Creating Development or Barriers

A Case Study of the Application of World Bank Economic Conditionalities to Mali

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ABSTRACT

This is an International Relations thesis that will address the current situation in Mali regarding the conditions attached to aid and debt-relief by the World Bank. These conditions are of a neoliberal nature introducing privatization and liberalization of prices in the cotton sector in Mali. The goals with the use of these conditions are to promote economic development and growth in order to reduce poverty in Mali.

However, these conditions have been argued by some authors and reports to inefficient in achieving poverty reduction. It have been questioned whether the neoliberal ideology used by the World Bank is the most suitable for the current development situation in Mali.

Keywords: Mali – World Bank – Neoliberalism – Dependency Theory – Privatization – Liberalization – Cotton Industry – Conditionalities

TABLE OF CONTENTS

LIST OF ABBREVIATIONS

CMDT	Compagnie Malienne du Développement des Fibres Textiles
EU	The European Union
HDI	Human Development Index
GNI	Gross National Income
HIPCI	Heavily Indebted Poor Countries Initiative
IBRD	The International Bank for Reconstruction and Development
ICSID	The International Centre for Settlement of Investment Disputes
IDA	The International Development Association
IFC	The International Finance Corporation
IMF	International Monetary Fund
MERCOSUR	Southern Common Market
MIGA	The Multilateral Investment Guarantee Agency
NAFTA	North American Free Trade Agreement
ODA	Official Development Assistance
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
SAC	Structural Adjustment Credit
UNDP	United Nations Development Programme

LIST OF TABLES

1.0. INTRODUCTION

The World Bank is the largest and most important actor in the re-shaping of young economies and supporting development in poor countries. Through financial assistance, the World Bank has tried to provide long-term development. One of its methods to promote development is by enacting economic policy conditions on loans.[1]

Mali, located in Western Africa, is one of the poorest countries in the world. Like many other West African countries, cotton production is an important source of income in Mali, and has been acknowledged as one of the most crucial poverty eradication strategies by several donors.[2] Mali relies on its cotton production for food security, livelihoods and to fight against rural poverty. The World Bank has, through conditionalities, tried to promote economic growth and poverty reduction by introducing reforms in the cotton sector. These reforms include privatization of the cotton industry and liberalization of the cotton price in Mali.[3]

Since 1998, the World Bank has attached conditions to its loans and debt-relief to Mali. The conditions given to promote development in the cotton industry have been followed by unwanted consequences in Mali.[4] The government in Mali also lacks the capacity and organization skills to implement the reforms introduced by the World Bank.[5]

The conditions attached to the World Bank's aid and debt-relief means that Mali is eligible to receive aid and debt-relief if the conditions have been met. Economic policy conditionalities are argued by some authors to make aid inefficient, undermine national-decision making, and lead to random fluctuations in aid flow that Mali depends on. It is also questioned whether the World Bank are using these neoliberal methods, privatization and liberalization, based on ideology or evidence.[6] The World Bank, on the other hand, believes that the reforms introduced by the conditions given to aid and debt-relief prosper economic development and growth. The use of neoliberal methods is believed to improve the fundamental economic and political situation. The goals of these methods are to achieve economic growth in order to reduce poverty.[7]

[1] Cabello, D., Sekulova, F. & Schmidt, D. (2008), p. 4
[2] Serra, R. (2012), p. 3
[3] Oxfam Briefing Paper (2007), p. 4
[4] Cabello, D., Sekulova, F. & Schmidt, D. (2008), p. 25
[5] Bergamaschi, I. (2008), p. 2
[6] Cabello, D., Sekulova, F. & Schmidt, D. (2008), p. 4, 33
[7] World Savvy Monitor (2008), ' Economic Policy and Governance Reform'

In this thesis I seek to elaborate further on how these conditionalities, applied by the World Bank, have affected Mali and its development. I will also analyze the impacts and consequences of the neoliberal methods implemented by the World Bank. Finally, I aim to critically discuss the effectiveness of the neoliberal methods in development in contrast to alternative strategies for sustainable development.

The issues regarding methods to promote or achieve development have interested me for some time during my education. I find it fascinating to compare development occurring in the present with the one that occurred in the past. I have therefore chosen to do this research on a key actor in developmental politics, and examine the methods used to promote an ideology to theoretically achieve development. The reason for choosing a case such as Mali is because of the combination of a reasonably stable democracy coupled with a lack of economic wealth.

1.1. PURPOSE & RESEARCH QUESTIONS

This thesis will elaborate on the effects of the reforms introduced by the World Bank through its conditions. Further, the neoliberal method will be discussed in a critical manner in comparison with dependency theory.

The purpose and aim of this thesis is to discuss and analyze how the neoliberal conditionalities implied by the World Bank upon Mali have affected the country in its struggle against poverty, and to analyze the consequences/impacts of such.

Parallel to this, a second purpose will be to apply an ideology critique to the neoliberal theory in regard to its effectiveness in the case of development lending and aid. It will also be discussed in comparison with dependency theory to provide an alternative view of how and which instruments should have been used to fulfill the purpose of development lending.

Research questions:

i. “How has the World Bank applied neoliberal conditionalities in Mali?

ii. “What are the consequences/impacts from the use of economic policy conditionalities in Mali and the cotton industry?”

1.2. METHOD & MATERIAL

This is an international relations thesis with a focus on the World Bank and economic policy conditions which have been attached to their loans and debt-relief. It will analyze how one of the poorest countries in the world, Mali, has been affected by these conditionalities applied specifically to the cotton industry. A second part of the analysis will discuss and analyze the neoliberal methods that have been used, in comparison with a second theory: dependency theory.

In this thesis I investigate the impacts and consequences of a development policy; the use of economic policy conditionalities applied by the World Bank on Mali. For this thesis, I have used a qualitative and ideology critique method to fulfill the purpose and to answer my research question.

According to Vromen (2012), when using qualitative methods, researchers tend to use a single or very few cases to base their analysis on so as to be able to reach an in-depth understanding of the research subject. A case study also provides detailed characteristics of the issue, and can be used to test theories, create theories, identify special conditions, test these conditions, and to explain or gain understanding of important situations. [8] [9] As I focus on a specific country and industry, a qualitative case study is the most suitable method. The second part of the analysis will test the neoliberal methods that have been used to create conditionalities and reforms, and discuss it in comparison with dependency theory. A case study method is the best approach for the topic chosen as the purpose of this thesis is to gain knowledge of how the neoliberal methods used by the World Bank have affected Mali, and also to analyze the consequences that followed after the implementation of these conditions. To answer the research question it is an advantage to focus on the in-depth distinctiveness of the case.[10]

The second part of the purpose consists of an aim to test if the neoliberal theory is the most suitable framework to use when it comes to development lending and/or development aid. To fulfill this purpose, this case study will be an ideology critique. The method of ideology critique is a method putting emphasis on ideologies, such as neoliberals. This method was established in 1923 through the Frankfurt School. This is a method used to be strongly influenced by Marxism and their view on capitalism. The purpose of this method is to identify unjust dominant ideologies, which also rejects the values, myths and justifications by dominant ideologies. These dominant ideologies legitimize the use of political reforms and

[8] Vromen, A. (2010) , p. 255
[9] Van Evera, S. (1997), p. 55
[10] Furlong, P. & Marsh, D. (2010)

structures, as well as institutions. When doing a ideology critique, the author tries to reveal the consequences affecting the everyday life and the relation to political power.[11]

The neoliberal methods and approaches used in the case of development lending to Mali will be critically discussed in regard to the consequences of such, and will be analyzed in comparison with the dependency theory in order to gain insight as to how other measures could have been taken to avoid the consequences.

I first started by researching for material to construct a foundation consisting of background information about Mali and the World Bank, as well as material for my theoretical framework. My theoretical framework is mostly based on published articles and books about development; for the dependency theory I have foremost relied upon texts written by Handelman (1996), Bull (2006a) and Nustad (2006). The neoliberal theory has been based on Mudge (2008), Scholte (2005) and again Bull (2006a). Secondly, I found material to answer my research questions in reports prepared by organizations, institutions and governments, as will be discussed in next section. In order to fulfill my purpose and answer my research questions I have conducted a detailed analysis of the material gathered, which has produced important conclusions.

1.3. REVIEW OF SOURCES

The material that has primarily been used in this thesis is:

i. Secondary sources
ii. Previous research
iii. Primary sources

During the process of this paper, research materials have come to include secondary material such as published articles and books, news articles, published reports and websites. Previous research is also an important source of information as it provides interpretations and alternative views of similar cases. Secondary sources and previous research will be used to analyze the neoliberal methods and instruments used by the World Bank, and to contrast these methods with dependency theory and its view of legitimate development methods for lending, aid and debt-relief.

Primary sources will consist of information contained from the World Bank's webpage, which have been to critically reviewed for this thesis. Information about the construction of

[11] Buckler, S. (2010), p. 165-166

development loans and debt-relief programs will provide a foundation for this thesis, this will be critically reviewed as a result of the ongoing discussion about the credibility of the World Bank.

All three sources of material will be used to discuss and analyze the consequences of the economic conditionalities attached to the loans provided to Mali, and to further develop a discussion including the theoretical frameworks about possible alternative methods.

News articles are used as inspiration, and reviewed with great caution and in a critical manner. These kind of sources are essential to gain knowledge about political standpoints and recent developments pertaining to the topic. One such example is The Guardians 'Poverty Matters Blog' which is used for that particular reason. The Poverty Matters blog, supported by the Bill and Melinda Gates Foundation, is a political blog updating on issues regarding global development. It is written by independent researchers and professors, as well as correspondents of the Guardian.

Furthermore, a series of published reports have been used for this thesis. Reports have been selected due to their relevance and credibility, and the information collected from the reports has been critically reviewed with the notion that they likely consist of a biased political perspective. A report that has been used as one of the major sources of inspiration for this research paper is the report prepared by Benedict Bull (2006b) for the Norwegian Ministry of Foreign Affairs.

For the analysis, I have extensively used reports prepared by Oxfam International. Oxfam International is an international confederation consisting of 15 organizations working together in more than 90 countries. Oxfam produces research and analysis in reports based on real experience of their partners in developing countries, with a focus on poverty and injustice.[12]

A report from A SEED Europe (Action for Solidarity, Equality, Environment, and Diversity Europe) has also been used as a source of information and insight for my analysis. A SEED Europe, an action organization based in Amsterdam, is focused on campaigning on structural causes of environmental destruction and social injustice.[13] The information and facts found in these reports has been critically reviewed and compared with other sources.

[12] Oxfam International (2012) 'What We do'
[13] A SEED Europe (2011) 'About A SEED Europe'

Data used in the analysis, and for tables, was collected from the World Bank's database, the UNDP Human Development Indicator database, the OECD/DAC database, the Aidflows database, The World Factbook from the Central Intelligence Agency in Washington DC, and from reports previously mentioned. Unfortunately, figures and numbers from more recent years are not available yet and therefore most data used is from the beginning of the 2000s up to 2010.

1.4. DELIMITATIONS

Due to the time scope and page limitation this thesis will be restricted to only include one case study on the West African country Mali. Although, there are several countries on the African continent that have conditionalities attached to their aid and debt-relief by the World Bank.

While the World Bank Group consists of five organizations, in this thesis only the one of these five organizations will be used to analyze the topic of this thesis, the IDA. This organization is one of the two lending arms of the World Bank Group, and has become an important source of finance for poor countries suffering from large-scale budget deficits. Furthermore, this thesis will only include one of the four types of conditionalities used by the World Bank, namely economic policy conditions.

The time frame examined will include events and changes relevant to the research topic occurring between 1998 and 2011. This thesis will not include or take into account the ongoing military coup in Mali as a changing factor to the topic of this thesis.

2.0. BACKGROUND

2.1. SITUATION IN MALI

Mali is one of the world's poorest countries, ranked as 175 out of 187 by the UNDP's Human Development Index[14] from 2011. The HDI for the Sub-Sahara African region is 0.463 which puts Mali below the average with its HDI of 0.359.[15] Mali is the largest country in West Africa and borders Algeria in the north, Senegal to the west, Mauritania in the northwest, Niger to the east and Burkina Faso and Cote d'Ivoire to the south.[16] It is a landlocked country and therefore has limited natural resources and human capital base, and is exposed to desertification and drought. Much of its population is dependent on the environment for their livelihood for farming, fishing or herding, as 80% of the labour force is occupied in the agricultural sector. [17] [18]

Table 1. Population Overview

HDI	Population below poverty line	GDP per Capita	Ranking, GDP per Capita	Labour force % in Agriculture
0,359	36,1%	$1,300	204 out of 226	80%

Source: The World Factbook (2009)

After its independence from France in 1960, Mali was a dictatorship until 1991 when it was overthrown by a military coup.[19] Since then Mali have been considered to be one of the most politically and socially stable countries on the African continent. While there have been disturbances in the northern part of Mali in recent years, there is a strong tradition of consensus in Malian politics and the political structure promotes stable and democratic institutions.[20]

The cotton industry in Mali is one of the largest producers of cotton in the Sub-Sahara African region, with a ten year production average of roughly 550,000 tons a year.[21] Cotton production is a very important industry to the Malian economy and society; as many as 3,5 million Malians earn their living through the production of cotton. Cotton was Mali's main

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[14] The HDI is a measurement used by the UNDP which provides a broader definition of well-being. The HDI consists out of three dimensions of human development: health, education and income.
[15] UNDP International Human Development Indicators (2011) 'Mali: Country Profile'
[16] Permanent Mission of the Republic of Mali to the United Nations (2012) 'Country Facts'
[17] The World Bank Group (2012) 'Mali: Country Brief'
[18] CIA - The World Factbook (2012) 'Mali'
[19] CIA - The World Factbook (2012) 'Mali'
[20] The World Bank Group (2012) 'Mali: Country Brief'
[21] Oxfam Briefing Paper (2007), p. 4

export until 2004, and until then the sector was part state-ownership and part private ownership. Cotton farmers were guaranteed a minimum price at the beginning of the season and provided with credit, fertilizer, tools and services including rural health care and education facilities.[22]

The export of cotton accounts for more than half of agricultural exports revenue, as well as 20 percent of the total export revenues and seven percent of the total GDP. Growth in the cotton sector is essential for development and poverty reduction in the country, as it is also for other poor countries in West and Central Africa.[23]

Table 2. Cotton in the Malian Economy

Agriculture % of GDP	Cotton % of GDP	Mali cotton exports % of West African cotton exports	Cotton share of agriculture exports	Cotton share of total exports
45%	7%	20%	62,1%	25%

Source: Oxfam Briefing Paper (2007), p. 6

2.2. THE WORLD BANK

The World Bank and its first institution the International Bank for Reconstruction and Development was created in 1944. Originally created to be a facilitator for reconstruction and development after the Second World War, the modern aim of the World Bank Group has evolved to emphasize poverty reduction through sustainable and inclusive globalization.

The World Bank Group at present consists out of five organizations:

- The International Bank for Reconstruction and Development (IBRD)
- The International Development Association (IDA)
- The International Finance Corporation (IFC)
- The Multilateral Investment Guarantee Agency (MIGA)
- The International Centre for Settlement of Investment Disputes (ICSID)[24]

The World Bank has become to be an important source of financial and technical assistance for developing countries. The two institutions within the World Bank that deal with poverty

[22] Cabello, D., Sekulova, F. & Schmidt, D. (2008), p. 24
[23] Oxfam Briefing Paper (2007), p. 6
[24] The World Bank Group (2012) ‘About Us – History’

reduction and development is the IBRD and IDA. These institutions are constructed as a partnership and are managed by 187 member countries.[25]

IBRD was created in 1944 as the original institution of the World Bank Group. It is structured as a cooperative, and is owned and operated for the benefits of its 187 member countries. IBRD aims at reducing poverty in middle-income and creditworthy poorer countries. This aim is fulfilled by promoting sustainable development through loans, guarantees, risk management products, and analytical and advisory services. Since 1947, when the institution's first bond was issued, IBRD has become one of the world’s most established borrowers. It raises most of its funds on world’s financial markets and, over the years, has generated an income which allows it to fund development activities, borrow at low cost, and offer clients good borrowing terms.[26]

IDA was established in 1960 with the goal of reducing poverty by providing interest-free credits and grants for programs that promotes economic growth, reduce inequalities and improve living conditions. IDA loans money on concessional terms, with zero or very low interest charge, and with repayments stretched over 25 to 40 years. It is one of the main sources of assistance for the world’s 81 poorest countries, 39 of which are located in Africa, making it the largest source of donor funds for basic social services in the poorest countries. Since 1960, IDA credits and grants are in total of US$238 billion.[27]

Another important piece of the World Bank puzzle is the Poverty Reduction Strategy (PRS). The PRS is a joint development approach between the World Bank and IMF that started in 1999. The PRS is one of the branches which strategically targets poverty reduction by identifying where aid from the IDA should allocated. It aims to help governments set their priorities and to encourage donors to be predictable and to provide harmonized assistance that is aligned with the countries priorities. This approach is centered around the implementation of PRS which describes development priorities, policies, programs and resources needed to meet the goals of development.[28] It was through the PRS that the Malian cotton industry came to be included in the strategy for poverty reduction.[29]

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[25] The World Bank Group (2012) ‘About Us – What We Do’
[26] The World Bank Group (2012) ‘The International Bank for Reconstruction and Development’
[27] The World Bank Group (2012) ‘International Development Association’
[28] The World Bank Group (2012) ‘Joint World Bank/IMF 2005 PRS review’
[29] Oxfam Briefing Paper (2007), p. 4

The Poverty Reduction Strategy Papers (PRSP) build on the PRS, and promote growth and poverty reduction. The PRSP, prepared by governments via a process that involves civil society and development partners, describes a country's macroeconomic, structural, and social policies and programs. The PRSP provides a foundation for the World Bank and IMF to issue assistance and debt relief under the Heavily Indebted Poor Countries Initiative (HIPIC). The PRSP is written every three years and presents a thorough diagnosis of poverty.

Mali had two PRSP projects, dating from 2000 and 2002, in which eleven working groups were active in trying to bring together the government, civil society, the private sector and external development partners. Mali's PRSP has three focus areas: institutional development; enhance governance, participation, and further human development; improving the access to basic social services, and development of infrastructure; and promoting key economically productive sectors.[30]

[30] The World Bank Group (2012) 'Mali - Poverty Reduction Strategy Papers'

3.0. THEORETICAL FRAMEWORK & CONCEPTS

3.1. NEOLIBERALISM

Neoliberalism first appeared as a critique of Keynesianism, a form of political economy.[31] This neoliberal critique can be traced back to the Austrian school and Friedrich Hayek, who argued against state involvement in the economy. In the 1980s neoliberalism successfully established itself in the political economic debate through Thatcherism in Britain and Reaganism in the United States. Trends show that the Neoliberal ideas were mainly adapted by English speaking nations in Anglo-America, and with the exception of Britain, had less influence in nations in the European Union and East Asia.[32]

The neoliberal framework has its roots in theories from the classical economists Adam Smith and David Ricardo. Smith's theory is based on the market as a self-regulating institution that will distribute goods for the benefit of all, and that labour specialization together with new technical innovations would lead to increase economic growth.[33]

> "*If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce our own industry employed in a way in which we have some advantage*" [34]
>
> Adam Smith, The Wealth of Nations, 1776

The main idea of Ricardo is comparative advantages which also involves labour specialization. The neoliberal theory has incorporated these ideas into the base arguments that state involvement and the dominating role of the state is the primary reason for slow or even lack of economic growth in developing countries.

They argue that the inference of a state in the economy will disturb a natural price-setting mechanism, leading to inefficient production and investments are not made in the most productive sector.[35] Neoliberalism can also be said to be rooted in a moral project, where

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[31] National Encyclopedia (2012) 'Keynesianism' – "Economic direction in macro economy created in the 1930's by John Maynard Keynes. Keynesianism is pessimistic about the ability of the marked to create a balance of full employment in national economics. According to the Keynesian model there is no automatic trend towards full employment in the long run but with financial assistance from the government the outlook to reach a high level of employment is possible."
[32] Gamble, A. (2001) , p. 128-129
[33] Bull, B. (2006a) , p. 35
[34] Feenstra, R.C. & Taylor, A.M. (2006), p. 61
[35] Bull, B. (2006a), p. 38

there are moral benefits of market society and that the market functions as a necessary condition in order to gain freedom in other aspects of life.[36]

It is argued by Scholte (2005) that the theory of neoliberalism focuses completely on the economic aspect when it comes to policy making. The neoliberal theory tends to isolate other dimensions of social relations such as cultural, ecological, political, geographical and psychological aspects. The most important questions of neoliberalism evolve around production, exchange, and consumption of resources.[37]

Interference by the state is strongly discouraged by neoliberalism. In fact neoliberalism argues that most costs should be shifted from the state back to the individual, if possible, and that markets should be kept as flexible as possible. Restrictions made by the states on competition should be removed, such as taxation, in order to make market agents more influential.[38] The core of neoliberalism is the principle of free-market based solutions to economic problems.[39] Basically, the neoliberal core values rests on economism and marketism which are to be achieved through the means of privatization, liberalization and deregulation.[40] [41] [42] This is what distinguishes neoliberalism from other liberalisms; the aim to free 'the market' in conceptual terms and to develop it above politics – to break it loose from any kind of political interventions.[43]

3.1.1. PRIVATIZATION & LIBERALIZATION

Privatization can be defined as the goal to fully or in part transfer the property or responsibilities of the public sector/the government to the private sector or private persons.
Liberalization is defined as the relaxation of previous restrictions implemented by the government in areas of social or economic policy, and political organization.[44]

Stephanie Mudge explains neoliberalism in her article '*What is Neoliberalism?*' as an ideology existing in three different worlds described as faces; the intellectual face, the

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[36] Mudge, S.L. (2008), p. 706
[37] Scholte, J.A. (2005) , p. 7
[38] Gamble, A. (2001), p. 132
[39] Mudge, S.L. (2008), p. 706
[40] Collins English Dictionary (2009) 'Economism' – "A political theory that regards economics as the main factor in society, ignoring or reducing to simplistic economic terms other factors such as culture, nationality, etc."
[41] Konov, J. (2009) 'Philosophy of the Economy - Marketism Verses Capitalism' – "Economic concept based purely on demand to supply economics with no ideological or political involvement"
[42] Scholte, J.A. (2005), p. 7
[43] Mudge, S.L. (2008), p. 715
[44] Bull, B. (2006b) , p. 3

bureaucratic face, and the political face. Privatization and liberalization are placed in the bureaucratic face by Mudge, due to its goal to promote competition by excluding the state from the business of ownership. This category also includes the aim to free institutions that formerly been protected from the competition of the private market.[45]

In an ideal neoliberal economy, any regulation enacted by a state is enacted with the aim to facilitate and protect private ownership; any other interference by the state undermines the efficiency of the market. The “free” operation of supply and demand should be able to prosper among producers and consumers.[46]

The bureaucratic face of neoliberalism uses policies that promote unfettered competition by getting the state out of the business of ownership and preventing politicians from pursuing a dirigiste-style economic management.[47] Dirigiste refers to state control of economic and social issues.[48] The state’s economy should be managed with attention to the gains of the individual and the benefits for the society as a whole, and further unify those two main factors to one core leading factor for the management of state economy.[49]

The policies of privatization and liberalization are built upon the idea that markets should be free and open. It is supply and demand that regulates production, exchange and consumption of resources. The market is treated as a normal and inherited condition, where the public sector should ‘enable’ rather than ‘do’ in the economic sphere. Privatization or the sale of state properties usually means that there has been an entry of private global capital; this often concerns a state’s banking, energy or telecommunication industry.[50] Neoliberals argue that interference with the market price will reduce the volume of economic growth, and further that an economy controlled by the state gives opportunities for politicians and bureaucrats to enrich themselves and their supporters through corruption.[51]

It is argued by neoliberals that together with globalization, the combination of privatization, liberalization and deregulation will create a high level of prosperity, liberty, democracy and peace.

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[45] Mudge, S.L. (2008), p. 704
[46] Scholte, J.A. (2005) , p. 1
[47] Mudge, S.L. (2008), p. 718
[48] Dictionary.com, "dirigiste," in Collins English Dictionary
[49] Bull, B. (2006a) , p. 39
[50] Scholte, J.A. (2005), p. 8
[51] Bull, B. (2006a), p. 39

The term ‘Globalization’ has been used in many ways, but by many policy makers it has been used to describe the creation of world-scale liberalized markets. Those critical towards neoliberal policies have called upon anti-globalization movements to focus on neoliberalism and not only globalization in itself.[52]

The neoliberal theoretical framework has not been adapted to the currents globalized era, and currently faces challenges as new vulnerable points have been discovered. As mentioned in the previous section, neoliberalism fails to take the ecological and social world into account. Awareness and new experiences could contribute to development of the concept or alternatives to the theory could be created.[53]

3.1.2. NEOLIBERALISM IN PRACTICE

Privatization has been promoted worldwide by many multilateral agencies, such as the International Monetary Fund and the World Bank. Economic reconstruction policies have used privatization as a foundation in structural adjustment programs. Regional entities such as the European Union often promote privatization, and in many national governments, privatization has become one of the main pillars of certain political parties.[54]

Neoliberals argue that the involvement of the state in the market creates an obstacle for possible trade opportunities on the global market.[55] Liberalization is the abolition of restrictions imposed on movement of goods, services, money and capital between countries. Trade barriers, foreign exchange restrictions, and controls of direct and portfolio investment should, according to the neoliberal framework, be removed or reduced by authorities. These neoliberal policies have been strongly supported by both the IMF and the World Bank, but also implemented on cross-border traffic within regional entities such as the EU, MERCOSUR and NAFTA.[56]

The neoliberal emphasis on privatization, liberalization and deregulation has in some countries contributed to increased prosperity to its economy and individuals. On the other side of the coin, harm has also been caused by these policies as these economic reconstructions often involve many losing their jobs, deteriorating working conditions, and higher instability on financial markets. Moreover, ecological degradation, cultural destruction, and social

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[52] Scholte, J.A. (2005), p.1
[53] Ibid., p.25
[54] Ibid., p. 9
[55] Bull, B. (2006a) , p. 39
[56] Scholte, J.A. (2005), p. 10

inequality have become ubiquitous in developing nations due to these policies in combination with globalization.[57] Social consequences are often suffered by the poor through a reduction in subsidies and social benefits that comes alongside neoliberal policies. These policies often fail to provide other or new opportunities for individuals whose jobs were lost and as a result can contribute to poverty in many situations.[58]

3.2. CONDITIONALITY

The main purpose of the World Bank is to reduce poverty, and to promote sustained economic development by providing financial and technical assistance to poor countries. The World Bank lends funds at low interest rate to poor borrowers, but because these nations are too poor and cannot obtain loans on the terms given by the World Bank, the loans translate into a form of aid. In return, conditions are imposed on the borrowing or aid recipient country, which can be changes in trade or fiscal policy, changes in the process of planning, or adopting or implementing policies, all with the goal of facilitating the achievement of development goals.[59] [60]

The report prepared for the Norwegian ministry of foreign affairs in 2006 by independent researchers defines the concept of conditionality as:

> *'The application of specific, pre-determined requirements that directly or indirectly enter into a donor's decision to approve or continue to finance a loan or grant.'* [61]
>
> Benedict Bull, 2006

The conditionality that will be used in this thesis is an economic policy conditionality. In this thesis this concept will be defined as following:

The specific conditions about the implementation of economic policies attached to development funds or loans to receiving developing countries. The loan or fund does not need to be intended to be used in the same area as a policy conditionality. [62]

3.3. DEPENDENCY THEORY

Dependency theory first came to develop as a reaction towards modernization theory in the 1960s and 1970s. This theory came to offer a more radical point of view on development in

[57] Scholte, J.A. (2005), p. 1
[58] Bull, B. (2006a), p. 39
[59] Feenstra, R.C. & Taylor, A.M. (2008), p. 690
[60] Bull, B. (2006b), p. 8-9
[61] Ibid.
[62] Ibid.

the Third World. It first of all began with stating a disbelief in the notion that Third World countries could use the same path of development as the Western industrialized nations.[63] The dependency school sees the world as a system containing of the Western industrialized countries at the center of the world system and post-colonial countries at the periphery. Due to a dependency relationship between these two units in the world system, national economics cannot be analyzed as isolated units independent of the capitalist world system.[64] The dependency theorists argued that only transferring technology, in forms of aid, from Western industrialized countries to the developing world to propel development would simply not work because of the world system which would ensure that any value produced in the developing world would eventually be transferred to benefit the Western industrialized countries.[65]

At the time when dependency theory was new and fresh it was welcomed by many Third World scholars. This theory suggested that the underdevelopment of Third World countries could be due to the foreign domination and exploitation rather than traditional values of the underdeveloped countries. The early version of dependency theory also proved to be widely pessimistic about the prospects of economic growth. As mentioned in Handelman (1996) many of the early dependencistas, such as Andre Gunder Frank, argued that countries in production of nonindustrial goods and ruled by an unrepresentative elite would continue to experience a backwardness in development.[66] Other authors argued that a socialist revolution was the only solution, only in that manner could the cycles of transferred value from the poor to the rich become disrupted. Economic independence for developing nations was also prescribed by some authors.[67]

The direction of the theory changed somewhat during the 1980s when its focus shifted towards internal factors within poor countries. The original idea of the state was to act as an ideal state being exploited by richer metropolises elsewhere, but this idea shifted because in reality the state was exploiting its own people also.[68]

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[63]Handelman, H. (1996) , p. 14
[64]Bull, B. (2006a) , p. 34
[65] Nustad, K.G. (2006) , p. 235
[66] Handelman, H. (1996), p. 15
[67] Nustad, K.G. (2006), p. 236
[68] Ibid. p. 237

During the 1990's, the focus of dependency theorists was on the neoliberal and uneven global development. New interests were found in the discussion surrounding the internal division of labour, social exclusion, cultural relations and the critique of uneven globalization.[69]

3.3.1. MAIN CHARACTERISTICS

The foundation of dependency theory is that the periphery are tied together with the core, which has contributed to ongoing underdevelopment in the periphery.[70] Dependency theorists argue that Western colonialism and economic imperialism are the major reasons African, Asian and Latin American countries have become the main source of cheap food and raw material for Western powers. They also argue that even after colonized countries achieved independence, Western powers have continued to use their economic superiority to exploit and dominate developing countries.[71] In Bull (2006), this relationship is described as a class alliance between the elite of former colonies and the elite in the western industrialized countries, and implies that such a relationship contains unfair trade relations even after decolonialization.[72]

This theoretical framework sees that development in one part of the world may have direct consequences for countries which are underdeveloped in other parts of the global system. It is in many ways similar to Marxism, though dependencistas are critical about the Marxist view of capitalism which argued that it is possible to bring poorer countries to out of their traditional pattern of production. Capitalism is described by authors of dependency theory as; Frank (1969) the alliance between the international investors and trading partners and the local elite in former colonial countries, resulting in a surplus for investors and trading partners which are later on spent on luxury goods and imitations of the Western lifestyle. Dependency theory also argues that the world market has done more harm than good for developing countries. [73]

Wallerstein (2004) describes in his book 'World-System Analysis' describes dependency theory in a similar fashion. In this book the author argues that the dependency theory that developed in Latin America is a critique of the economic practices and promoted by Western Powers. Andre Gunder Frank is again cited, "the development of underdevelopment", which portrays the result of the actions by powerful states located in the core. The state of

[69] Pieterse, J.N. (2001), p. 151-152, 155
[70] Bull, B. (2006a) , p. 34
[71] Handelman, H. (1996) , p. 15
[72] Bull, B. (2006a), p. 34
[73] Ibid. p. 35-36

underdevelopment is seen as an unnatural and a consequence of historical capitalism.[74] Further, in his World System Theory, Wallerstein urges to explain the historical rise of the West and the third worlds inability to catch up with their development. Wallerstein rejects the argument of other development theories, such as the possibility for change through methods of foreign aid, reforms of legal and economic norms and psychological manipulation of individuals to better motivate individuals. This is argued to be nonsensical by Wallerstein, due to the fact of the existence of strong industrialized powers with the ability to extend their markets and political power. Because of this, countries developing in a globalized world cannot possibly follow the same development path. The countries that today are underdeveloped, often called the Third World, were put in the position that they are in today by Western countries that faced development earlier. These Western countries did not go through different stages to reach their development; they only successfully proceeded with the aid of the surplus that they made from the countries that they exploited. Third World countries today, are there stuck in their present dependency trap due to being systematically underdeveloped.[75]

The ideal solution of dependency theory has been to work towards development based on self-help and to sever relations with the world market. This solution is inspired by Marxism, and shows the criticism of the distribution of benefits of development, but also the very nature of development.[76] The modern idea of development is based on the rejection of the notion that periphery countries can follow the same path as Western Nations did when they developed. Newly industrialized countries in today's globalized world face much tougher competition in the form of well-established giants. As mentioned, countries have an unfair trade relationship and therefore in order to maintain their newly industrialized nation, have to borrow financial capital and purchase expensive technology from the developed world, this making them further dependent on external economic forces.[77]

3.3.2. AN OUTDATED THEORY?

Dependency theory became popular during the 1970s and 1980s as a reaction to the development theories at the time, and was considered to be one of the most convincing critiques of the major economic development theories. Later on during the 1990s, the core theses of the theory lost relevance due to the fall of the Soviet Union and rapid economic

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[74] Wallerstein, I. (2004), p. 12
[75] Chirot, D. & Hall, T.D. (1982), p. 83
[76] Bull, B. (2006a), p. 34
[77] Handelman, H. (1996), p. 14

development in East Asia. Some of the theory's main arguments still live on and are being used in other areas of economic development, such as environmental arenas, namely environmental sustainability with respect to industrialization and economic growth.[78] Dependency theory saw liberal economic development as an exploitative relationship and the theory still provides important understandings of the global economy from a historical perspective. Countries in modern time have been able to break out of the dependency trap (the core assumption of the dependency theory), but it is still important to gain knowledge and understanding of the situation when the dependency trap did exist.[79]

The historical exploitation of underdeveloped parts of the world is the foundation of today's wealthy nation's privileged status. It is therefore important for those nations to have knowledge about this historical dependency as it may be necessary to adjust living habits and conditions in order to accommodate a decent living standard for poorer countries. Dependency theory, as mentioned in previous section, also focuses on the relationship between rich and poor, giving the argument that one country's wealth is dependent on poor countries to remain poor. This makes it worth considering the possible need to reconstruct the present development models, as the present the gap between the top 1% and the global 99% has never been greater.[80]

Dependency theory's argument regarding wealth disparity is relevant when looking at the UN's 2007 Human Development Report, which shows that more than 80% of the world's population lives in countries where the differentials in income are widening.[81] Those countries have not benefitted as much from globalization as richer countries, which are depending on continued low wages and poor living condition in developing countries to maintain their improving standard of living. Dependency theory therefore provides an important perspective, which is needed in order for development analysis not to become obsolete.[82]

[78] Bull, B. (2006a), p. 35
[79] Glennie, J. & Hassanaien, N. (2012)
[80] Ibid.
[81] United Nations Development Programme (2007) 'Human Development Report 2007/2008'
[82] Glennie, J. & Hassanaien, N. (2012)

4.0. ANALYSIS

The end of poverty is a goal for governments, NGO's, and aid organizations the world around. The World Bank has for many years tried to initiate development and help poor countries to achieve sustainable economic growth. Anti-poverty plans need support from rich countries in order to become a reality, and these countries should be entitled to attach some reasonable terms and expect that their money will be used to fight poverty. However, what donors are not entitled to is to push economic policy conditions such as privatization and liberalization upon aid receiving countries, as this infringes upon sovereignty. Historically, the World Bank agreed not to use economic policy conditions unless two safeguards were met; the conditions had to be 'country-owned', and "based on analysis of the impact of the policy on poor people prior to their application".[83]

As one of the poorest countries in the world, Mali should be highly prioritized amongst donors such as the World Bank. If need, financial accountability, and governmental accountability were the basis for aid, Mali would be on the top of the list.[84] Instead, Mali been less prioritized compared to other countries which are less poor, less stable, or both. For example, Cote d'Ivoire's level of aid indicates that Mali is being under-aided by the World Bank even though it is poorer than its neighbor. Comparing Mali to another country in the same area, also receiving aid from the World Bank, gives a perspective of the economic situation in Mali but also shows that Mali is not as highly prioritized as it should be.

Mali received, in 2009, $66 per person in comparison with its neighbor Cote d'Ivoire which received $124 person.[85] Mali's HDI was 0,35 and Cote d'Ivoire's was 0,4 the same year, and further Mali had 50,4% of its population living below the international poverty line ($1,25 a day) while Cote d'Ivoire had in 2008, 23,8% of its population living under $1,25 a day.[86]

[83] Oxfam Briefing Paper (2006), p. 2
[84] Oxfam Briefing Paper (2006), p. 15
[85] Aidflows, Database
[86] UNDP International Human Development Indicators, Public Data Explorer

Table 3: Under-aided, Cote d'Ivoire versus Mali

	Cote d'Ivoire	**Mali**
Population in million*	20,2	15,4
GNI per Capita**	$1,160	$600
Net ODA Disbursements per Capita *** in $ millions 2009	124	66
Percentage of population living on less than $1.25 a day **	23,8% 2008	50,4% 2010
Under Five Mortality Rate (per 1,000 live births) 2009 *	119	191
Human Development Index*	0,4	0,35
UNDP Human Development Index Ranking out of 187 countries (187 being the least developed country)*	170	175
Public Expenditure Management / number of the 14 benchmarks met****	7	11

* Human Development Report 2011, United Nations Development Programme

** The World Bank, World Development Indicators

*** OECD/DAC

**** IDA, IMF, April 2005, Update on the Assessments and Implementation of Action Plans to Strengthen Capacity of HIPCs to Track Poverty-Reducing Public Spending

The timeframe for this analysis will start from 1998, when conditions were first attached to Mali's aid and debt-relief from the World Bank, and end at 2011. These conditions first attached in 1998 have been a basis for the World Bank to push for privatization and liberalization. As mentioned, the World Bank is not entitled to push such economic policy conditions unless there is a mutual agreement with the Malian government.[87]

4.1. CONDITIONALIES APPLIED BY THE WORLD BANK ON MALI

In 1998, a reform of the cotton industry and public-expenditure management became a condition for Mali to continue receiving aid and debt relief from the World Bank.[88] The purpose of the reform was to maximize profit and to reduce dependence on the state budget. Furthermore, this reform was to establish a small and sound cotton industry, where prices

[87] Bergamashi, I. (2008), p. 24
[88] Cabello, D., Sekulova, F. & Schmidt, D. (2008), p. 25

were on the same level as the world market price for cotton, and the cotton service provision would be separate from the non-cotton service-provision.[89]

The reform that was requested in 1998 was a condition for Mali to receive debt relief under the Heavily Indebted Poor Countries Initiative (HIPCI). The aim of the debt relief under the HIPIC was to convince the Malian government to adjust the producer price of cotton. The reform was implemented in 1999 after intensified pressure from the World Bank. In 2001, the World Bank wasn't satisfied with the progress. Therefore, the World Bank attached additional conditions to its Structural Adjustment Credit (SAC) III which is a branch of support from the IDA, a loan of $70m to Mali. The goal of the SAC III was to break up the public monopoly in the cotton industry held by the CMDT. The CMDT is a company owned by the Malian state in charge of the production and marketing of cotton in Mali, which so far had provided cotton farmers with needed inputs such as transportation, training of producers etc. These conditions included the consent of the Malian government to privatize and liberalize the cotton sector. The reform was based on the resolution of the monopoly held by the CMDT, and the privatization of the CMDT was scheduled for 2006. As a result of the World Bank's dissatisfaction with the progress from 1999, the condition of reform for public-expenditure management was still a target in addition to the privatization of the CMDT.

Since start of the first condition for reform in 1998, Mali has faced several financial crises. The Malian cotton industry was hit severely by the sharp decline in the world price of cotton. Mali's cotton farmers were immediately affected by the reform and deregulation of the sector, as they came to be directly exposed to the low world market price and the subsidies of cotton provided in richer countries.[90] The US and the European subsidies to their cotton farmers is the biggest force driving down the world market price in cotton, and due to this Mali is not gaining the developmental rewards from its cotton production. Mali and other cotton producers in Africa miss out on returns for the production because of these subsidies. It is estimated that cotton producers in the developing world faces losses up to $9,5bn because of Western subsidies.[91]

The SAC IV, also focusing on cotton sector reform, was adopted after many disagreements between the World Bank and the Malian government. For SAC IV, the main goal was to reduce the budgetary risk. The World Bank argued that the producer price for cotton agreed

[89] Serra, R. (2012), p. 2
[90] Cabello, D., Sekulova, F. & Schmidt, D. (2008), p. 25
[91] Oxfam Briefing Paper (2006), p.19-20

for in 2004-5 was unsustainable in relation to the world market price. The Malian government refused to reduce the producer price as the World Bank demanded. This led to a suspension of the SAC IV negotiation and financing from the World Bank based on the unfulfilled conditions. Due to this disagreement and suspension of negotiations, the privatization of the CMDT was further delayed until 2008, but new conditions were attached.[92] The SAC IV was prepared by an external consultant greatly influenced by the World Bank. The first condition included a revision of the price-setting mechanism. The purpose of the new liberal mechanism was to connect the producer's compensation to the share of the total profits accruing to the cotton value chain. The compensation of the producer would then be calculated through a formula of the expected international cotton price. This new liberal mechanism came to be widely criticized for penalizing farmers and jeopardizing the very goal of economic growth through disincentives of production.[93]

A second condition for the SAC IV was that the Malian government needed to make a serious effort in the privatization process of the CMDT and recommit to the new timetable.[94] As of the end of 2011, the privatization of the CMDT had not yet occurred. Though there has been, to some degree, a liberalization of the sector, many market reforms introduced by the World Bank have lagged behind. The CMDT is a company in a key economic sector in Mali which provides rents for elites, revenues to fund state programs, and is a source to sustain patronage relations. The privatization and liberalization have been lagging behind as politicians use any resistance to avoid these reforms as they are reluctant to support it and have no incentives to do so.[95]

4.1.1. THE PERSEPCTIVE OF THE WORLD BANK

The World Bank has through these conditionalities, just mentioned in previous section, tried to prosper development and economic growth in Mali. To introduce reforms through conditionalities, are believed by the World Bank, to change development outcomes to the better.[96]

After the HIPCI was implemented with conditions attached, the crisis in the cotton sector continued and the CMDT became weaker. For that reason, the World Bank attached certain conditions to its SAC III to Mali. The World Banks objective with the SAC III was to help

[92] Oxfam Briefing Paper (2007), p. 3, 9
[93] Serra, R. (2012), p. 7
[94] Oxfam Briefing Paper (2007), p. 9
[95] Serra, R. (2012), p. 8
[96] The World Bank (2007), p. i

Mali to restore a stable economic growth by providing needed credit to lessen the gap in the cotton industry from the cotton crisis. This was to be done by restructuring the cotton sector to be more efficient and less sensitive to changes in the international economy, as mentioned in previous section; the goal was to break up the CMDT monopoly. Another objective with the SAC III was to improve the management for planning and public expenditures to make poverty reduction more efficient.[97] These two sectors, the cotton industry and public expenditure management were chosen to be the main focus of the SAC III due to the importance of these for Mali's poverty reduction program. They were therefore highly responsive to the circumstance in the country and its development priorities. Further, the conditionalities to the SAC III was attach because the credits received was to be used for implementing the privatization of the CMDT and the reform in public expenditure, without having to cut in social expenditures.[98]

For the SAC IV proposed in 2005, the World Bank's objectives had changed somewhat compared to the objectives of SAC III. For SAC IV the World Bank's objective in relation to the cotton industry was to accelerate private sector led growth. This would help promote growth and improve expenditure execution, which in turn supports poverty reduction.[99] The privatization of the CMDT, at this time, had not made any major progress and therefore the IDA was reluctant to compromise on the objectives from the SAC III. In the World Banks implementation report, it acknowledges the difficulties experienced between the Bank and the Borrower, Mali, which occurred in the process of the negotiation of the price-setting mechanism. Another sensitive issue for the SAC IV was the deterioration of the international cotton price against the cotton price set by the old price mechanism, this resulted in an increase in the Governments budget deficit. There are also conclusions regarding the time frame for the privatization process of the CMDT, where it is concluded that a medium term planning period are more suitable than a short-term period.[100]

Through the different conditionalities applied on Mali and its cotton industry, the World Bank's have been consistent with its objective; to establish stable economic growth, poverty reduction through various means and improvement in expenditure management. The World Bank also recognizes difficulties in its implementation reports for the SAC projects, though it

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[97] The World Bank (2001), 'Mali – Third Structural Adjustment Credit', p. 3
[98] The World Bank (2004), p. 2
[99] The World Bank (2005), p. v
[100] The World Bank (2006), p. 2-3

have chosen to stick to it methods to promote economic growth and reduction of poverty in Mali.

4.1.2. RESULTS OF CONDITIONALITIES APPLIED BY THE WORLD BANK ON MALI

The CMDT and the cotton sector needed reform after the dramatic price decrease in order to be profitable for poor farmers. The reforms introduced by the World Bank seem to have gone in the opposite direction of the stated poverty reduction goals and have not created market opportunities for the cotton industry. There is also risk from embracing further reforms as the real gains of the reform might benefit traders and companies at the expense of those at the bottom of the chain, poor farmers.[101]

The influence of and the applied pressure by the World Bank on the Malian government has resulted in political officials backing down, as they have not been ready to pay the political price for resisting the World Bank’s pressure. Consequences for doing so would be delayed aid and debt-relief, and for politicians in Mali this is a high price to pay.

During the negotiations of the reforms introduced by the World Bank, the two presidents, first President Konaré and then President Touré surprisingly agreed on the privatization reforms. As the government caved under the World Bank's pressure, the plan for privatization was designed by the World Bank as well. President Touré later, in a speech to the Development Cooperation Forum in Washington in 2005, criticized the ownership and partnership of the reform that the World Bank was trying to implement.[102]

'True partnership supposes autonomy of beneficiary countries in requesting aid and in determining its objectives… Often programmes are imposed on us, and we are told it is our programme (…) No one can respect the conditions of certain donors. They are so complicated that they themselves have difficulty getting us to understand them. This is not a partnership. This is a master relating to his student' [103]

President Amadou Toumani Touré of Mali, 2005

As a result, both the ownership and the cooperation of the privatization of CMDT has been questioned. Both the HIPCI and the PRSP issuing the loans and debt reliefs have been prepared by consultants under the influence of the World Bank. The PRSP has also been criticized on the nature of participation from Malian government. The millions of dollars that the World Bank threatens to withdraw as aid from a poor country like Mali has a strong effect on decisions made by the government. Aid and debt-relief was held back in 2004 and reduced

[101] Oxfam Briefing Paper (2007), p. 5
[102] Bergamaski, I. (2008), p. 25-26
[103] Bergamaski, I. (2008), p. 26

to half in 2005 due to unsuccessful implementations of conditionalities or lack of agreement in negotiations, and the government was pressured into accepting the SAC IV. This undermines the national policy process and the ownership of the reform will be weak.[104]

The failure to privatize the cotton industry has resulted in the World Bank preventing Mali from accessing a greater volume of aid. Even though Mali is severely poor, the World Bank placed Mali in a base-case lending scenario when determining its overall assistance strategy for low income countries. This is a lending strategy that places countries into categories, one of which is called a base-case, based on fulfillment of conditionalities to determine lending volume. In 2006, Mali was entitled to $390m as a base-case scenario country, although it should have been granted a maximum volume of $462m. The difference between the two categories in volume of aid is $72m, which could have paid the salaries of 5,000 teachers for the next 10 years.[105]

The implementation of the new liberal price-setting mechanism began in 2002-2004. This mechanism was very different from the previous approach, which used a fixed floor price in advance of the season that was based on the company's and the farmer's production cost. In addition to this, there was a stabilization fund which served to stabilize the floor price and minimize the fluctuation between seasons. The new liberal price-setting mechanism used a minimum guaranteed price over a three year period, using a formula which takes into account the costs of production, the regional price and the world price. One of the issues with this new liberal price-setting mechanism and formula is that it ignores the costs of production borne by producers, such as the value of family labour and depreciation of capital. The World Bank intended to redirect the resources used to fund deficits in the cotton sector to other areas of poverty reduction, but it gave little attention to the impacts of this new liberal price-setting mechanism. The new liberal price-setting mechanism generated a much lower cotton price, and still in 2004, the World Bank argued for a even lower price as it aimed for the budget reduction of the CMDT because the company faced. Another argument was that the government resources used to shore up the deficits in the cotton sector should be used in other sectors to fight poverty, such as health and education.[106]

The new liberal price-setting mechanism resulted in increased risk and uncertainty for farmers and their production. As one-third of the population is dependent on cotton production in

[104] Oxfam Briefing Paper (2006), p. 21
[105] Oxfam Briefing Paper (2006), p. 23
[106] Oxfam Briefing Paper (2007), p. 12-15

Mali, the need for another support fund has increase dramatically. This is due to the need to maintain a stable, economical base price as the world price of cotton continues to decrease.[107]

4.1.3. IMPACTS AND FUTURE CONSEQUENCES

The liberal price-setting mechanism that was introduced between 2002 and 2004, as described in the previous section, had a direct impact on farmers as the cotton price dropped by 20% in 2005. This price drop affected 3,5 million Malian farmers, a quarter of the population in one of the world's poorest countries. The World Bank noted in its own study that the impact of a 20% drop in cotton prices was likely to increase the overall poverty in Mali by 4,6%. The more immediately observed impacts from the price drop has been growing food insecurity, rising debt and poverty among cotton farmers. This is due to the decreased income generated by farmers which contributes to farmers not being able to support their families with food and other necessities. As the incomes of farmers drop, household expenses are becoming more difficult to obtain, meaning children are taken out of school and health-related expenses are not possible for many. Many farming families are also forced to sell goats and other cattle to repay credit on input for cotton. This is an example of the social dimension which are so frequently ignored by the neoliberal theory.

With the new liberal price-setting mechanism, the guaranteed minimum price for cotton has seen a sharp decline. There is also an increase in uncertainty and risk for cotton farmers due to the possible downward price trend during the growing season.[108]

The World Bank's intention is to reduce public spending in the cotton industry. Public spending had been used in the cotton industry to have a guaranteed minimum price and to provide needed inputs for cotton farmers. The World Bank wanted these resources to be used for poverty reduction in other sectors. What happened instead was that cotton farmers income plumeted and prices of the necessary inputs to produce cotton increased, making it difficult to sustain a livelihood and to support their families. Before the new liberal price-setting mechanism, farmers relied upon government resources which enabled them to sell their cotton for a reasonable price and also provided them with the necessary means to sustain their production. This resulted in an income which enabled farmers to feed their families and pay for their children to be in school. Now, 4,6% more of the population is impoverished and needs support to feed their families, meaning that although government resources are spent

[107] Ibid.
[108] Oxfam Briefing Paper (2006), p. 23-24

on poverty reduction, these resources now need to be split between a larger portion of the population.[109]

The overall economy has also been impacted by this price-setting mechanism and the subsequent 20% drop in cotton prices. As the income for farmer households is reduced because of lower prices, farming communities consume less. In Oxfam International's report '*Kicking the Habit: How the World Bank and the IMF are still addicted to attaching economic policy conditions to aid*', this reduction in consumer spending is estimated to add up to a loss of 1,9% of GDP. Furthermore, as the price falls, farmers are more likely to produce less, leading to an estimated loss of 4% of GDP.[110]

The ongoing privatization reform of the cotton industry has also contributed to farmers being directly exposed to subsidies from richer nations. The subsidies from richer nations, such as the US and the EU, are said to be the single biggest force to driving world cotton prices down by the World Bank's Country Assistance Strategy. The worst affected area is sub-Saharan Africa, and Mali would be greater rewarded in its development from cotton if rich countries would not subsidies their farmers so heavily.[111]

There have also been obstacles during the privatization process. Even though the Malian government has tried to privatize the cotton industry there are few companies willing to invest or buy companies currently serving the cotton industry. It has successfully sold a cottonseed processing plant, but has not managed to sell CMDT, the main cotton company.[112] It has been argued by the World Bank that the Malian cotton would be more competitive if the CMDT were privatized, but the only two companies to have an interest in buying it either bid far too low or later withdrew from negotiations.[113]

The execution, consequences and results of these drastic conditions attached to Mali's aid and debt-relief show that the World Bank is not willing to fully commit and give the time that is necessary in preparation for these kinds of transitions. This contributes to the lack of ownership of reform, which means that the reforms are not written and designed by the country itself. The reforms are instead severely influenced by the World Bank and adopted due to the pressure applied by the World Bank. There is a lack of balance in the World Bank's

[109] Oxfam Briefing Paper (2007), p. 13
[110] Oxfam Briefing Paper (2006), p. 24
[111] Oxfam Briefing Paper (2006), p. 19
[112] Oxfam Briefing Paper (2006), p. 23
[113] Bergamaski, I. (2008), p. 28

and other donor agencies, which is a power imbalance as donors have a great influence and involvement in sovereign decision making.[114] The way that the World Bank demands implementation of certain reforms infringes on sovereignty as it undermines democratic decision-making, as policies and reforms are shaped by outsiders and by using aid or debt-relief as the carrot or the stick.[115]

What is also clear is that the Malian government has, throughout this process of reform, lacked unity. The government has not been able to make unified decision regarding these conditionalities due to various political incentives which have been affected by the pressure applied by the World Bank. The government has tried in some cases to postpone the World Bank's conditions and in some cases unify against them, but emerging re-elections or the political price that would be paid due to loss of aid or debt-relief have usually forced politicians to accept these conditions.[116]

4.2. NEOLIBERAL METHODS IN DEVELOPMENT

The reports that's mainly been used for this analysis; The Oxfam Briefing Papers from 2006 and 2007, the A SEED Europe report from 2008 and the working paper for Africa Power and Politics by Serra from 2012, give a picture of how the World Bank has behaved in Mali. For this section I seek to analyze the problems wrought by the application of neoliberal methods and conditionalities, as has been the case in Mali.

‘Development cannot be imposed. It can only be facilitated. It requires ownership, participation and empowerment, not harangues and dictates.’ [117]

President Mkapa of Tanzania, 2004

For a long period of time the World Bank has used neoliberal measures in its development programs, and to create conditions attached to aid and debt-relief. The World Bank has a history of interfering in developing countries internal affairs to promote neoliberal economic policies. These actions are based on the neoliberal idea that the most efficient strategy for the production and provision of goods is through a quick market deregulation and private ownership.[118]

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[114] Bergamaski, I. (2008), p. 29
[115] Cabello, D., Sekulova, F. & Schmidt, D. (2008), p. 12
[116] Bergamaski, I. (2008), p. 29
[117] UK Policy Paper (2005), p. iii
[118] Cabello, D., Sekulova, F. & Schmidt, D. (2008), p. 11

In the case of Mali, the World Bank wanted to decrease state involvement in the cotton sector, which according to the neoliberal theory, is an obstacle for trade opportunities on the world market. In a neoliberal view, state interference in the economy disturbs the natural price-setting mechanism, which in turn results in inefficient production and investments which are not being made in the most profitable sector.[119] As described in the previous part of this analysis, the World Bank has, through conditions of privatization and liberalization, tried to decrease the state's involvement in the cotton industry.[120] A problematic aspect of these neoliberal measures promoted by the World Bank is that they are all based on the assumption of the existence of a ‘perfect market’. The trade-off between efficiency and equity also faces some problems, as state intervention is necessary for achieving equity and to provide basic services in Mali.[121]

In order for a country to develop, the government of the country needs to take full responsibility for enunciating their own development plans, together with the commitment of its political leaders and the scrutiny of its citizens. History has shown that policies designed and forced by outsiders does not foster development.[122] Examples of such development failure can be found in the 1980's and 90's in Africa and Latin America, where there are doubts that programs with neoliberal policies have been effective in achieving policy improvements or increasing growth potential.[123]

It is also important that each country takes its own responsibility for social and economic development, as national policies and development strategies can play a great role to pave the way for development only if the country itself has the full ownership of such.[124]

The reports used for this thesis have shown that the measures implemented by the World Bank, which introduced reforms for the privatization of the cotton industry and liberalization of the cotton price, have had striking consequences. The World Bank has the largest research budget globally and no evident rival in the field of development economics. This monopoly in the production of development-based knowledge has direct influence on scientists, policy makers and commercial bodies in the international community.[125] With this exclusive production of knowledge, it seems to be inevitable that the knowledge of potentially severe

[119] Bull, B. (2006a) p. 39
[120] Oxfam Briefing Paper (2006), p. 7
[121] Cabello, D., Sekulova, F. & Schmidt, D. (2008), p. 11
[122] Oxfam Briefing Paper (2006), p. 7
[123] Bull, B. (2006b), p. 7
[124] Oxfam Briefing Paper (2006), p. 7
[125] Cabello, D., Sekulova, F. & Schmidt, D. (2008), p. 18

consequences of the measures forced upon the Malian government should not have passed by unnoticed. [126] What is also alarming is that a donor organization possessing such a large amount of knowledge about development economics are under the presumption that one economic model promising more economic efficiency fits everyone. Not only are most development countries given a one-size-fits-all development plan prepared by an outsider highly influenced by the World Bank itself, the country's polices are all assessed by the same measures.[127]

By promoting free market solutions to development through conditions attached to aid and debt-relief, the World Bank has consistently enacted the neoliberal theory in regard to development. When promoting these reforms they have also ignored other dimensions of society, such as the cultural, ecological, political, geopolitical and psychological arenas. The consequences of the conditions attached to aid and debt-relief, as just described above, could not possibly have been unforeseen, and instead were ignored by the World Bank in order to cater to a free-market solution to developmental problems.[128]

The implementation of a neoliberal economic first-best principle gives the countries, in this case Mali, no chance of any possible adaption period to the changes demanded by the World Bank. The Malian government was put in a strenuous position, under pressure from the World Bank and with a government not fully united on the cause at matter. The resulting limited capacity of the government meant a poor beginning to reform, and instead of having a positive influence on development politics in the country, the World Bank allowed the process to undermine good governance instead of strengthening it.[129]

When taking the results and consequences into consideration, the neoliberal measures used by the World Bank have not been efficient to combat poverty. Further, they have proven not to be universal across borders, and have malfunctioned in Mali. Further, these policies were not efficient in reforming the cotton industry. The neoliberal development strategy is no longer ‘the only game in town’; as mentioned earlier, the conditionalities imposed by the World Bank on Mali are, according to the reports and statistics of the economic situation, both ineffective in reducing poverty and are infringing upon sovereignty.[130]

[126] Serra, R. (2012), p. 15
[127] Cabello, D., Sekulova, F. & Schmidt, D. (2008), p. 13
[128] Scholte, J.A. (2005), p. 7
[129] Serra, R. (2012), p. 15
[130] Cabello, D., Sekulova, F. & Schmidt, D. (2008), p. 11

4.2.1. ALTERNATIVE DEVELOPMENT ASPECTS

Alternative development measures have, in the case of Mali been overlooked by the World Bank. The World Bank dismissed the idea of a Cotton Support Fund, which was used in other West African countries such as Burkina Faso and Cameroon. These Support Funds have ensured a minimum guaranteed price for cotton farmers which in turn have reduced exposure to price fluctuations on the world market. The Support Funds have essentially redistributed revenue between years with surplus and deficit. Many countries in Central Africa have, since the sharp decline in prices for agricultural goods in 2004 and 2005, requested that donors should invest in these Support Funds.[131] These requests have been brought to light due to the fact that these financial hardships are a product of unfair trade relations with rich, subsidy based economies. The requests suggest, in line with the dependency theory, that there is a need to reconstruct present development models. The reconstruction of development models is supported by the fact that one country’s wealth is depending on poor countries remaining poor. As the gap between the top 1% and the global 99% has never been greater, this indicates the creation of an all new dependency trap.[132]

A Cotton Support Fund would also be in line with the dependency theory’s argument that the best solution to prosper development is to support self-help and to sever relations with the world market.[133]

The dependency trap that Mali is currently caught in can be argued to be a rewritten version of what historically occured in the exploitive relationship between developing countries and the developed countries.[134] The World Bank has, since the late 1990’s, been promoting controversial neoliberal reforms that negatively affect the lives of a quarter of the Malian population without sufficiently analyzing the consequences of such reforms. The stringent conditions to reform the cotton sector and to liberalize the cotton price have also held up aid that is essential to Mali. This aid, that could have been used to improve and stabilize the cotton sector and the many livelihoods of the Malian people, was delayed or not received due to the unsuccessful fulfillment of conditionalities on several occasions. This is actively working to promote poverty in the country, as are the reforms themselves.[135]

[131] Oxfam Briefing Paper (2006), p. 25
[132] Bull, B. (2006a), p. 35
[133] Bull, B. (2006a), p. 34
[134] Glennie, J. & Hassanaien, N. (2012)
[135] Oxfam Briefing Paper (2006), p. 25

The neoliberal policies imposed on Mali through conditionalities are a rejection of other strategies for development, and strike against local governments and social movements in the country. Again referring to the solution of self-help, alternative approaches proposed by the government should not be overlooked as it is more likely that a government would take responsibility and have full ownership of development plans that they have constructed themselves.[136]

The World Bank can in some ways be seen as the continuation of the class alliance existed between the elite of former colonies and the elite in western industrialized countries, and can represent continued unfair trade relationship after decolonialization. The World Bank, it could be argued, is acting in a neo-colonial fashion to keep developing countries in the dependency trap.[137]

Another lesson to be learned from this case, is that one-size-fits-all development plans in today's globalized world are proven not to be successful or appropriate. It is important for donors and organizations wishing to foster development to keep in mind that countries developing in the beginning of the 21st century cannot follow the same path as countries developed during the 20th century. Developing countries, such as Mali, face much heavier competition from well-established giants as the US and the EU. Newly industrialized nations are stuck in an unfair trade relationship and in order to maintain their newly industrialized nation, are forced to borrow financial capital to buy expensive technology from developed countries. These countries are then trapped in a vicious circle of borrowing money, receiving aid and asking for debt-relief.[138]

However, conditions should not be completely excluded from the development aid and lending equation. Organizations, such as the World Bank, can still use conditions, only not to influence a country to adopt a specific policy theory. Conditionalities can instead be used to measure progress and encourage modification of counterproductive policies. Instead of rewarding countries for matching up to an ideological framework, a version of outcome based conditions would be better suitable to facilitate development. Conditions transparently produced and reviewed by the government would make it possible for parliamentarians and citizens in aid receiving countries to hold the government responsible for development, and

[136] Cabello, D., Sekulova, F. & Schmidt, D. (2008), p. 32
[137] Bull, B. (2006a), p. 34
[138] Handelman, H. (1996), p. 14

would contribute to an opportunity to reduce corruption and inefficiency.[139] Developing countries might not benefit in the same manner as industrialized countries do from globalization, but their development could be made more efficient with the knowledge that industrial countries posses. Outcome based conditionalities also have risks of misusage, but instead of enforcing a certain ideological framework upon a country through conditions, sharing knowledge about development and successful policies to reach development goals might be more efficient.[140]

4.3. SUMMARY

Since 1998, the World Bank has pushed for reforms in the Malian cotton industry. There have been several attempts to privatize the cotton sector and the CMDT, and to liberalize cotton prices to be closer to the world market price.[141] The goal, stated by the World Bank was to reduce the dependency on the state budget in order to use that part of the budget to fight poverty in others areas.[142]
These goals have not been met, and instead the country suffered a massive price drop in cotton in 2005, which resulted in reduced profits for a quarter of the population.[143] Cotton farmers in Mali have also been directly exposed to the subsidies of richer countries, which are driving down the world market price and making cotton production in Mali less profitable and less feasible.[144]

The privatization of the CMDT has not been a success story either. Disagreements during the negotiations between the World Bank and the Malian government about the privatization have delayed the process until today, where the privatization has still not fully been implemented. The Malian government accepted the plan for privatization only after the World Bank attached it as a condition for the country to receive loans.[145] Another problem with the privatization of the CMDT has been that there are no organizations willing to buy or invest in companies in the cotton industry.[146]

The reforms introduced by the World Bank have resulted in an increased need for support among farmers as they no longer can support their families with an income. There has been an

[139] Oxfam Briefing Paper (2006), p. 26
[140] Glennie, J. & Hassanaien, N. (2012)
[141] Cabello, D., Sekulova, F. & Schmidt, D. (2008), p. 25
[142] Serra, R. (2011), p. 2
[143] Cabello, D., Sekulova, F. & Schmidt, D. (2008), p. 25
[144] Oxfam Briefing Paper (2006), p.19-20
[145] Oxfam Briefing Paper (2006), p.20
[146] Bergamaski, I. (2008), p. 28

increase of 4,6% in the poverty rate for the country, and the reduction in costumer spending is estimated to be a loss of 1,9% of GDP.[147]

The use of neoliberal methods to accelerate development in Mali has not been effective. The reforms that have been forced upon Mali by the use of conditionalities have undermined national decision-making, infringed upon sovereignty, and imbalanced the Malian government. The World Bank has also failed to use its outstanding monopoly of the production of development oriented knowledge to help the Malian government design a efficient poverty reduction plan.[148]

The World Bank has given the impression that it is willing to use shortcuts to achieve sustainable development. This has proven to be, based on the reports used for this thesis, counterproductive; there are no shortcuts to achieve the goal of development in emerging democracies. It cannot be neglected that in order for such countries to develop, internal development is necessary through formal and informal institutions in order to create democratic accountability as well as to reach the goal of economic growth.[149]

Alternative development measures have been overlooked. Instead of implementing instruments that have been useful in other countries in the same region, the World Bank chose to follow an ideology instead of fulfilling its goal. The World Bank has continued to tighten its grip around Mali and its development, continuing on the same neo-colonial path was used by the elite in industrialized countries to establish unfair trade relations with former colonies.[150]

The case of Mali and the World Bank's insistence on the application of a number of sensitive economic policy conditions on the cotton sector is one of many cases where aid and debt-relief have been misused. The conditionalities attached to Mali's aid and debt-reliefs have undermined the country's national decision making, infringed upon sovereignty and were ineffective for development.[151]

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[147] Oxfam Briefing Paper (2007), p. 13, 24
[148] Serra, R. (2011), p. 15
[149] Serra, R. (2012), p. 3
[150] Bull, B. (2006a), p. 34
[151] Cabello, D., Sekulova, F. & Schmidt, D. (2008), p. 24

5.0. CONCLUDING REMARKS

Based on the reports used for this thesis, the conditionalities used by the World Bank in Mali have proven to be counterproductive. The reports have shown this in various perspectives and the arguments against these conditionalities are many. One of those arguments is whether conditionalities have been based on evidence or ideology. After the research I have done for this thesis, I would argue that there is a strong belief in the neoliberal methods within the World Bank. As a consequence of such, the evidence and knowledge of the situation in Mali have been ignored and the reforms attached as conditions have failed to fulfill its purpose.

The appropriateness of the conditions attached to aid and debt-relief by the World Bank can and must be questioned. Due to the results and consequences outlined in this analysis, I find myself in a position where I question whether these reforms have been promoted to facilitate development in Mali and its cotton industry or in order to gain a firmer grip on one of the world's poorest countries. I find that this research has raised more questions than have been answered not only about the development of Mali, but also about the World Bank and its development programs. Instead of pushing for reforms in Mali, the World Bank should review its methods and consider a reform of its own organization.

Secondly, I have come to reflect upon whether the World Bank is supporting an ideology or development. As presented in the analysis, the neoliberal measures favoured by the World Bank are not always the most efficient tools to facilitate development, even though they have worked in the past when the development path was different. The free market and trade approach are in many ways useful to accelerate development if the country emphasizing it has a comparative advantage in producing a certain product or goods. At the same time other development ideologies should be given attention, one doesn't necessarily need to exclude the other.

One thing that I have learned through these three years, studying international relations, is that no theory is complete. The ways to find a path for development will most likely continue to mix concepts, theories, methods and instruments. Another thing to keep in mind when analyzing cases like Mali and the cotton industry, is that one-size doesn't fit all. I believe that every country, developing now or in 15 years will have to create a unique and customized development plan for that specific country.

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7.0. APPENDIX

7.1. COUNTRY PROFILE – MALI

Government type	Republic
Capital	Bamako
Religion	Muslim 90%, Christian 1%, indigenous beliefs 9%
Language	French (official), Bambara 80%, numerous African languages

Source: CIA – The World Factbook

Population, total	15,370,000 (2010)
Income level	Low income
GDP (current US$)	$9,251,388,617 (2010)

Source: data.worldbank.org/country/mali

GNI per capita, Atlas method(current US$)	$600 (2010)
GDP growth (annual %)	4.5% (2010)
Merchandise trade (% of GDP)	56.2% (2010)

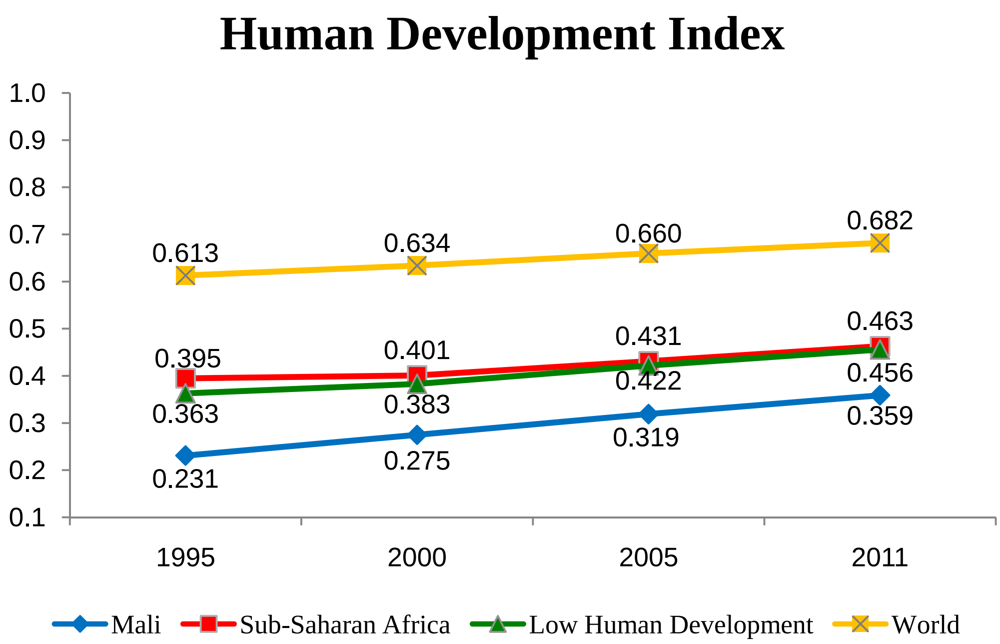
Source: povertydata.worldbank.org/poverty/country/MLI

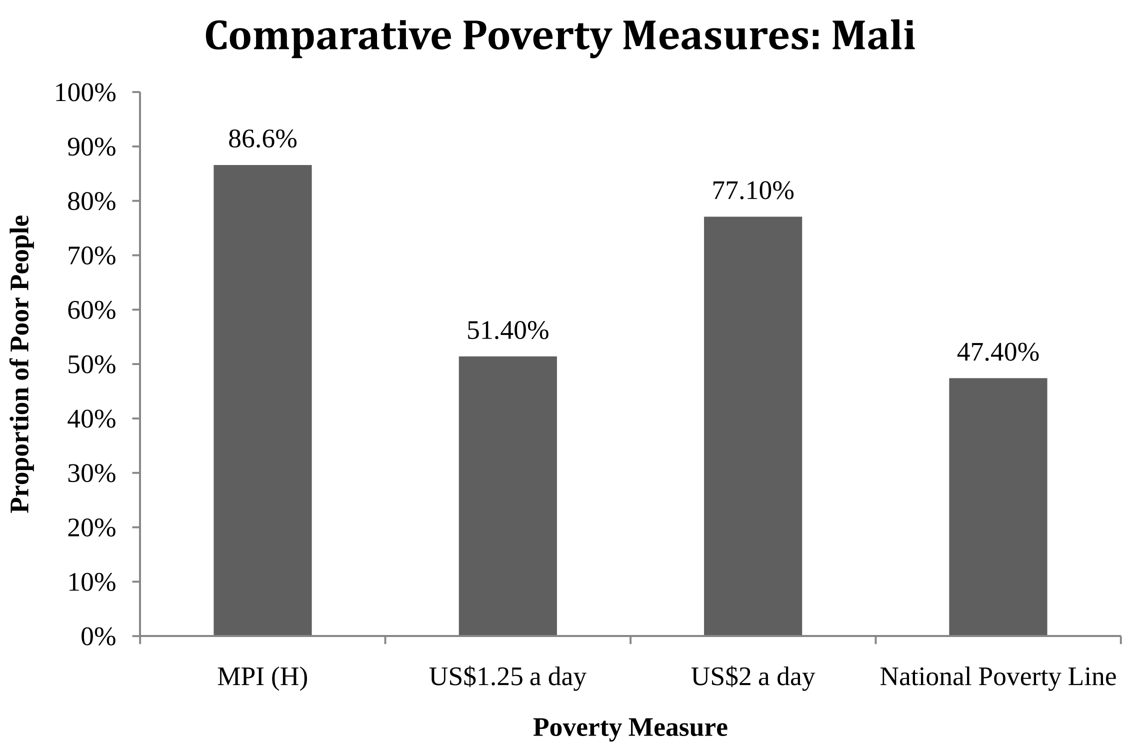
Poverty headcount ratio at national poverty line (% of population)	47.4% (2006)
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	50.4% (2010)
Poverty headcount ratio at $2 a day (PPP) (% of population)	78.7% (2010)

Source: data.worldbank.org/country/mali, povertydata.worldbank.org/poverty/country/MLI

Life expectancy at birth, total (years)	51 (2010)
Literacy rate, adult total (% of people ages 15 and above)	26% (2006)

Source: data.worldbank.org/country/mali





Source: Oxford Poverty and Human Development Initiative (OPHI)

Summary	
Multidimensional Poverty Index	0.558
% of MPI Poor (H)	86.6%
Average Intensity of Deprivation (A)	64.4%
% of Income Poor ($1.25 a day)	51.4%
% of Income Poor ($2.00 a day)	77.1%
% of Poor (National Poverty Line)	47.4%
Human Development Index 2011	0.359
HDI Rank	175
HDI Category	Low

Source: Oxford Poverty and Human Development Initiative (OPHI)