

# USAID's Approach to Poverty Reduction

## *The Case of Mali*

### Summary

**M**ali is a least developed, heavily indebted West African country. The Government of Mali, democratically elected in 1992, has introduced governance reforms to decentralize administration to the local level. Lately, the government has been focusing on strategies to reduce poverty within its borders. In 2001, Mali was preparing a Poverty Reduction Strategy Paper (PRSP) in response to the World Bank and International Monetary Fund's Heavily Indebted Poor Country (HIPC) initiative. The PRSP maps out a medium-term expenditure framework—essentially a roadmap—for poverty reduction programs.

In Mali, USAID is nearing the end of a five-year country strategy (FY1998–2002) that emphasizes three Strategic Objectives (SOs): 1) improved social and economic conditions for youth, covering the health and education accounts; 2) agricultural programs focused on cereals, livestock and nontraditional products, and microenterprise; and 3) support to grassroots community development organizations, especially at the decentralized “commune” level. In addition, USAID has two Special Objectives (SPs): one supports improved access to the internet and community radio; the other promotes stability in Mali's northern region with local development programs. About half the mission's \$33-million/year portfolio is devoted to health and education, a third to agriculture, and the remaining portion to democratic governance and the SPs.

The purpose of this assessment is to view the Mali portfolio through the lens of the Bureau for Policy and Program Coordination's conceptual framework for comparing USAID's sustainable development approach with the poverty reduction paradigm evolving in other development aid agencies. The poverty reduction approach first identifies who is poor, where they live, and what causes their poverty,

### KEY IDEAS

Though congressional earmarks limit USAID's ability to foster poverty reduction, its program in Mali is an effective poverty reduction approach. However, the Agency needs to do more to enable economic growth and opportunity. In a country where 65 percent of the population live below the poverty line, what is needed more than social service and community development programs is economic growth to provide an expanded range of opportunities for Malians.

USAID contributes only a small proportion of funds to direct government budget support and heavily relies on civil society and the private sector to implement its programs. This may have jeopardized the Agency's participation in Mali's national policy dialogue on broader economic reform issues. USAID must continue to participate in the country's PRSP process to preserve its influence on the spending of debt-reduction funds and on such issues as corruption, accountability, and aid effectiveness.



and then gives top priority to interventions that address improvements in their quality of life. Poverty reduction is not USAID's overarching objective. This assessment asks whether USAID is nevertheless engaged in poverty reduction programming, whether it has modified its assistance strategy to be consistent with Mali's own poverty reduction approach, and whether there are ways to enhance the poverty reduction impact of USAID's portfolio.

The assessment finds that in most respects USAID's broad-based sustainable development approach works effectively as a poverty reduction approach. More specifically, the assessment team finds the following:

- USAID's program is generally focused on the rural poor and incorporates many poverty reduction objectives. Its emphasis on community-level interventions in health and education, its focus on women and youth as chief beneficiaries, and its community organization empowerment perspective in poor rural areas all make strong contributions to poverty reduction. The economic growth program focuses both on value-added opportunities for production and export in agriculture, as well as microfinance initiatives that provide a safety net to smooth consumption for the poorest of the poor.
- USAID supported the PRSP process. Mission personnel collaborated with the government in the drafting of the Malian PRSP, especially within the macroeconomic and civil society

thematic groups. Moreover, in developing its new assistance strategy for FY2003, the mission was clearly mindful of the goals and strategies outlined in the government's PRSP.

- It is imperative that USAID continue to contribute to the PRSP process. The PRSP process allows donors collectively to raise important political economy issues (such as corruption, accountability, and aid effectiveness) that would otherwise not get discussed with the government. In addition, it presents an important opportunity to collaborate with the government in the programming of local currency made available for social programs under the HIPC process. Continuous engagement with the central government is therefore important.

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- USAID has created an impressive synergy among programs in different sectors. It employs a combination of cooperative and grant agreements and private-sector contracts to implement initiatives in the field. U.S. and Malian nongovernmental organizations (NGOs) play a key role, implementing almost half of the portfolio. They are particularly prominent players in the health, education, and democratic governance programs.
- The USAID program is heavily skewed toward delivery of direct social services to targeted groups, with proportionately less allocated to activities emphasizing broader economic or policy reforms that have an indirect effect on all of the poor. Almost half of the USAID portfolio is implemented by U.S. and Malian private voluntary organizations (PVOs), who provide grassroots services to poor people across the three

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main strategic areas. The USAID system of budget and program earmarks has also ensured that the portfolio maintains a strong service delivery emphasis. Finally, the need to report measurable annual achievements under the “results framework” system puts pressure on mission officers to design short-term service delivery rather than longer-term macro activities.

- Direct approaches to poverty reduction involve the delivery of services to poor people, while indirect approaches help the enabling environment for poverty reduction. Direct assistance has immediate, measurable impact on poverty. Empowerment of the poor through enhanced governance capacity building at the local level can increase welfare. However, the question arises whether there is a good balance between direct and indirect assistance in the USAID portfolio, if issues of sustainability and long-term impact are to remain important considerations. In a country like Mali, where 65 percent of the population live on less than \$1 per day, direct social services provided by PVOs may be largely unsustainable over the long run, particularly if the government is not prepared to assume these services. A greater number of poor could be helped through broader-based efforts to address the sources of poverty and the systems that perpetuate it. Some PVOs acknowledge that their programs have been too focused on direct service delivery.
- Commitment of a large proportion of the portfolio to PVO projects may reflect a relative lack of engagement on a regular basis with the government. This may reduce USAID’s visibility and influence at the national level on key policy issues, especially those having to do with economic growth strategy development. Policy reform and good governance create the enabling environment for poverty reduction. There is a risk of overlooking macroeconomic policies that aid the poor. Among these are policies for stimulating growth, including infrastructure finance, privatization, industry and service sector development, and nonagricultural sectors of importance. Good governance and

civil service reform are also important. USAID actively supports grassroots empowerment of local villages, but one must ask if there are missed opportunities at the national level to support free and fair elections and build the capacity of political parties and elected assemblies. These contribute to the enabling environment for democratic governance, rule of law, and accountability of government, which, in turn, contribute to the enabling environment for economic growth.

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## Background

### Why Poverty Reduction?

The World Bank, the IMF, UN agencies, most bilateral donors, and many developing countries have made poverty reduction their overarching development objective. In the most heavily indebted poor countries, debt relief is linked to the development of a national poverty reduction strategy, written up in a PRSP. The multilateral development banks view the PRSP as the implementing document that the donor community is expected to “buy into” or support. Despite international commitments by the U.S. Government to poverty reduction, USAID’s guiding principle is sustainable development. Poverty reduction is not an overarching goal, but is, rather, an important and desirable outcome of sustainable development.

### What Is a Poverty Reduction Approach?

A poverty reduction approach makes the reduction of poverty the explicit, overarching goal of a development agency. Conceptual differences exist between

USAID's sustainable development approach and what proponents of the new poverty reduction approach consider important.<sup>1</sup> A poverty reduction approach

- has poverty reduction as an overarching objective
- measures the specific poverty reduction impact of various interventions
- gives greater priority to health and education services targeted by design toward the needs of the poor
- gives a mixed priority to economic growth; openness to trade, investment, and information flows; and agriculture
- gives greater emphasis to the explicit empowerment of the poor
- is strongly concerned with mitigation of risks faced by the poor (vulnerability)
- places renewed emphasis on public-sector institutions as partners
- places greater emphasis on direct intervention programs that target the poor as immediate beneficiaries and less emphasis on indirect approaches that emphasize the broader economic or policy environment
- is concerned with the coherence between non-development policies pursued by the U.S. and other OECD governments and development policies pursued by USAID

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<sup>1</sup> See Dirck Stryker and B. Lynn Salinger, *Comparing Poverty Reduction Approaches: USAID and the Evolving Poverty Reduction Paradigm* (Cambridge, MA: AIRD, 2001).

## About This Study

In 2001, USAID's Bureau for Policy and Program Coordination was asked to assess how USAID is operating in countries where the partner government and donor community had shifted to the new poverty reduction approach. This report assesses USAID's experience in Mali. Other reports examine experience in Uganda, Honduras, and Romania. The purpose of this assessment is *not* to evaluate the USAID program. Rather, it is to evaluate the extent to which USAID's approach is an effective poverty reduction approach and to provide insights into the Agency's development strategy. The evaluation addresses the following questions:

- To what extent is the traditional USAID sustainable development approach consistent with the new poverty reduction approach?
- What is USAID's relationship to the country PRSP process?
- How have congressional earmarks affected budget allocations within the mission and thus helped or constrained the implementation of a poverty approach? What would be different if there were no earmarks?

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This assessment was conducted in December 2001. The assessment team included a team leader, an economist, a public health specialist, and a democracy expert. The team interviewed USAID Mali staff and representatives of the Government of Mali, other development donor agencies in Mali, and contractor or cooperating partners of USAID.

**Table 1. Annual GNP Growth Rates**  
(Percentage)

	1994	1995	1996	1997	1998	1999	2000	2001 est.	2002 est.
GNP	2.7	7.0	4.3	6.7	5.0	6.6	4.7	-1.2	7.0

Source: DNSI, Comptes économiques du Mali.

## Recent Developments in Mali

### Mali's Economy Characterized by Erratic Growth

Mali is a very poor country. Two-thirds of the populace live on \$1 a day or less. The economy is vulnerable to erratic rainfall and trade shocks. Growth and diversification of the economic base is needed to achieve more rapid poverty reduction.

Mali's economy is small, with a GDP of about \$2.4 billion. The value of public sector expenditures is \$600 million, about 25 percent of GDP. Total debt exceeds GDP by about 10 percent. On a net disbursement basis, annual official development assistance is about \$354 million, equivalent to about 50 percent of the national budget and 15 percent of GDP.

Mali is considered both a least developed and a heavily indebted poor country. Per capita income in 1998 was \$250. For the four decades since independence in 1960, average annual economic growth has been 2.8 percent, but this average conceals extremely high fluctuations due to erratic rainfall and trade shocks. Price and trade liberalization reforms in 1992 and devaluation in 1994 resulted in consistently positive overall annual GNP growth that averaged 5.3 percent between 1994 and 2000. In per capita terms, this is 2.9 percent per year (since the population growth rate is 2.4

percent). Poor rainfall in 2000 and a farmer boycott of cotton production were expected to result in a decline in GNP for 2001. However, a significant increase in cotton producer prices for the 2001 planting season raises expectations that the real GNP growth rate will reach 7.0 percent in 2002 (Table 1).

Despite the fairly robust economic growth over this period, the percentage of the national population living below the poverty line of \$1 a day declined only slightly—from its peak of almost 72 percent in 1996 to about 64 percent in 1999 (Table 2). However, the percentage dropped considerably more in urban areas, from about 41 to 31 percent. Another study using data on household assets (not income) from the USAID-supported Demographic and Health Surveys found a substantial decrease in poverty over the 1987–95 period, which saw only two years of negative growth.

Agriculture is Mali's largest single sector, generating about 45 percent of GDP and employing 80 percent of the nation's population. The main agricultural subsectors are cereals, livestock, and cotton. A small but growing subsector covers "new crop

**Table 2. Poverty Incidence in Mali**  
(Percentage of Population under \$1/day)

Year	Urban	Rural	National
1994	36.6	75.6	68.8
1996	40.6	78.3	71.6
1998	36.3	76.0	69.0
1999	31.2	71.3	64.2

Source: Republic of Mali

<sup>2</sup> Reported in Idrissa Dante et al, *PRSP Institutionalisation Study Final Report* (Paris: Dial, 2001), 2, <[www.odi.org.uk/pppg/poverty/publications/prsp\\_institution/ch6mali.pdf](http://www.odi.org.uk/pppg/poverty/publications/prsp_institution/ch6mali.pdf)>.10

opportunities,” such as the production of mangoes and green beans for export. Changes in agricultural production account for 90 percent of the variability of total GDP. Changes in agricultural sector production account for 90 percent of the variability of total GDP. Compared with average GDP growth of 5.3 percent (1994–2000), value added annually in the production of traditional cereals (millet, sorghum, maize) increased by 5.6 percent, rice by 9.8 percent, and cotton by 11.6 percent.<sup>3</sup> While most of this increase was due to expanding the area under cultivation, many crops showed steady increases in yields.

Mali’s link to export markets is weak. Ninety percent of the country’s exports are primary products—cotton fiber, gold, and livestock. The first two are sold on world markets; livestock is exported mostly to coastal West African markets. Road and rail linkages to those markets have high risks and high formal and informal transaction costs.

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Mali has largely untapped potential for exporting nontraditional, high-value products, including textiles and leather, wrought iron and furniture, silver and gold jewelry, and culturally embedded services such as music and tourism. Experiments with the export to world markets of horticultural and artisanal products have had only limited success due to the lack of reliable air transport.

Continuing problems retarding economic growth include poor physical infrastructure, government mismanagement, and corruption. The government has been slow to adopt needed structural reforms in finance, education, and civil service, and privatization of state-owned entities has not kept on course.

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<sup>3</sup> James Tefft et al, “Linkages Between Agricultural Growth and Improved Child Nutrition in Mali,” MSU International Development Working Papers 79 (2000): 15. PN-ACM-467.

In 2000, the Malian economy was hit hard by several exogenous shocks, including a steep increase in the price of fuel, a key import; a sharp decline in the price of cotton, a key export; and poor rainfall. Poor rainfall resulted in a 17.5 percent decline in cereals production. Vulnerability to export markets and weather underlie Mali’s fragile agricultural sector.

The potential for increasing productivity in the production of traditional cereals, rice, livestock, and horticulture crops is the focus of the new agricultural sector strategy being prepared by USAID’s Bureau for Economic Growth, Agriculture and Trade. However, as USAID’s Country Strategy notes, there is “...clear evidence of the high degree of fragility and vulnerability within the Malian economy, as it is largely dependent on primary agricultural and mineral production, and *reinforces the immediate need for diversifying the economy*” (emphasis added).<sup>4</sup> The assessment team believes that a reform agenda to diversify the economy would preserve the growth gains realized over the last decade.

## **Mali’s Political Situation Is Democratic but Fragile**

Mali’s 10-year-old democracy is fragile. Most of the country’s postindependence history gave little sign of its democratic potential. Following independence from France in 1960, Mali was ruled by a civilian government with strong socialist leanings. In 1968, a coup initiated over two decades of military rule. Intense pro-democracy agitation in 1991 culminated in a relatively peaceful revolution during which a reform-minded faction of the army established a transitional government of national unity with a majority of civilians. The new government guided the country through a national conference, a constitutional referendum, elections, and the founding of a multiparty political system.

Both great hope and deep pessimism colored Mali’s first decade of democracy. The country succeeded in preserving democratic institutions while weathering storms of social protest, political intrigue,

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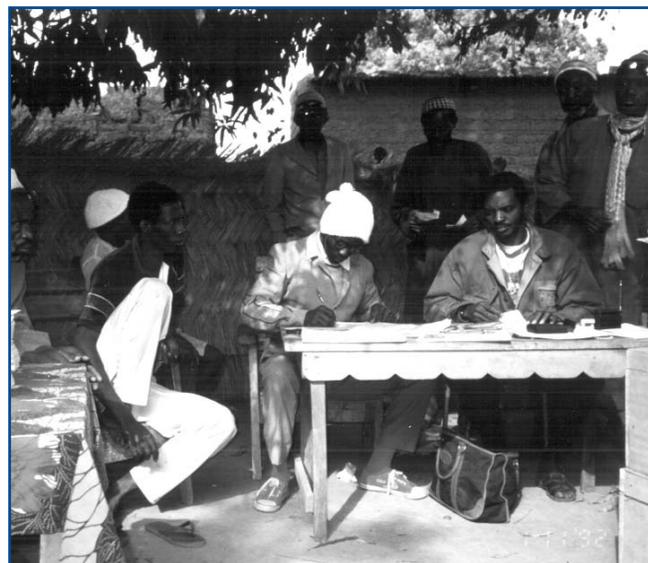
<sup>4</sup> USAID Mali Strategic Plan: 1996–2002

party infighting, labor unrest, and a violent separatist movement in the north. The surprising success of Mali's democratic experience is credited to a combination of recent economic growth, social structures conducive to democracy, a unique political culture, a favorable international environment, and effective leadership.<sup>5</sup>

One of the most important outcomes of the transition to democracy was the overwhelming consensus favoring decentralization. Local elections for newly created urban communes were held in 1998, and for rural communes in 1999. Nearly 10,000 local office holders were elected across the country. In general, the effectiveness of the new political and administrative organization remains uneven, and is hampered in some areas where competencies and authorities have yet to be clearly defined or implemented. Nonetheless, decentralization in Mali appears to have given greater voice and empowerment to villages, grassroots groups, marginalized populations, and the poor. Meanwhile, "the bureaucrats in Bamako" are viewed with suspicion, and corruption in government is reportedly widespread. The results of the spring 2002 presidential election will be important to successful completion of the PRSP and achieving a national consensus to promote poverty reduction and economic growth.

### Mali's PRSP Process

In 1999, the World Bank and IMF announced their debt relief initiative on behalf of HIPC. To qualify for debt relief, eligible countries must present a strategy—the PRSP—for translating fiscal savings into a medium-term expenditure framework to support poverty reduction. The Malian government established a coordination unit in the Ministry of Economy and Finance to draft the PRSP. In February 2001, it formally launched the drafting process by creating 11 thematic groups covering most sectors of the economy. The government, civil society, and a broad swath of the donor community are also represented in these groups. A fourth version of the PRSP was finalized by the government in February 2002 and has been revised



An outside polling station during the constitutional referendum in the village of Dara. In spite of many challenges, Mali has preserved its democratic institutions.

once again since then. A definitive version of the paper was expected in June 2002.

The PRSP process is viewed differently by different actors. Some see it as just an exercise—a piece of paper—being pursued by the Malians in order to get debt relief from the international financial institutions. Others believe that the government now understands that achieving poverty reduction will require balancing an agenda of economic growth, social service delivery, and democratic governance. However, some worry that officials at the highest levels of the country do not yet understand economic growth and still accord highest priority in public discourse to education and health services. One donor representative with a long prior experience working in Uganda observed that Mali's PRSP experience lagged behind that of other countries. Compared with Uganda, the PRSP process has not been as open or as organized, and articulation of the national vision, particularly in terms of economic growth, is not as clear.

Other observers found the Malian PRSP process flawed in specific focus and orientation. For example, many felt the government did not appropriately recognize the effort of the macroeconomic working group attended by USAID. Noting that official government press pronouncements on poverty strategies emphasized redistribution and

<sup>5</sup> Zeric Kay Smith, "Mali's Decade of Democracy," *Journal of Democracy*, 12 (July 2001): 73–79.

social policies, Malian economists and poverty planners and other observers stressed that Mali cannot just focus the PRSP on redistributing the “pie” in favor of the poor: it must also work to increase the size of the pie. Several donors frankly admitted their concern that Mali was not prepared to take responsibility for its own growth path and that Mali saw the confluence of the PRSP and its decentralization program as an opportunity for encouraging local communities to program directly with donors for resource needs. This attitude, these observers fear, would continue aid dependence at all levels of governance rather than putting Mali on a growth path toward eventual reduction in external financing requirements.

## USAID’s Role in Mali

As noted above, Mali is highly dependent on development aid. Two-thirds of official development assistance comes from bilateral sources; multilateral organizations provide the remainder. Including the World Bank/IDA, the United States is Mali’s third largest bilateral donor and its fourth largest overall donor. As a member of the mixed commission that coordinated donor assistance, USAID was an active participant in the drafting of an earlier version of a Malian poverty reduction strategy in 1997.

This assessment found that USAID made important contributions to the PRSP process, particularly in the area of civil society. Resource constraints did not permit USAID to hire consultants or cover some operating expenses involved in PRSP preparation. Nevertheless, many donors noted the particularly strong and consistent presence of USAID Mali’s program officer and economist at meetings of the macroeconomic group. In the area of civil society, without the input of USAID Mali’s democratic governance office, the PRSP process would have been less participatory and less legitimate. USAID financed a roundtable group of civil society organizations to facilitate an exchange of views. A number of interlocutors outside of USAID described this as the single most active civil society group in the process. Although the group’s report was largely critical of both the process and the con-

tent of the PRSP, government officials described the group’s participation as both helpful and important. In addition, USAID Mali’s democratic governance team leader led one subgroup of the governance thematic group and drafted the civil society section of the PRSP. It was at her insistence that a gender component was placed into the governance section of the PRSP. Representatives from other USAID SO offices also attended PRSP meetings, although not consistently. The coordinator of the PRSP in the Ministry of Economy and Finance observed, “The contributions of USAID to the process have been multifaceted and very valuable.... They have been one of the most significant contributors to the process.”

## Why USAID Should Remain Active In the PRSP Process

USAID should continue to be active in PRSP process. Mali needs donor assistance to keep the PRSP process focused on economic growth rather than income distribution programs. Participation also gives donors more say on previously “taboo” issues. Several donors commented on the fact that participation in the PRSP process gives them a new voice with which to address the government on issues such as corruption and aid effectiveness. Further, the PRSP provides an important opportunity for better coherence among donor programs because coordination is based on the commonly agreed goal of poverty reduction. According to one respondent, “Before, donor coordination was just sitting around the table and telling each other what each one was doing. Now, all the donors seem to be thinking through the consequences of their programs on poverty reduction.”

Participation in the PRSP process also gives the Agency a stronger voice in the programming of HIPC debt relief monies. Government budget resources that will be freed up as a result of debt relief—expected to reach about \$850 million over 30 years—will be used to finance expanded education and health services. Given its very high level of engagement in civil society, USAID must ensure that it keeps its position at the government table when these funds are programmed. Many of Mali’s donors already provide budget support in these sec-

tors and will be well positioned to make recommendations on the programming of the HIPC funds. On the other hand, USAID generally does not provide budget support, although its project activities are taken into account in the Malian government's action plans in many sectors. This new "political economy leverage"<sup>6</sup> suggests that regardless of USAID's approach (sustainable development or poverty reduction), it is in USAID's interest to participate as actively as possible in PRSP negotiations.

## USAID's Strategic Approach in Mali

USAID's strategic approach over the FY1998–2002 period was strongly "pro-poor,"<sup>7</sup> even though poverty reduction was not an explicit, overarching goal. The approach emphasized services delivered to poor people in rural areas: health and education; microfinance loans; agricultural extension to farmers, including women; and grassroots empowerment. In most cases, these services were delivered by U.S. and Malian civil society organizations rather than by the government.

Over the last five years, USAID managed programs of \$166 million (Table 3). Half of the programs were devoted to the health and education of Mali's youth, one-third to economic growth, and lesser amounts to democratic governance, information, and special development issues in the north.

USAID provided important assistance in the areas of education policy and economic reform.

<sup>6</sup>The political economy dimension of the poverty reduction approach is recognized in Martha Finnemore, "Redefining Development at the World Bank," in F. Cooper and R. Packard, eds., *International Development and the Social Science* (Berkeley: UC Press, 1997): 203–27, and in Leen Boer's article "Attacking Poverty: Rediscovering the Political Economy" in *Third World Quarterly*, 22, 2 (April 2001): 283–89.

<sup>7</sup>"Pro-poor" is defined here as targeted to poor people.

**Table 3. USAID Mali Programs, FY1998–2002**  
(in thousand \$)

Program	Allocations	Percentage
Youth (Health, Education) (SO1)	83,900	51
Sustainable Economic Growth (SO2)	50,785	31
Democratic Governance (SO3)	15,865	10
Information (SP1)	4,150	2
North (SP2)	10,719	6
<b>Total</b>	<b>165,419</b>	<b>100</b>

Source: USAID Mali

However, the mission's overall program placed substantially less emphasis on creating an environment that could enable economic growth and good governance. The following sections explore the extent to which USAID's approach to poverty reduction gave adequate attention to broader development policy concerns. It also discusses how the USAID program addresses policy coherence, targeting, measurement, and funding earmarks.

## Health and Education Get Highest Priority

Over half of USAID portfolio is devoted to health and education services. This proportion substantially exceeds the UNDP guideline that 20 percent of donor country assistance be allocated to social services. However, USAID's health and education activities and policies are well aligned with World Bank and OECD guidelines for pro-poor health systems, which emphasize primary schooling (especially for girls), investment in local health and education infrastructure, community control and financing, maternal and child health, and low-cost health interventions such as immunization and social marketing of condoms.

USAID's health and education programs are concentrated in rural areas where poverty is the highest, and are combined under the youth SO "improved social and economic behavior among youth." The health component emphasizes access to child survival, family planning, HIV/AIDS

prevention, and reproductive health services for young people ages 15 to 24. The education component seeks to improve access to community primary schools in underserved rural areas. Both programs are implemented largely under grants and cooperative agreements with major U.S. PVOs which, with their Malian NGO counterparts, provide effective community services—such as vaccinations and maternal and child health care—and primary school construction and staffing. Activities are closely coordinated with the democratic governance program.



Half of USAID Mali's managed programs have been devoted to the health and education of the country's youth.

The process of decentralizing social service delivery in Mali has been underway since the 1991 revolution. Frustrated by the central government's ineffective delivery of health and education services to rural populations, Malians have insisted on devolving resource allocation decisions to the local level. Historically, USAID strongly supported this trend. However, the pendulum may have swung too far. For instance, USAID Mali health staff members raise concerns that decentralization of donor and PVO social service delivery to the village level may have allowed the state to abdicate its responsibility for health and education financing.

### **Economic Growth, Agriculture, and Trade Are Strengthened**

Economic growth is the second largest component of USAID's FY1998–2002 program in Mali. Thirty percent of the mission's program funds is allocated under this SO, which provides technical and financial assistance for private-sector growth and institutional and policy reform. The strong agriculture sector concentration is appropriate in view of Mali's essentially agrarian nature. Programs focus on cereals, livestock, and horticulture, which

occupy the vast majority of Malian producers. Using technical assistance from resident U.S. contractors and PVOs, and direct support from the Ministry of Rural Development's extension programs, USAID looks for value-added opportunities with individuals and with associations of producers, processors, and traders. Trade is an important component of Mali's economic growth strategy. However, because Mali's greatest export opportunities are found in increased regional integration, trade capacity building is managed by USAID's West Africa Regional Program office.

### **Empowering the Rural Poor**

USAID's strategic approach is heavily focused on grassroots empowerment in poor rural areas. The democratic governance program promotes rural community organizations as the agents for community development and democratic local governance. The USAID program targets most assistance to rural areas where the large majority of the poor live, and works closely with the youth SO to integrate democratic governance into health and education activities. This is in stark contrast to many other USAID-supported democratic gover-

nance programs around the world, where assistance to democratic institution-building at the national and regional levels is given greater emphasis.

The democratic governance program absorbs about 10 percent of the USAID portfolio, with the major portion implemented by U.S. PVOs and Malian NGOs. The bulk of activities focus on direct training and support to local community organizations (e.g., neighborhood committees and student-parent associations) and the intermediate NGOs who provide them with capacity-building and training programs.

USAID provides proportionately less support to strengthening the linkages between the community organizations and local government, and almost no support for decentralization of state institutions. With some exceptions, issues of policy, institutions of governance (including access to justice), and national-level politics receive little emphasis in this portfolio. Other donors—most notably the EU, France, and Canada—are providing support in these areas.

The USAID program supports civil advocacy, women's leadership, and election assistance on a periodic basis. However, as one U.S. PVO noted, "We lobbied USAID to add some training of government personnel to our work and were told that this was inconsistent with the current strategy."

Some believe that USAID's emphasis on civil society and decentralization and little involvement with the central government has encouraged the development of a new class of petty bureaucrats—some even refer to themselves as *funtionnaires de la société civile* (civil-society bureaucrats)—who may have different agendas from the communities they claim to represent. Moreover, anecdotal evidence suggests that decentralization may not empower the poor as much as reinforce the power of local elites.

## Reducing Economic Vulnerability

USAID's economic growth program helps reduce the vulnerability of the poor. For example, promoting private investments in irrigation reduces the

impact of climatic variability, one of the greatest risks faced by Malians—especially poor, rural Malians. USAID also reduces the vulnerability of the poor by supporting private microfinance and group-saving mechanisms, which are appropriate in Malian society with its strong informal help networks.<sup>8</sup> The microfinance program carried out by three U.S. PVOs reached about 60,000 clients, or 15 percent of the estimated 400,000 individuals receiving microfinance loans in Mali. In accordance with USAID Washington guidance, staff ensure that 50 percent of microfinance credits go to the poorest, defined in Mali as those earning less than \$300 annually.

Mali does not receive direct U.S. food aid. However, with funds from food monetized elsewhere in Africa, USAID Mali supports a \$5.2 million highly targeted food security program that monitors the health and nutritional status of malnourished children in the northern region of Timbuktu. Children are weighed and measured so that only malnourished children and their mothers are assisted.

## Limited Reliance on Government Institutions

Like many other USAID country programs, USAID Mali's program routes few resources through the national government because of concerns about corruption and bureaucratic delays. In its response to the 2001 survey<sup>9</sup> on the extent of engagement in the PRSP process, USAID Mali strongly preferred working with the private sector and civil society. In USAID Mali's view, the government's lack of reliability and transparency prevent it from using USAID resources effectively and efficiently.

Only about 15 percent of USAID's program activities directly support Malian government development programs (Table 4), and even these are mostly highly targeted service-delivery programs, including family planning services, medicine distribution, and

<sup>8</sup> M. Bratton et al., "Popular Perceptions of Good Governance in Mali," *Afrobarometer Working Papers*, 9 (2001): 6–7.

<sup>9</sup> USAID/AFR/DP, *Survey of Donor Engagement with National PRSP Processes for Synthesis and Presentation at SPA* (Washington, DC: USAID, 2001).

agricultural extension services to women. The largest part of the portfolio—46 percent—is channeled through U.S. PVOs that provide social services to targeted local communities. The remaining 35 percent funds U.S. private sector contractors, other U.S. Government agencies, and other partners.

*The assessment team found that strong dependence on NGOs to carry out USAID Mali’s program raised concerns that the agency may risk losing its influence with government.*

Factors shaping USAID Mali’s strong preference for working with NGOs include their greater effectiveness in social service delivery and the greater relevance of private-sector partnerships to economic growth. USAID Mali also finds working through government agencies labor intensive and risky from a financial accountability perspective. One USAID Mali officer noted that government-implemented programs accounted for only 20 percent of USAID funds but required 50 percent or more of USAID Mali staff management time.

The assessment team found that strong dependence on NGOs to carry out USAID Mali’s program raised concerns that the agency may risk losing its

influence with government. Several donor representatives in Bamako commented on USAID’s absence from policy discussions with the government and suggested that, as a result, the United States was no longer considered an active partner. As one USAID Mali officer noted, “In the past USAID participated in public sector reform. Now we separate ourselves from government and work with beneficiaries at the grassroots level. Why can’t we get involved in the public sector any more?”

Extensive use of U.S. PVOs to provide direct service delivery at the grassroots level raised tactical questions as well. Some observers were concerned that while direct coordination of development assistance through local NGOs may indicate closeness to ultimate targeted beneficiaries, it also resulted in the creation of new rent-seeking organizations whose representatives tended to become petty bureaucrats, not agents of social change. Others noted that USAID Mali’s working relationship with the government was sometimes diminished when PVOs did not sufficiently acknowledge USAID’s financial backing, giving the impression that the PVOs themselves were funding programs.

Globally, the perception that USAID country assistance programs may be in danger of losing policy engagement with host country governments is not limited to Africa. The FY1999 Trends Analysis for USAID’s Bureau for Latin America and the

**Table 4. USAID Mali: Grants and Agreements with U.S. PVOs and Direct Support to Government Programs, FY1998-2002**  
(in thousand \$)

Strategic Objectives	Total Obligation	Grants and Agreements with U.S. PVOs		Direct Support to Government Activities	
		Obligation	Percentage	Obligation	Percentage
SO1: Youth (Health and Education)	83,900	38,790	46.2	12,200	14.5
SO2: Economic Growth	50,785	15,305	30.1	12,800	25.2
SO3: Democratic Governance	15,865	10,840	68.3	0	0.0
SP1: Information	4,150	0	0.0	0	0.0
SP2: Assistance to North	10,719	10,719	100.0	0	0.0
<b>Total</b>	<b>165,419</b>	<b>75,654</b>	<b>45.7</b>	<b>25,000</b>	<b>15.1</b>

Source: PPC Evaluation Working Paper Number 2, *Poverty Reduction in Mali: A Background Paper*. PN-ACR-482.

Caribbean (LAC) noted the decline in economic growth resources over the late 1990s and the concurrent increase in programs targeting delivery of microenterprise and social services to the poor under the bureau's poverty strategy.<sup>10</sup> It recommended that LAC missions take a more active role with respect to economic policy and governance reforms.<sup>11</sup> The assessment team believes this point could equally apply to USAID Mali.

## Giving Priority to Direct Approaches

Direct approaches to poverty reduction involve the delivery of services to poor people; indirect approaches help establish the enabling environment for economic growth. Direct programs tend to be government- or PVO-provided services, short-rather than long-term, and affect fewer people because they are usually geographically focused. Examples of direct programs are agricultural extension activities to small farmers or microenterprise-lending programs for women. Indirect programs are generally longer term and affect greater numbers of people; examples include policies that promote economic growth or create a stronger legal and judicial

environment. Nearly two-thirds of USAID Mali's portfolio comprises grassroots service delivery programs directly benefiting poor people (Table 5).

## Supporting Health and Education

Although direct assistance is associated with poor outcomes, a good balance between direct and indirect assistance is essential to foster sustainability and long-term impact. In Mali, where poverty is so prevalent, direct social service delivery via PVOs may not be financially sustainable in the long run. Moreover, PVO-implemented programs can only reach a limited pool of beneficiaries per dollar spent. A greater number of poor could be helped through broader-based efforts that address the sources of poverty and the systems that perpetuate it. Some PVOs acknowledge that their programs are too focused on direct service delivery, which causes large administrative and policy problems.

USAID, one of Mali's leading health donors, spends over half of its health and education resources on vaccination programs, condom distribution, and the construction of community schools. The rest of the program supports indirect activities—such as policy and institutional reform, curriculum development, personnel training—and some local cost funding of government programs. USAID obtained some notable indirect educational policy reforms, including the Ministry of Education's agreement to provide monthly salary

<sup>10</sup> USAID Bureau for Latin America and the Caribbean, *FY 99 Trends Analysis: Economic Growth Area* (Washington, DC: USAID, June 1999).

<sup>11</sup> This point is also made by D. J. Plunkett and B. Lynn Salinger, *A Case Study of the United States Agency for International Development* (Cambridge, MA: AIRD, 1999).

**Table 5. USAID Mali Programs: Total Five-Year Obligations, FY1998–2002**  
(in thousand \$)

Objectives	Direct Programs		Indirect Program		Total Amount
	Amount	Percent	Amount	Percent	
Education	14,670	52	13,300	48	27,970
Health	36,665	66	19,265	34	55,930
Economic Growth	33,375	66	17,410	34	50,785
Democratic Governance	10,840	68	5,025	32	15,865
Information and North	10,719	72	4,150	28	14,869
<b>Total</b>	<b>106,269</b>	<b>64</b>	<b>59,150</b>	<b>36</b>	<b>165,419</b>

Source: PPC Evaluation Working Paper Number 2, *Poverty Reduction in Mali: A Background Paper*. PN-ACR-482.

support for teachers in 2,500 community schools. Government recognition that community schools are a legitimate part of Mali's educational system was a significant policy achievement. In health, USAID supports the government's health sector development strategy, which aims to improve health service delivery by strengthening managerial and technical capacities.

USAID Mali's health and education teams recognize the importance of direct and indirect activities. The teams feel emphasizing policy reform would make it difficult to track program implementation and satisfy results-reporting requirements. "Sometimes we get pushed to use PVOs because the results framework has to be clear about what to achieve," said one USAID officer. "The results have to be finite, quantifiable, and achievable in yearly increments. So maybe the mission sort of got lost in the minutiae of the results framework and forgot about the macro issues."

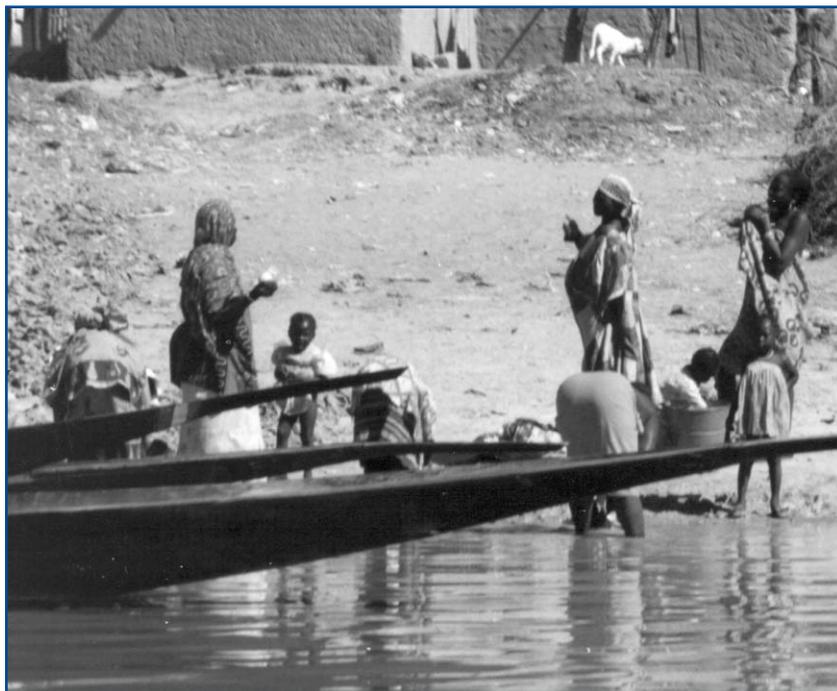
Because low income can be a critical barrier, several interviewees felt that greater attention to issues of economic and financial access to social services throughout Mali would improve delivery of health

and education services. For example, children failed to receive vaccinations because their mothers did not have 20 cents to buy a vaccination card. A recent study found that Malian women who had some formal education are over twice as likely to seek prenatal care as uneducated women, and poor women are less likely to have an assisted delivery than higher-income women.<sup>12</sup> The assessment team believes such linkages argue in favor of using child survival funds for expanded education and income-generating activities rather than health services delivery.

### Promoting Economic Growth

USAID Mali provides substantial support for the direct delivery of services, including extension assistance to farmers, microfinance lending, business training for entrepreneurs, and other civil society training. USAID provides direct support to the Ministry of Rural Development's rural development organizations and the *Office du Niger* for extension services to farmers and women's groups. Improved natural resource management practices were extended to almost 2,000 individual smallholders. USAID Mali also supports direct investment in model facilities and equipment—such as stockyards, storage warehouses, and grain mills.

While indirect activities comprise only about a third of the economic growth program, they enabled substantial export growth and market improvement. Particularly notable were reforms aimed at the removal of export taxes on livestock products and support for a national crop price information system. Program activities also contributed to the removal of the ceiling on interest rates and the development of an improved legal framework for microenterprises.



A pregnant woman and mothers engaged in washing clothes in the Niger River. Poor and uneducated Malian women often lack prenatal care and assisted deliveries. Income-generating activities and expanded educational opportunities would improve their access to health care.

<sup>12</sup> A.G. Kelley et al., *The Equity Initiative in Mali (IPE). Reducing Barriers to the Use of Basic Health Services: Findings on Demand, Supply, and Quality of Care in Sikasso and Bla* (Washington, DC: Partners for Health Reform, February 2001), <[www.phrproject.com/globali/mali/mali\\_en.pdf](http://www.phrproject.com/globali/mali/mali_en.pdf)>.

USAID Mali has long history of agricultural policy reform: there is some sense that “all the big issues have already been addressed.” USAID played a critical role in the multidonor, multiyear (1981–99) effort to reform Mali’s cereals market. USAID’s bilateral and regional programs also supported other economic policy reforms, including currency devaluation and regional trade integration. USAID’s support for the development of an agricultural price information network enhanced market infrastructure, enabled in part by expanding the reach of rural radio. USAID also helped train Mali’s world agricultural trade negotiators and taught advocacy techniques to agricultural private-sector representatives. However, USAID Mali discontinued its participant training program at the beginning of the 1998–2002 planning period because of difficulties in the USAID results-management reporting process (i.e., difficulties of showing specific annual results for multiyear training programs).

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*USAID’s support for the development of an agricultural price information network enhanced market infrastructure, enabled in part by expanding the reach of rural radio.*

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Nevertheless, there are still outstanding policy issues in Mali. A 2002 study<sup>13</sup> points to continuing problems in the cotton sector, finance, the business and investment climate, the legal and regulatory environment, and physical and human infrastructure development, among others. Privatization of state-owned enterprises and civil service reform remain important. Macroeconomic issues relating to the regional monetary and economic unions to which Mali belongs may also need to be addressed at some point. Some of these issues are handled by other donors or the USAID West Africa Regional Program office.

The assessment team believes that disengagement from the dialogue with government policymakers may reduce USAID’s visibility on key policy issues, especially those having to do with economic

growth. Poverty in Mali is widespread, and economic growth is the fastest and most efficient way to reduce poverty.<sup>14</sup> USAID is the fourth largest bilateral donor, yet proportionately little of its portfolio is directed toward improving the enabling environment for economic growth. Policy reform is probably the most important means of achieving economic growth and reducing poverty in African countries.<sup>15</sup> Therefore, it may not be appropriate for Mali’s fourth largest donor to leave policy reform to other donors. Increasing the importance of USAID Mali’s program economist office could help strengthen USAID’s participation in key economic areas. Weak economic growth can only make Mali’s democracy more vulnerable.<sup>16</sup> Economic growth challenges in a desperately poor country like Mali are enormous and argue for expansion of programs supporting the enabling environment for poverty reduction.

## Strengthening Democratic Governance

Fully two-thirds of the democratic governance program is direct aid for training and capacity building of grassroots community groups. Indirect components include support for civic education, leadership and advocacy training, and reform of the cooperative law. Few programs address broader issues of building the capacity of political parties; elections and elected assemblies; institutions of governance, including the judiciary; and crosssectoral programs that would support legal institutions necessary for the development of robust markets. More work could also be done to link community development activities to local government. One particularly enthusiastic interviewee described the need to increase indirect approaches:

We have had many direct interventions ... take gender issues for instance [waving program booklet in the air]. See this, we have trained 30

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<sup>14</sup> David Dollar and Aart Kraay, *Growth Is Good for the Poor* (Washington, DC: World Bank, March 2000), <[www.worldbank.org/research/growth/pdffiles/growthgoodforpoor.pdf](http://www.worldbank.org/research/growth/pdffiles/growthgoodforpoor.pdf)>.

<sup>15</sup> Paul Collier and David Dollar, “Can the World Cut Poverty in Half? How Policy Reform and Effective Aid Can Meet International Development Goals,” *World Development* 29 (2001).

<sup>16</sup> Robert J Barro, “Democracy and Growth,” *Journal of Economic Growth*, 1(1996): 1–27.

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<sup>13</sup> Wally Tyner et al., *Mali Agricultural Sector Assessment* (Bethesda: Abt Associates 2002).

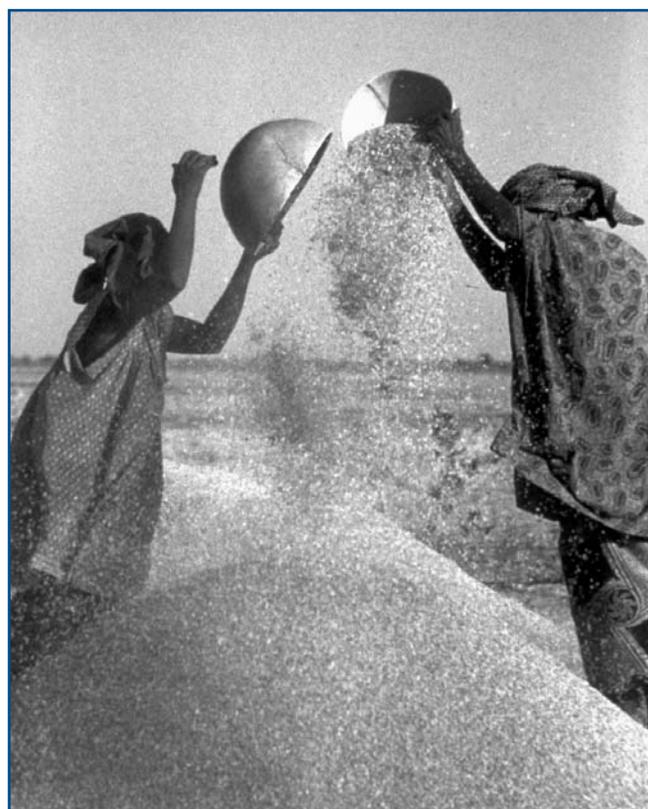
women's groups for 20 years now. This is fine ... but it is only a drop in the bucket! We could really make a difference by looking at issues of advocacy and legal reform, things that could impact on the lives of all women for a long period of time.

## USAID Programs Generally Target the Poor

USAID programs are targeted to poor people generally rather than explicitly. For instance, building community schools in underserved rural areas serves the poor because government schools are located in wealthier areas. Child survival and reproductive health programs focus on women and children who tend to be poorer in health and economic status. Girls are an important target group for the education program. The economic growth program includes a strong emphasis on horticultural crops, an important source of income for women. Democratic governance programs focus on women's participation in the political process.

USAID Mali's program makes no specific effort, however, to target programs to the very poorest. Staff and partners alike question the utility of more directed targeting because the vast majority of Malians are poor. Some observe that targeted programs within a community risk stigmatizing the poor. The health and education program operates in all five of Mali's southern regions where 90 percent of the population resides, though it is not possible for the program to effectively cover such a vast area. Instead of choosing where to work on the basis of poverty incidence, the regions are often divided up among the donors or chosen by PVOs on the basis of their expertise or past success in certain places. Yet Malians with the poorest health status tend to live in the most remote areas, where it is more difficult for PVOs to work. NGOs committed to equity sometimes choose to implement health activities in underserved areas, although not because USAID has requested they do so.

Analyzing poverty may strengthen the development impact of some USAID-assisted programs. Such an analysis would define the causes of poverty, identify



Women winnowing at a cereal bank. USAID Mali has a long history of agricultural policy reform and played a critical role in the effort to reform the country's cereals market.

who is poor and how they earn their livelihoods, and assess the specific poverty reduction impact of various activities. Areas of intervention could be more systematically selected using criteria based on geography, income, or health. Disaggregated social or political economy analysis needed for pro-poor targeting may seem unnecessarily complicated in a country where the overwhelming majority live at or below the poverty line. However, requiring development strategists to consider the dynamics of who will benefit from a proposed intervention can improve the impact of development programs on poor people at the local level. In the absence of such analysis, local power holders—who tend to dominate the distribution of assistance at the local level—are likely to benefit the most from development interventions.

USAID Mali's poverty indicators do not measure effects on poor groups, although they are usually disaggregated by gender and by rural or urban residence. Because poverty is so widespread and deep, USAID Mali assumes that its indicators are reliable

measures of poverty reduction. However, poverty could be tracked more closely through the Demographic and Health Survey which USAID Mali helps fund. This survey collects household data periodically on more than 70 indicators in rural and urban areas, including fertility, maternal and child mortality, malnutrition, and educational attainment. If USAID Mali decided to track poverty more closely, it could recommend that future surveys disaggregate data by economic quintiles to show how these indicators vary among poorer and richer groups. The Demographic and Health Survey tool is an area of USAID comparative advantage that could contribute to the poverty analysis process.

## U.S. Policies Lack Coherence

Lack of policy coherence—consistency of a donor country’s policy objectives and instruments in their totality—hinders achievement of USAID’s objectives in Mali. For example, the World Bank worked hard to reform Mali’s cotton producer-price policy to link domestic purchase prices more directly to world market price trends. Yet Mali’s agricultural exporters are plagued by low world commodity market prices, which largely reflect U.S. and European Union policies of providing large subsidies to their own agricultural producers. Such developed-country agricultural policies increase world production and lower world prices below those that would otherwise prevail.

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*If USAID Mali decided to track poverty more closely, it could recommend that future surveys disaggregate data by economic quintiles to show how these indicators vary among poorer and richer groups.*

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Another example of policy incoherence is the Bumpers Amendment to the FY1995 Appropriations Act, i.e., the U.S. directive against providing assistance to local producers of agricultural com-

modities whose exports may compete with U.S. agricultural production. Although cotton is Mali’s single largest export commodity—and despite the fact that reform of the cotton fiber subsector is Mali’s most pressing political economy challenge today—many respondents said that USAID could not get involved in the cotton sector in Mali because of the Bumpers Amendment prohibition.

U.S. policy incoherence also limits USAID’s programming for export promotion and capacity building, objectives supported by USAID and most development agencies. African products are subject to numerous import restrictions, including U.S. agricultural sanitary and phytosanitary regulations and the requirement to use U.S. or African fiber or fabric in garments to benefit from U.S. duty- and quota-free import privileges. African exporters perceive these regulations as overly restrictive.

## Earmarks Distort Assistance Delivery

Congressional budget directives—“earmarks”—bias Mali programs toward direct service delivery. Appropriations bills allocate funds to promote specific social service spending. These earmarks sometimes act as barriers to effective programming. For example, USAID’s health program has twice the budget of the education portfolio because of earmarks. This is difficult to justify in Mali, where the education ministry is better able to absorb aid than is the health ministry.

USAID Mali’s health and education staff testify to the difficulties that earmarks cause when they try to direct funds to meet country needs. Congressional earmarks support basic education, which is interpreted as a directive against support for education programs that target illiterate adults and out-of-school youth who are older than primary school-age children. Thus, earmarks for primary education do not allow the health and education office to support nonformal education programs that could serve the vast and vulnerable majority of Malian youth who are not in school. Earmarks also inhibit addressing gaps in teacher

training, textbooks, and materials. USAID Mali was unable to use child survival and development monies for new-entry teacher training for community schools, a program with an important poverty reduction impact.

A former senior USAID Mali officer noted:

USAID Mali's suggestions to increase funding for economic growth were regularly frustrated by the congressional micromanagement practice of earmarking, which essentially left the mission with no choice but to fund the social issue.... Economic growth funds were increasingly rare and generally reserved for the more advanced economies. In contrast, basic health and basic education funds were plentiful and easy to obtain... Were Congress—and Washington more generally—to have given Bamako the authority to shape its own budget, the mission would clearly have emphasized more strongly the economic growth issues.

## Lessons Learned

- 1 USAID's program is an effective poverty reduction approach, but it should do more to enable economic growth and opportunity.**

USAID's Mali program—although not defined as a poverty reduction program—incorporates many poverty reduction objectives and makes strong contributions to the government's overarching poverty reduction goal. Its community-level interventions in health and education, direct focus on women and youth, and support for local organization empowerment demonstrate USAID Mali's strong emphasis on direct delivery of social services to the poor through grassroots programs. However, nothing reduces poverty more rapidly and more widely than economic growth. Thus, USAID should give more attention to the enabling environment for poverty reduction. In a country where 65 percent of the population live below the poverty line, what is needed more than social service and community development programs to help reallocate the existing "pie" is economic growth—a bigger pie—to provide an expanded range of opportunities for Malians.

Agriculture is a logical place to stimulate growth, and USAID has identified numerous opportunities to do so.

However, there are other growth-related issues which cannot be covered under the agriculture rubric that relate to the creation of the enabling environment for economic growth, such as economic policy and governance reform. Increasing the importance of the program economist office in the mission could also help strengthen USAID's attention to other key economic areas, including infrastructure, regulatory, and finance reform; privatization; and industry and service-sector development.

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*In a country where 65 percent of the population live below the poverty line, what is needed more than social service and community development programs ... is economic growth ... to provide an expanded range of opportunities for Malians.*

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However, USAID's reluctance to work through public sector offices reduces USAID's visibility and impact at the national level on key policy issues, especially those having to do with economic growth and governance. USAID Mali may wish to review whether it is maintaining an appropriate balance between partnerships which favor the private and nongovernmental sectors and direct involvement with the government, particularly in policy affairs. Currently, over 60 percent of USAID Mali's resources in all program areas are allocated to activities that provide services directly to poor people. The remaining 40 percent are allocated to activities emphasizing broader economic or policy environments that have an indirect effect on all of the poor.

- 2 Participating in the PRSP process gives donors greater voice at policymaking levels, provides an opportunity for discussion of difficult subjects, and strengthens program coordination and cooperation.**

Donors highly value their participation in the PRSP process. Most donor representatives believe that donor organizations in Mali now more than ever speak with one voice to the government, improving program coordination and collaboration. The PRSP process also provides an opportunity for donors to address issues that were once taboo, such as corruption. USAID contributed directly to the PRSP process, particularly by encouraging civil society participation. USAID's FY2003–12 assistance strategy was clearly mindful of the goals and strategies being outlined in the government's PRSP. USAID needs to stay fully engaged in the PRSP process to stimulate donor coordination and leverage on issues such as corruption, accountability, and aid effectiveness. USAID should also be engaged to preserve its influence on the spending of HIPC debt-reduction funds. Because USAID contributes only a small proportion of its program funds for direct government budget support—which provides the strongest opportunity to influence government policy—USAID will require more voice at policymaking levels to ensure that its project assistance fits into the individual sector strategy programs.

**3** USAID could add value to its portfolio by designing and targeting its poverty reduction programs more carefully.

USAID could add value to its portfolio by being more explicit about how its programs relate to poverty reduction. Although its PVO partners often make implicit targeting decisions in their choice of regions in which to work and with which socioeconomic groups, USAID's program could be even better focused on poverty reduction if it was designed with more explicit attention paid to the dynamics of socioeconomic relations in the areas of intervention where USAID works. Data for monitoring poverty reduction is weak. USAID's



A woman in her dry-season garden. Many USAID Mali's programs center on women's health and the education of girls. Its economic growth program emphasizes horticultural crops, an important source of income for women.

Demographic and Health Survey could be modified to provide information on household consumption, in addition to health status and access to services.

**4** Concentrating on PVO development partnerships may jeopardize USAID's participation in the national policy dialogue.

Only 15 percent of USAID Mali programs are implemented through the government. About 45 percent are implemented through PVOs, some of whom do not give USAID adequate recognition as a source of funding. By heavily weighting civil society and the private sector, USAID may be losing its place at the national policy dialogue table and ceding to others the opportunity to participate in deliberations on broader economic reform issues. Moreover, USAID's backing of decentralization and civil society may be stimulating the proliferation of petty bureaucrats—rent-seekers in economic terms—without strong grassroots origins or community connections.

## 5 Earmarks limit USAID's ability to foster poverty reduction.

Congressional earmarks limit USAID programming flexibility for poverty reduction. Earmarks for child survival and development funds prevented greater funding for education programs that were badly in need. More broadly, the mission has been constrained by the need for quantifiable results and by overall funding directives that allocate proportionately more to health and education than to economic growth. At times, USAID is unable to take advantage of strong synergistic linkages between education, health, and economic growth because of the current system of program and budget earmarks.

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