

THE MALI COTTON SECTOR REFORM PROGRAMME
Measures and implementation level

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1. INTRODUCTION

Since 1998, the Malian cotton sector is in a state of crisis, triggered this time, like last time, by plummeting world cotton prices¹. A technical evaluation indicated that the crisis was structural. Further, with steadily falling prices and management problems at CMDT, the situation for the sector, and more specifically for CMDT, is getting worse by the day. As a response, the Malian government has decided to:

- grant substantial financial assistance to CMDT;
- set up an *ad hoc* cotton sector restructuring mission (*Mission de Restructuration du Secteur Coton -MRSC*), directly accountable to the Prime Minister-Head of Government. Its brief is to advise the government on preparing and implementing a cotton reform programme;
- have the aforementioned reform programme adopted as a cotton sector development policy paper, (*Lettre de Politique de Développement du Secteur Coton -LPDSC*) underpinned by an action plan.

The LPDSC Action Plan is a series of measures designed to simplify and streamline the cotton sector's and CMDT management in preparation of CMDT privatisation. The LPDSC was adopted by the Council of Ministers on 6 June 2001. Its action plan was revised twice: on 3 October 2001 to adjust the time schedule and on 5 November 2003 to incorporate the conclusions of various studies.

The purpose of this document is to update the EU-ACP Forum on the cotton sector reforms. It is composed of four parts:

- a) the *Mission de Restructuration du Secteur Coton*, the *ad hoc* group responsible for implementing the reform programme;
- b) the reform programme of the Malian cotton sector, the LPDSC and its updated action plan;
- c) reform programme implementation as at **31 May 2004**;
- d) the way ahead.

¹ Price dropped from 1,100 F CFA/kg in August 1997 to 590 F CFA/kg in December 1999, in other words, a 46% drop in 30 months.

2. THE MISSION DE RESTRUCTURATION DU SECTEUR COTON

The *Mission de Restructuration du Secteur Coton* (MRSC) was created by decree 01-042/P-RM of 5 February 2001 on elaborating, coordinating, monitoring and implementing the cotton sector reform programme. MRSC is directly accountable to the Prime Minister and is administered by a Head of Mission.

The MRSC works hand in glove with the ministries concerned with the sector's reform, the technical and financial partners, the producers, and the institutions supervising the producers.

3. THE REFORM PROGRAMME

In April 2001, the MRSC organised a forum on the cotton sector called “*États Généraux de la filière coton*”. The conclusions of this forum have been incorporated in the reform programme, the *Lettre de Politique de Développement du Secteur Coton* (LPDSC).

The LPDSC defines the objectives of the reform, the strategy to be implemented to achieve the objectives, and the measures to be applied within the framework of the strategy.

3.1. Objectives of the cotton sector reform

The objectives of the reform are to:

- a) control and reduce cotton grain and fibre production costs;
- b) improve yields in the field;
- c) energise the producers' organisations (PO) by creating cotton producers' associations (APC);
- d) strengthen the participation of the private sector, the producers and the decentralised communities in working to fulfil the goals of the cotton sector's role as a public service;
- e) increase cotton sector revenue as a part of the national economy;
- f) contribute to poverty reduction;
- c) g) have prices fixed on the basis of free negotiations among the stakeholders.

3.2. Strategies

- a) refocusing of CMDT activities on the cotton system;
- b) improvement of producers' participation in cotton sector management;
- c) liberalisation of cotton and oleaginous plants sector;

3.3 LPDSC Action Plan (dated October 2001)

a) institutional reforms in the cotton sector

- preparation and implementation of a CMDT financial recovery plan: 2001-2002;
- launching the implementation of the CMDT programme refocused on the cotton production system: 2001-2002;

- implementation of measures to strengthen the producers' managerial and organisational capacities: end December 2001;
- study on the installation of a private company in the OHVN zone: January 2002;
- study on the stages and options in the liberalisation of the cotton sector; end March 2002;
- adoption and implementation of a mechanism to set the producer price for cotton grain; before end December 2001;
- study on the future organisation of the agricultural council for the cotton zone; December 2001;
- establishment, by CMDT, of a cotton fibre sales mechanism for the export market with highest revenue;
- privatisation of CMDT on timeline 2005.

a) institutional reforms of the oleaginous plants sector

- price liberalisation and commercialisation of cotton grain, oils and cotton cake; June 2001;
- privatisation of HUICOMA; before June 2002.

b) promotion of the national manufacturing sector

c) implementation of an information campaign on the reforms

3.4 Updated LPDSC Action Plan (dated November 2003)

The Updated LPDSC Action Plan gives the new schedule for the reform, with CMDT to be privatised in 2006 by dividing it into three or four private cotton societies.

The Plan stresses the privatisation of CMDT and HUICOMA, the essential functions that accompany the liberalisation process, and capacity building for producers in the new context.

4. PROGRESS IN IMPLEMENTING THE REFORM PROGRAMME, AS AT 31 MAY 2004

As at 31 May 2004, the reform programme had progressed as follows:

4.1. Studies

As indicated above, most of the pre-studies provided for in the LPDSC were completed in 2002. A provisional report is available on the study to set up the Mali interprofessional organisation for cotton, identified through the PASE (*Programme d'Amélioration des Systèmes d'Exploitation en zone Cotonnière* – improvement programme for exploitation systems in the cotton zone), funded by AFD.

4.2. Activities underway

a) Refocusing CMDT activities on the cotton sector

- The Government adopted the CMDT plan to end its role as a public service on 30 April 2002.
- Agricultural advisory services will be outsourced in keeping with results from tests carried out by the Ministry of Agriculture's *Direction Nationale de l'Appui au Monde Rural* (DNAMR – national department for support to rural areas).
- As part of the staff adjustment plan, 595 CMDT employees were dismissed in May 2003.

b) Installation of a private cotton society in the OHVN/Kita zone

Calls for tender were launched on 30 September 2002 for the acquisition of the ginneries in Bamako, Ouélessébougou and Kita. A private society is being installed to manage these factories on a trial basis. Since the calls for tender were not successful, on 12 June 2003 the Government decided to privatise CMDT in one single transaction.

c) Expertise and evaluation of CMDT tangible assets and stock

The conclusions of the study were included in the reevaluation of the assets; the related report was adopted by the CMDT Board of Directors on 29 September 2003.

d) Advice and assistance on the privatisation of HUICOMA

The call for tenders on privatising HUICOMA through a single sale of stock (representing 84.13% of the company's capital) was launched on 6 December 2002. Since negotiations with the provisional bidder were not concluded, the tendering process was declared unsuccessful on 29 March 2004.

e) Advice and assistance on the privatisation of CMDT

CMDT will be privatised through the sale of its assets, preliminary to the installation of three or four cotton societies in the current cotton growing area. The Government decided to enlist the services of a commercial bank to assist with the privatisation process. Discussions are underway with the International Finance Corporation (IFC), a subsidiary of the World Bank Group which has been requested to indicate its conditions.

f) Study on the establishment of an interprofessional cotton organisation in Mali

This study has been identified through the PASE. For this phase of reform implementation, the MRSC feels that priority should be given to carrying out the study and creating the interprofessional organisation. The provisional report on the study was presented to the steering committee on 2 June 2004.

g) Assistance in finalising the CMDT financial recovery plan

A business plan for the pre-privatisation period (2004-2006) was presented to the CMDT Board of Directors on 18 February 2004. It has incorporated sections of the CMDT financial recovery plans and, finally, is to replace the plan.

h) Mechanism for setting the producer price for cotton grain

Producer prices for the 2004/05 season were negotiated at a meeting held from 27 to 29 April 2004 in Bamako. The price for the highest quality cotton grain was set at **210 FCFA/kg** for the 2004/05 season.

The problem of setting up a stabilisation fund at the producers' level was not considered.

i) Capacity-building programme for producers

The reform programme provides for major responsibilities, e.g. negotiating the producer prices, managing input supplies, participating in the capital and hence in the management of the cotton societies, etc., to be shifted to the producers in due time. As preparation for these

responsibilities, a large support programme is being prepared by APCAM (*Assemblée Permanente des Chambres d'Agriculture du Mali*) with assistance from PASE. The first step will be to set up producers' organisations that have legal status.

j) Exploitation of results from the studies, and preparation of an aggregated action plan

To make good use of the conclusions and recommendations from the studies that have been carried out, measures have been taken to draw up an aggregated, coherent action plan that incorporates specific action plans from all the studies, after they have been made consistent. This single action plan will be the reference document for the reforms in the cotton sector during the operational phase of the *Lettre de Politique de Développement du Secteur Coton*.

5. SUPPORT REQUESTED

The Government of the Republic of Mali would like support from its development partners in the following fields:

- Improvement of cotton sector productivity and equipment (programme support);
- Improvement in cotton quality (programme support);
- Capacity building for producers and assistance in structuring the rural communities (programme support);
- Maintenance, renovation and opening of rural tracks (budgetary support);
- Capacity building for the private sector in the field of transportation (programme support);
- Initial provision of the producers' stabilisation fund (budgetary support);
- Creation of a sub-regional cotton exchange (programme support);
- Creation of a support fund to compensate for losses caused by subsidisation and price fluctuations (budgetary support);
- training and technical assistance on the functioning of the global market and hedging techniques to facing fluctuations in world prices (programme support);
- additional studies, especially on the mechanism for setting producer prices (budgetary support);
- CMDT and HUICOMA privatisation procedure, especially financing services from the commercial banks (budgetary support);
- setting up the interprofessional organisation (programme support);
- operating costs for MRSC (budgetary support);
- support for investing in the development of processing industries (budgetary support);
- establishing a sub-regional market for farm inputs (programme support);
- developing vital infrastructure (energy, access road to ports, etc;) (budgetary support).

6. THE WAY AHEAD

Last, priorities for the immediate future:

- Setting up a stabilisation fund for producers;
- Solving problems connected to CMDT withdrawal, and opening/renovating rural tracks;
- Gradual withdrawal of CMDT from cotton grain transportation operations;
- Gradual withdrawal of CMDT from management of input supplies;
- Starting the mission to draw up the aggregated action plan;
- Negotiating with IFC in preparation of a support/consultancy mission on the privatisation of CMDT;

- preparing a restricted call for tenders for the privatisation of HUICOMA;
- Supporting the capacity-building programme for producers;
- Establishing the interprofessional cotton organisation.

7. ANNEXES

7.1 Lettre de Politique de Développement du Secteur Coton (LPDSC) (cotton sector development policy paper),

7.2 Plan d'Action Actualisé de la LPDSC (Updated LPDSC Action Plan)