiscal programs and barely mentioning the privatization of the CMDT (IMF, 2010).
seems to have now adopted a more hands-off approach, especially following the privatization in 2009 of the former French state cotton company, now GEOCOTON.27

Behind these positive indicators and a revamped government commitment, there appears to be indeed a new cotton sector strategy, which the government has enshrined in two 2010 documents: the National strategic framework for the development of the cotton sector for 2010-215 (Cadre Stratégique National de Développement du Secteur Coton), approved in May, and the Policy Document for Supporting the Cotton Sector (Lettre de Politique de Soutien au Secteur Coton), approved in August. The latter replaces the 2001 LPDSC policy document (République du Mali, 2010a, 2010b). Both documents, though re-emphasizing a commitment to the state withdrawal from direct control of the cotton sector, reflect the new recognition by the government of the cotton sector’s strategic role in the country’s overall economic policy, as delineated in the 2007-11 Strategic Framework for Growth and Poverty Reduction (Cadre Stratégique pour la Croissance et la Réduction de la Pauvreté). The language has changed since the LPDSC, where the focus was on narrow restructuring of the cotton sector. The strategic framework, instead, reclaims the need to approach reform within a holistic, global and inter-disciplinary approach (‘une démarche holistique, c’est-à-dire globale et pluridisciplinaire’), so as to promote an agriculture, which is sustainable, diversified, modern and competitive (‘une agriculture durable, diversifiée, moderne et compétitive’), and which can favor the emergence of a true center of development in Southern Mali (‘favoriser l’émergence d’un véritable pôle de développement dans la zone Mali Sud’) (République du Mali, 2010a).

Although policy documents should be taken for what they are, without assuming they translate into real policy, an analysis tracking modification in topics and languages over time is a valid tool for detecting changed actors’ motivations and new tendencies. I argue that the new cotton sector strategy represents the culmination of the previous lengthy process of consultation and reflection, and marks a new phase in cotton sector reform. This reflects the attempt by the MRSC to re-cast the role of the state in the cotton sector in a new light, one which privileges the guidance and coordination function of the government, making it more essential even while the state’s direct economic involvement is being reduced. The long gestation process, however costly as Figure 2 clearly demonstrates, has possibly been instrumental in turning a reform largely perceived as externally imposed into a more endogenous process, which has striven to compromise between the different pressures and obtain a wider domestic consensus. Furthermore, it is worth mentioning that, if privatization were to be completed during the current period of high cotton prices, sale prices will be higher than if privatization had occurred as originally scheduled. This means not only greater pecuniary benefits to the government, but a better company financial situation, with potential positive repercussions for the overall sector.

5.3 Lessons: reform processes in emerging democracies

What are the lessons that can be drawn from the case of Malian cotton sector reforms and what do they tell us about the limits and possibilities of economic reforms in emerging, but institutionally weak, African democracies? Van de Walle (1999) has argued that the onset of democratic processes is not per se inimical to economic reform, despite generalized fears that the opening up to multiple demands from more sections within society could weaken or reverse government’s adhesion to reform. The most important ingredient for a developmental state appears to be neither the type of government, nor the precise content of policies, but

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27 The departure in summer 2010 of the AFD official who had worked for over a decade on cotton sector policy may be also taken as suggestive of a new course.
the strength and capacity of institutions to implement and sustain effective policies. However, weak democracies like Mali face challenges to their ability to devise and implement policies that improve economic development in a sustained way, due to the limited institutional capacity of democratic institutions including the Parliament and the party system, and high levels of aid dependence.

A number of lessons emerge from our analysis of the Malian cotton sector reform process. First, when it comes to strategic productive sectors, which are vital both for government revenues and for wider development (and poverty reduction), a government is more motivated to implement reforms that are beneficial in the long term. This is because these sectors exhibit, by definition, a good amount of overlap between the interests of the politicians and those of wider sections of the population – increased cotton volumes in Mali enhance government revenues and are generally poverty reducing. Such overlap of interests is deeper, the greater the political weight of these other constituents, and the higher the pressure for governments to do something about poverty reduction. Both these conditions are clearly present in the case of Mali, where cotton farmers are quite a cohesive and organized force; and where committing to the Millennium Development Goals has become for the government an important component of its strategy to increase both external and internal legitimacy.

Second, in order to fruitfully engage with national policy processes, donors and external experts should go beyond their inherited policy paradigms, and instead let the local social, political and economic context inform their policy approach to countries’ reform. Many influential policy documents were mainly governed by the sector approach to cotton policy-making, which, despite its impeccable logical appeal, is not suited to the particular institutional and market features prevalent in Mali. Donors’ adherence to this paradigm explains part of the Malian resistance to undertaking reform (the other part is explained by rent-seeking and other self-serving motives). Due to the difficulties of not only understanding, but of also acting upon, the local institutional context, donors and international experts failed to appreciate the extent of the challenges, and brushed aside intervening difficulties by generic reference to corruption and lack of political will. While this paper argues that in the end stakeholders have managed to identify a better, home-grown reform path, such a result would have come much quicker and with fewer costs, if donors had engaged in a policy dialogue aimed to identify reforms more respectful of the terms and priorities of national stakeholders. This principle should apply even if the main obstacle to progress is simply lack of state capacity. Precisely because balancing contradictory pressures from multiple angles is beyond the capacity of any single actor in Mali, donors should contribute to reducing, not enhancing, such demands.

Third, the nature of the reform process may be as crucial to the sustainability of developmental interventions as reform content itself. This is because, in a first instance, emerging democracies cannot do without some level of consensus around chosen policies. Even if it is true that emerging democracies face limited challenges from both Parliament and political parties, opposition from the street may still coalesce and make governments

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29 In the case of the World Bank, the problem is also the predominance of the line from Washington rather than from national offices, where knowledge of the local context is certainly more developed.
30 Similar doubts were expressed in a review of the SACIII but unfortunately failed to inform SACIV: ‘Privatization is a complex process which is inherently prone to delays, even when governments are fully committed to the outcome. Given the fragility of Mali’s economy and high vulnerability to exogenous shocks, linking balance of payments support to divestiture actions means that even well-performing governments can be held hostage to unintended and unanticipated delays, thereby forcing the Bank to either amend its conditionality, or to penalize the government for good performance under difficult circumstances’ (World Bank, 2004: 17).
vulnerable when crucial or sensitive sectors are concerned. In order to avoid painful confrontations which may decrease their legitimacy and electoral acceptability, such governments may need to undertake formal processes of reflection and consultation, however long, costly and uncertain the outcomes might be. It can be easily argued that such processes during the Malian cotton sector reforms helped to diffuse some of the potential backlashes, by reducing the margins for disagreements among stakeholders, if not producing a real consensus. The World Bank seems in the end to have reached a similar conclusion:

‘Understanding the political economy of reforms is critical. Consensus is sought for major policy decisions in Mali. The process can be lengthy, delaying implementation of critical reforms … While this [the government’s choice to conduct studies and stakeholder consultation] delayed the process, it could strengthen ownership of the mechanism and facilitate its implementation’ (World Bank, 2011: 21).

Furthermore, policy processes are contexts where stakeholders may learn about each other, accept compromise and find new solutions. For such learning to produce its positive effects (of empowerment and sustainability), stakeholders should be open to a number of different options, and refrain from preempting possible outcomes on the basis of ex-ante beliefs about what is desirable or not. The Malian cotton reform policy process, for instance, followed a very peculiar dynamic, whereby stakeholders were quite disempowered at the beginning, but later became more aware of the issues at stake and more willing to identify feasible solutions. It would have been difficult to predict some of the positive outcomes in 2010 even two years earlier.

The overarching implication to draw from this analysis is that reform supporters need to be more humble, and realize that the best outcome to a reform process may be difficult to know for sure, especially when it comes to content. Given the unpredictable nature of policy processes, donors have better chance to positively contribute to reform by supporting the learning process within existing institutions and processes, accept the inevitability of trials and errors, and be open minded about possible outcomes.

6 Conclusions

The Malian cotton sector reform process officially started in 2001 with the establishment of the MRSC, in response to the farmers’ cotton boycott of 2000 and to multiple donor pressures. Some crucial reforms are still incomplete, notably the privatization of the state cotton company, which has been planned multiple times and repeatedly delayed. Although such an ambiguous and uncertain reform may appear as a classic instance of lack of capacity and of politicians’ and bureaucrats’ attempt to retain a coveted source of rents, the paper argues that there is much more to the story.

The existence of opposing philosophies about what a restructured cotton sector should look like represented one of the pieces of the puzzle. Key donors, in particular, adhered to a narrow sector approach, which contrasted with the more holistic perspective espoused by many Malian actors. As a consequence of donors’ misjudgment of the political and social realities underlying the Malian cotton sector, dialogue among stakeholders was difficult and polarized, and the MRSC had to spend considerable time and resources attempting to find a

31 Van de Walle (1995: 138-9) concludes that ‘political elites must establish the mechanisms by which to generate consensus as a regular element of democratic governance’.

32 Faust (2010)’s insightful description of the iterative and experimental nature of policy processes in mature Western democracies provides a sobering example.
suitable compromise. In the end, some positive outcomes emerged from this process, since
ownership and adhesion to reform increased over time, and the cotton sector appears to be able
to produce better market coordination and higher production levels. If this positive trend is
confirmed, one could argue that reform delays come with costs but also benefits, through
new learning processes in institutional contexts characterized by low capacity and coexistence of multiple and often contradictory political objectives. Interestingly, the reform has been implemented according to a sequence and modalities which contrast with the externally given recommendations and instead try to adapt to local realities, thus supporting the Malians’ marked preference for an integrated vertical organizational structure. Donors privileged the language of ‘incentives’, but discounted both logical and practical constraints to implementing economic first-best principles. Such an oversight is explained by predominant policy paradigms that dismiss the role of local context and informal institutions.

The Malian example attests to two important points. First, even in a weak democracy like that of Mali, characterized by poor strategizing by political parties, limited democratic ownership and insufficient political and administrative capacity, some reform experiences that appear doomed to failure may, with time, change into policies that have a better chance to be sustainably developmental. This is due to the learning feedback which stems from stakeholders’ interaction over a sufficiently long policy process.

Second, feasible and sustainable policies may be those more in line with the second-best theory (Rodrik, 2008). In the presence of complex market, institutional and policy failures, it makes more sense for donors to try and go along with such failures in the short to medium term, while working towards their removal only as long-term strategy.

Though it is hard to draw lessons from a reform process that is still unfinished, it is important to emphasize one main message: encouraging economic reforms requires that donors, together with the domestic actors, confront directly the specific political, social and cultural local realities of a country, and identify ways to treat these as resources that need to be capitalized upon, rather than sidelining them as constraints to be overcome.

References


