Key figures

- Land area, thousands of km²: 1,240
- Population, thousands (2006): 13,918
- GDP per capita, $ PPP valuation (2006): 994
- Life expectancy (2006): 49
- Illiteracy rate (2006): 81
Mali’s economic growth outlook remains favourable. After recording a 6 per cent growth rate in real gross domestic product (GDP) in 2005, growth in 2006 is estimated at 5 per cent and is expected to be around 4.7 per cent per year in 2007 and 2008. This expansion would be due mainly to higher output in the mining sector and a big increase in food-crop production. The good prospects are also explained by a rising domestic demand helped by private and public investment, especially in 2006.

A new strategic growth and poverty-reduction paper (DSCR) has been drafted for 2007-11: the second generation of the strategic framework for the fight against poverty (CSLP) should reinstate the deficiencies identified in the first. Amongst these, were a lack of explicit consistency amongst the CSLP, the sectorial and regional strategies, and the state budget.

Despite a slowdown in cotton production, the primary sector grew in volume by 5.1 per cent thanks to good weather and locust-prevention programmes.

Figure 1 - Real GDP Growth and Per Capita GDP

($PPP at current prices)

Real GDP Growth (percentage)  Per Capita GDP ($PPP)

Source: IMF and national statistics and information-technology service (DNSI) data; estimates (e) and projections (p) based on authors’ calculations.

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Recent Economic Developments

In 2005, the primary sector recorded a 5.1 per cent growth in volume. Total food crop production (millet, sorghum, rice and corn) stood at 3 367 200 tonnes in 2005/06, representing an increase of 18.4 per cent, which was higher than the 16.3 per cent increase in the previous agricultural season. Groundnut production was virtually stable at 212 200 tonnes. These good results can be explained by more favourable climate conditions and the anti-locust measures taken by the government, as well as by implementation by the authorities of the programme for the development of irrigated zones and the distribution of improved varieties of rice and maize.

Cash-crop farming remains dominated by cotton. Production in this sub-sector in the 2005-2006 season is estimated to be 8.3 per cent down on 2005/06 at 536 700 tonnes. This reduction in cotton production is related to a drop in the purchase price to producers, which fell from 210 to 160 CFA francs per kilogramme. The livestock sector showed real growth of 4.3 per cent, reflecting the better condition of pastures in 2005. Traditionally, animals are sold live on the principal markets of the sub-region but mainly in Côte d'Ivoire.

Gold production rose 10 per cent to an estimated 49.1 tonnes as a result of higher output at the Morilaz mine and the start of activity at the Loulo mine in November 2005. New reserves were also brought into production in the south and west of the country in late 2005, and two new mines, Tabakoto and Kalana, were due to open in 2006/07. Since 2005, Mali has become the continent’s third biggest gold producer after South Africa and Ghana. The sector is attracting more and more investors. In 2005 alone, 102 mining permits were granted, 87 of them for gold. Given the exonerations authorised under the mining code, however, the sector makes a relatively limited contribution of around 40 billion CFA francs to tax revenues. There are possibilities for diversification into phosphates, lithium, bauxite and iron, and the Baraka Mali Venture consortium and its Mauritanian, European and Australian partners have signed a so-called production-sharing agreement for 5 of the 15 oil-prospecting blocks in the north of the country. First production is expected in 2008 although oil-transportation arrangements have yet to be decided.

The secondary sector represented 16.2 per cent of GDP in 2005, when it showed a real increase of 6 per cent compared with 2.7 per cent in the preceding year. The increase in the growth rate is the result of a good performance by the construction sub-sector. The manufacturing industry was in recession, however.

The industrial sector remains modest in size, accounting for less than 5 per cent of the 243 enterprises declared and registered in the 2003 census. It is confronted with a difficult business climate – the World Bank’s Doing Business 2006 report ranks Mali 146th out of 155 countries – and with competition from the informal sector which makes use of counterfeiting and fraud (motorcycles, tyres, etc.). The cost of factors such as electricity and transport also constitutes a handicap. Mali’s needs in electricity are...
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Mali currently higher than its share of production from the Manantali dam. The withdrawal of Énergie du Mali's principal shareholder, the Bouygues group's Saur International, in October 2005 illustrates Mali's difficulty in defining an energy policy.

Agro-industry represents about 45 per cent of all the country's industrial activity. The sector is characterised by the presence of big importers in virtual monopoly positions. Huilerie Cotonnière du Mali (Hucoima), which produces cotton oil, is the country's biggest agro-food producer. Other notable manufacturers are the Compagnie malienne de développement des textiles (CMDT) and the textile producers Comatex and Bakatex (formerly Itema), which use less than 10 per cent of the CMDT's production. Only beverages production is relatively diversified with two mineral-water plants (Le Lido SA and Diago), a brewery (Bramali) and four plants producing sodas and fruit juices. Only one flour mill, Grands moulins du Mali (GMM), is active in Bamako. There are also one confectionery, three plants producing pasta and biscuits, a large number of small bakeries and several milk-processing plants. In 2004, President Amadou Toumani Touré declared that he wanted to make agro-industry the priority of his investment programme. A market could, therefore, open up for foreign investors, notably in the fields of fruit and vegetable processing and sugar production. The Markala sugar project aims to develop the cultivation of sugar cane in the Ségou region and promote construction of a processing plant. The public-private capital enterprise Sukala plans to bring into service another new sugar plant in 2007.

Sustained activity in the construction and energy sub-sectors has boosted growth in the secondary sector despite the expected drop in production in the manufacturing industry. The continued implementation of major programmes in the fields of health, education and rural infrastructure are largely responsible for high growth in the construction sector. In 2006, there were plans to build asphalt roads in the Malian interior (26 billion CFA francs) as part of efforts to improve access to the country, to continue construction of the administrative centre (7 billion CFA francs) and to build the Gao bridge (5.9 billion CFA francs).

The tertiary sector should benefit from the continued extension of the mobile-telephone network through investments by Malitel and Ikatel (Orange), the creation of a new airline (Cam) and the development of the activities of the rail enterprise Transrail SA. Banque régionale de solidarité (BRS Mali) and Banque Atlantique Malien should also expand their activities in 2006.

On the demand side, investment growth in the private sector fell slightly from 2004 to 2005 despite the opening of the Loulo gold mine and growth in

<table>
<thead>
<tr>
<th>Table 1 - Demand Composition (percentage of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td><strong>Gross capital formation</strong></td>
</tr>
<tr>
<td>Public</td>
</tr>
<tr>
<td>Private</td>
</tr>
<tr>
<td><strong>Consumption</strong></td>
</tr>
<tr>
<td>Public</td>
</tr>
<tr>
<td>Private</td>
</tr>
<tr>
<td><strong>External sector</strong></td>
</tr>
<tr>
<td>Exports</td>
</tr>
<tr>
<td>Imports</td>
</tr>
</tbody>
</table>

**Source:** IMF and DNSI data; estimates (e) and projections (p) based on authors' calculations.

http://dx.doi.org/10.1787/011762076355
homebuilding, encouraged by intense activity on the part of real-estate enterprises in the major cities. In 2006, investment, specially in the private sector, is expected to recover slightly. Growth in total consumption slowed down from 4.9 per cent in 2004 to 1.7 per cent in 2005 following a poor agricultural season. The slowdown in final demand, in which domestic consumption represents about 80 per cent, continued in 2006.

**Macroeconomic Policies**

**Fiscal Policy**

Total revenues and grants are estimated to have risen 12.3 per cent from 621.6 billion CFA francs in 2005 to 698.2 billion CFA francs in 2006. Revenues alone increased 5.7 per cent to 535.7 billion CFA francs. The trend is the same for tax revenues, which increased 5.3 per cent to 470 billion CFA francs in 2006. The tax burden stood at 14.6 per cent, 0.8 per cent less than in 2005, supposing that no extra effort was made by the tax-collection services. The level of the tax burden is below the 17 per cent minimum set by the Economic Community of West African States (ECOWAS). Grants were up 41.3 per cent in 2006 at 162.5 billion CFA francs.

Total expenditure and net loans rose 13.5 per cent from 712.3 billion CFA francs in 2005 to 808.8 billion CFA francs in 2006. Current expenditure increased 8.6 per cent in 2006 over the previous year to 457.8 billion CFA francs. Capital expenditure in 2006 was up 33 per cent from 268.1 billion CFA francs in 2005 to 356.6 billion CFA francs. The wage bill was expected to rise 8.1 per cent from 137.8 billion CFA francs in 2005 to 149 billion CFA francs in 2006.

The deficit in the state’s financial operations, on a commitment basis and excluding grants, stood at 48.9 billion CFA francs at the end of June 2006, 3.4 billion CFA francs more than the deficit for the same period the preceding year. The state of public finances was even worse than initial forecasts. On the basis of available data, however, the execution of the budget, on a commitment basis and excluding grants, resulted in a reduced overall deficit in 2006 compared with 2005 and was expected to remain stable in 2007 and 2008. This development is essentially due to higher capital expenditure, itself linked, notably, to the increase in available resources resulting from the forgiveness of debt due to the IMF within the framework of the Multilateral Debt Relief Initiative (MDRI). The level of execution of current expenditure remained virtually stable from one year to another, while capital expenditure increased in 2006. Tax revenues also

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**Table 2 - Public Finances**

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006(e)</th>
<th>2007(p)</th>
<th>2008(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue and grants</strong></td>
<td>20.0</td>
<td>21.9</td>
<td>21.2</td>
<td>21.6</td>
<td>22.7</td>
<td>22.6</td>
<td>22.4</td>
</tr>
<tr>
<td>Tax revenue</td>
<td>12.8</td>
<td>14.2</td>
<td>14.9</td>
<td>15.5</td>
<td>15.5</td>
<td>15.5</td>
<td>15.7</td>
</tr>
<tr>
<td>Other revenue</td>
<td>2.0</td>
<td>3.0</td>
<td>2.3</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Grants</td>
<td>5.2</td>
<td>4.7</td>
<td>3.9</td>
<td>4.0</td>
<td>5.1</td>
<td>5.0</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Total expenditure and net lending</strong></td>
<td>22.3</td>
<td>23.2</td>
<td>23.8</td>
<td>24.8</td>
<td>24.4</td>
<td>24.4</td>
<td>24.9</td>
</tr>
<tr>
<td>Current expenditure</td>
<td>11.2</td>
<td>14.4</td>
<td>14.9</td>
<td>14.7</td>
<td>14.7</td>
<td>14.7</td>
<td>14.9</td>
</tr>
<tr>
<td>Excluding interest</td>
<td>10.5</td>
<td>13.7</td>
<td>14.3</td>
<td>14.0</td>
<td>14.3</td>
<td>14.2</td>
<td>14.6</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>3.5</td>
<td>4.3</td>
<td>4.6</td>
<td>4.8</td>
<td>4.6</td>
<td>4.5</td>
<td>4.6</td>
</tr>
<tr>
<td>Goods and services</td>
<td>3.6</td>
<td>4.4</td>
<td>5.2</td>
<td>5.0</td>
<td>5.4</td>
<td>5.3</td>
<td>5.5</td>
</tr>
<tr>
<td>Interest</td>
<td>0.7</td>
<td>0.8</td>
<td>0.7</td>
<td>0.6</td>
<td>0.6</td>
<td>0.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>11.3</td>
<td>8.9</td>
<td>9.2</td>
<td>9.3</td>
<td>9.7</td>
<td>9.6</td>
<td>9.8</td>
</tr>
<tr>
<td><strong>Primary balance</strong></td>
<td>-1.6</td>
<td>-0.6</td>
<td>-1.9</td>
<td>-2.5</td>
<td>-1.1</td>
<td>-1.3</td>
<td>-2.2</td>
</tr>
<tr>
<td><strong>Overall balance</strong></td>
<td>-2.3</td>
<td>-1.3</td>
<td>-2.6</td>
<td>-3.2</td>
<td>-1.7</td>
<td>-1.8</td>
<td>-2.5</td>
</tr>
</tbody>
</table>

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*a. Only major items are reported.*

**Source:** IMF and DNSI data; estimates (e) and projections (p) based on authors’ calculations.

http://dx.doi.org/10.1787/645867532556
progressed in 2006 in relation to the same period the preceding year.

In line with Mali’s 2006 convergence programme, revenue forecasts are based on the computerisation of the tax services, which should improve the recovery of value added tax (VAT). In addition, measures introduced at the end of 2005, notably the abolition of tax exemptions for new vehicles, the introduction of simplified tax arrangements for small enterprises and the abolition of tax exemptions for the Banque nationale de développement agricole (BNDA) should produce their full effect in 2006. There are also plans to reduce or suspend taxes on imports from the West African Economic and Monetary Union (WAEMU) and, in line with the decree adopted in December 2005, to introduce a new mechanism for fixing the prices of hydrocarbons, based on world prices and in line with community legislation on the taxation of imported oil products.

At the level of tax authorities, implementation of the tax-service action plan will be reinforced as will the system for on-site accounting auditing. Expenditure policy will direct external aid towards investment. Investment expenditure on internal resources will aim above all to increase allocations to education, health, infrastructure and the strengthening of institutional capacities.

**Monetary Policy**

Monetary and credit policy is run at regional level by the Central Bank of West African States (CBWAS), the principal objective of which is to preserve the parity between the CFA franc and the euro and control inflation. Monetary policy in the zone is therefore rigorous in the same way as that of the European Central Bank and backed by an appropriate level of international reserves. The only difference lies in the fact that the CBWAS takes into account the economic situation of its member countries in determining its monetary policy. The forecasts at the end of December 2006 indicated an increase in money supply following an increase in net external assets and internal credit. Money supply was estimated to be 902.8 billion CFA francs at the end of December 2006 – up 7.3 per cent on its level at the end of 2005. Credit to the economy was estimated at 564.5 billion CFA francs in 2006, 14.5 per cent higher than in 2005. This trend is the result of a considerable increase in ordinary loans.

In Mali, the net external assets of the monetary institutions rose 27.9 billion CFA francs to 492.4 billion CFA francs at the end of June 2006 against the previous month. This increase is essentially due to the 26.5 billion CFA francs increase in the assets of the central bank. On an annual basis, the net external position of the monetary institutions increased by 110 billion CFA francs. Outstanding internal credit stood at 375.5 billion CFA francs at the end of June 2006 compared with 397 billion CFA francs the preceding month. This situation resulted from the 24.2 billion CFA francs improvement in the net position of the government. On an annual basis, internal credits to the economy recorded a 23.6 billion CFA francs or 4.8 per cent fall.

Affected by the increase in the prices of food, oil products and transport, the average inflation rate was 3.3 per cent between January and May 2006, compared to 5 per cent for the same period in 2005. Revised forecasts indicate that there was a further reduction in this figure over the rest of 2006, which was linked to the expected improvement in cereal production and government initiatives to reduce the price of essential goods and services such as water and electricity. Average inflation in 2006 is estimated at 2.1 per cent compared to 1.6 per cent in 2005, according the CBWAS.

**External Position**

Mali’s foreign trade has been marked by a reduction in its current account, excluding official transfers, which stood at 6.3 per cent of GDP in 2005. This movement is the result of an increase in imports, notably a 46 per cent increase in sales of gold, resulting from higher prices and production. In 2006, according to the International Monetary Fund (IMF), the terms of trade should improve by 14 per cent as the strong increase in gold prices compensates for the rise in the price of imported oil. Gold represented 65 per cent of total
Mali exports in 2005. The state is seeking to improve the external balance by implementing policies and structural reforms aimed at improving the efficiency and the competitiveness of the cotton and banking sectors. The expected improvement in the terms of trade should produce a revival of exports, hence a reduction of the current balance of payments deficit. In October 2005, the government launched a programme to promote competitiveness and diversification in agriculture through the processing and marketing of market-gardening products such as tomatoes, mangoes and green beans for the European and American markets. The increase in the price of oil, which makes air freight more expensive, could represent an obstacle to the development of these export lines.

On 23 June 2004, Mali concluded a new programme within the framework of the Poverty Reduction and Growth Facility (PRGF) which provided it with 9.33 million in special drawing rights for 2004-07. In 2003, the World Bank adopted a country assistance strategy for Mali for 2004-06, which should yield $400 million in aid, 30 per cent of which in the form of grants.

Mali reached the completion point under the enhanced Heavily Indebted Poor Countries Initiative (HIPC) in February 2003. In March 2003, the country reached agreement with the Paris Club to cancel all its eligible debt. Mali started to benefit from HIPC resources in 2000. In the course of 2000-04, it obtained 112 billion CFA francs, distributed as follows: 2.6 billion CFA francs in 2000, 23 billion CFA francs in 2001, 27.5 billion CFA francs in 2002, 30.1 billion CFA francs in 2003 and 28.6 billion CFA francs in 2004.

With 68.5 per cent of its debt owed to multilateral creditors, Mali is amongst the countries benefiting from the cancellation of their debt to multilateral institutions decided by the G8 heads of state in July 2005. The debt is considered sustainable, given that the stock of external arrears was completely absorbed in 1994 and, since then, all repayments dates have been respected, for interests as well as for capital. The stock of internal debt was also totally cleared at the end of 1999, and there has been no accumulation since that date. Debt cancelled under the MDRI in 2006 is estimated to have come to 1 085.2 billion CFA francs, to which the 20.5 billion CFA francs cancelled under the HIPC Initiative should be added. As a result, the total amount of debt outstanding should be reduced to 745.7 billion CFA francs and the ratio of debt outstanding to GDP is estimated to have been brought down from 60 per cent in 2005 to 23.2 per cent in 2006 and debt servicing to no more than 4 per cent of exports.

According to the 2006-08 multi-year programme, outstanding debt, excluding relief, is projected to increase from 1 736 billion CFA francs in 2006 to 1 811 billion CFA francs in 2007 and 1 843 billion CFA francs in 2008. For this period, 87.7 billion CFA francs of additional resources are expected, distributed as follows: 25.9 billion CFA francs in 2006, 26.6 billion CFA francs in 2007 and 26.2 billion CFA francs in 2008. The expected resources will be budgeted for the completion of poverty-reduction projects.

### Table 3 - Current Account (percentage of GDP)

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade balance</th>
<th>Exports of goods (f.o.b.)</th>
<th>Imports of goods (f.o.b.)</th>
<th>Services</th>
<th>Factor income</th>
<th>Current transfers</th>
<th>Current account balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>0.3</td>
<td>19.4</td>
<td>-19.1</td>
<td>-9.1</td>
<td>-1.7</td>
<td>3.9</td>
<td>-6.6</td>
</tr>
<tr>
<td>2003</td>
<td>-1.4</td>
<td>22.0</td>
<td>-23.4</td>
<td>-6.1</td>
<td>-3.8</td>
<td>4.9</td>
<td>-6.4</td>
</tr>
<tr>
<td>2004</td>
<td>-2.3</td>
<td>19.6</td>
<td>-21.9</td>
<td>-5.8</td>
<td>-3.9</td>
<td>3.9</td>
<td>-8.2</td>
</tr>
<tr>
<td>2005</td>
<td>-2.3</td>
<td>20.3</td>
<td>-22.5</td>
<td>0.0</td>
<td>-4.0</td>
<td>4.1</td>
<td>-2.2</td>
</tr>
<tr>
<td>2006(e)</td>
<td>1.8</td>
<td>24.8</td>
<td>-23.0</td>
<td>-1.8</td>
<td>-3.6</td>
<td>3.7</td>
<td>0.0</td>
</tr>
<tr>
<td>2007(p)</td>
<td>3.4</td>
<td>25.0</td>
<td>-21.6</td>
<td>-1.8</td>
<td>-4.4</td>
<td>3.1</td>
<td>0.3</td>
</tr>
<tr>
<td>2008(p)</td>
<td>1.9</td>
<td>23.8</td>
<td>-21.9</td>
<td>-2.0</td>
<td>-6.3</td>
<td>3.1</td>
<td>-2.2</td>
</tr>
</tbody>
</table>

Source: CBWAS and IMF data; estimates (e) and projections (p) based on authors’ calculations.

http://dx.doi.org/10.1787/362661712882
Structural Issues

Recent Developments

A number of reforms have been undertaken in the public sector, which show the commitment of the state of Mali to the process of good governance. The report of the general controller, whose job it is to verify the regularity and sincerity of public-revenue and -expenditure data, contained the conclusion of the enquiries carried out between 2004 and 2006, notably with regard to VAT collection and repayment, customs duties and associated taxes, hydrocarbons and public contracts. With regard to the collection and repayment of VAT and associated taxes, the inquiries brought to light a significant reduction in state revenues, amounting to 13 billion CFA francs. At the same time, civil society has begun organising itself so as to be able to contribute to the fight against corruption and financial delinquency. Various associations have come into being, including, amongst others: i) Transparency Mali; ii) the national watch for the fight against corruption; and iii) the Malian network of journalists against corruption.

In October 2005, the government undertook a study of the system of benefits and bonuses linked to wages so as to evaluate incentive systems. The study was due to be completed for December 2005. A report on the revision of criteria for the allocation of social-security resources was finalised in October 2005. An actuarial study of the Caisse de Retraite du Mali (CRM) public-sector pension scheme showed that, in the absence of reform, the operating deficit will rise to an unsustainable level. Following consultations with employer and employee organisations, an inter-ministerial committee proposed to the higher civil-service council in May 2006 a series of reforms aimed at progressively reducing the CRM’s financial deficit in the medium term. Given the potential impact of these reforms on medium-term budget prospects, the state has committed itself to submitting relevant legislation to the National Assembly for the necessary reforms with a view to re-establishing financial balance at the CRM by 2010.

The government has also begun implementing a medium-term action plan to improve the management of public finances, notably by limiting tax exemptions.
accorded under the mining and investment codes. The government has committed itself for 2006-08 to reinforcing audit capacities, supervising public contracts and accounting for expenditure at regional level. It also plans to extend the public treasury’s computer network and to enlarge coverage of budget accounts.

The state is also pursuing its privatisation policy with the objective of expanding the role of the private sector in the economy and, at the same time, reinforcing budgetary policy. The government has committed to completing the privatisation of the CMDT by 2008. It has drawn up a new schedule, which puts back full privatisation of the enterprise from 2006 to 2008 so as to better prepare producers and the private sector for the fundamental changes to come. A new mechanism for fixing producer prices came into effect in May 2005, in time for the 2005/06 season. On 6 March 2006, the council of ministers opted for a zoning system involving the establishment of four private-sector ginning enterprises. The operational scheme was due to be submitted to the council of ministers in September 2006.

After numerous difficulties, the privatisation of Huicoma, which was authorised by a law passed on February 27 1988, was finalised. The Malian state decided to sell the enterprise to a Malian investor for 9 billion CFA francs in what was the principal advance in the privatisation field in 2005.

The plan for the privatisation of the Société des Télécommunications du Mali (Sotelma) was finalised by the government under the aegis of the telecommunications regulatory commission. The sale of a 51 per cent capital stake of the enterprise had been due to take place in 2004 but was finally postponed and should now take place in 2007 at the latest. It is important to note that Sotelma and its mobile telephone subsidiary Malitel are to be privatised together and sold to the same buyer.

The water and energy sectors have been in crisis since 2005. They are run by a single supplier, EDM SA, which was sold to the Bouygues group in 2000. In October 2005, however, the Bouygues-group enterprise Finagement decided to withdraw from the enterprise’s capital through the sale of its stake to its partners in EDM, i.e. the Aga Khan Fund for Economic Development subsidiary Industrial Promotion Services (IPS/WA) and the state of Mali. This decision followed divergences between the government and the private concessionaire regarding price levels and energy-supply development plans, and the investment projects associated with them. The “re-nationalisation” of the two sectors took effect after the final meeting of the Finagement board. For EUR 200 million, the state of Mali recovered the majority stake in EDM, which rose from 40 per cent to 66 per cent. At the moment, the enterprise is having difficulty supplying electricity and water to its 250 000 subscribers. EDM is also grappling with massive fraud and a considerable level of unpaid bills. Trafficking of metres and illegal tapping of water and electricity are estimated to have caused the enterprise losses totalling EUR 10 million (7 billion CFA francs) in a single year. As for arrears, they are estimated at around EUR 15 million (10 billion CFA francs). EDM management intends to carry out checks followed by wide-ranging communication campaigns to persuade the public not to engage in fraud.

With regard to the restructuring of the banking system within the framework of the financial sector development project (PDSF), the planned privatisation of the Banque de développement du Mali (BDM SA) and the Banque internationale du Mali (Bim SA) have suffered numerous delays. A new timetable for the privatisation of the Bim was adopted in November 2004 following the completion of a period under provisional administration and the appointment of a new management team. Originally planned for early 2005, privatisation of the Bim has been delayed and could be undermined altogether for the simple fact that no Malian bank is able to present a credible bid. A call is due to be made for bids for the state’s shares in the Bim. As for the BDM, the intention was to carry out a joint sale of the shares held by the state and the CBWAS once the two shareholders had agreed on a common course of action. Restructuring of the Banque de l’Habitat du Mali (BHM) with the support of the World Bank is also planned. In November 2005, the government recapitalised BHM by converting deposits
Mali has great tourist potential. According to available statistics, the country has 244 accommodation establishments providing 3,927 rooms and 5,066 beds. The government intends to develop the country's hotel network, notably, through projects to build an Accor group Ibis hotel in Mopti in 2005 and extend the Résidence Komé in Bamako. A law passed on 3 June 2002 offers particular advantages to tourism enterprises, including exemption from professional tax, commercial tax and customs duties on equipment. At institutional level, different decrees have been passed with the aim of increasing tourist frequentation by 2007. The recently created airline enterprise Compagnie aérienne du Mali (Cam) was due to offer flights from Paris from the end of 2005.

The state has undertaken major investments in infrastructure. Numerous projects, which have already been financed, have been programmed for 2005-10. With European Union financial support, Mali has begun rehabilitating the road corridors leading to the principal ports of the sub-region – Dakar, Nouakchott and Conakry. Alongside these major road projects, 2,000 kilometres of internal roads, 670 of which financed by the World Bank, were due to be delivered by 2006. Following the same logic of improved access to the country, a road authority was set up with the aim of putting road maintenance into the hands of the private sector. Work by public-sector bodies has been stopped and current maintenance transferred to private-sector enterprises.

**Access to Drinking Water and Sanitation**

Mali has great water-resource potential in the form of perennial surface water, non-perennial surface water and underground water. These resources are very largely superior to the country's needs and, subject to their being well-managed, should, therefore, be able to meet those needs in due course. The resources are, however, very unevenly distributed over the country.

Under the terms of the sub-regional action plan for Integrated Water Resource Management (IWRM), the government has set up an institutional mechanism at the national level for the definition and implementation of IWRM. Local committees and agencies will be in charge of managing water basins with strong participation by the local populations. As part of this process, a Malian national water partnership was set up in 2003 as an association for social mobilisation, information sharing, training and action for the application of IWRM principles. It is the focal point of the Global Water Partnership in Mali.

The national strategy for the development of the supply of drinking water and sanitation (AEPA) in rural and semi-urban areas in Mali, which was adopted in March 2000, constitutes the basic framework for all programmes and projects in the sector. Through the 1999 sectoral policy letter for drinking water and electricity and the March 2000 ordinance on the organisation of the public-sector drinking-water service, the government expressed its intention to disengage the state from operational activities in favour of reinforcing its planning and regulatory capacities and serving as a provider of support and advice to those involved. Thus, the state has transferred its powers as provider of public drinking water and sanitation to the local authorities but maintains an important role in order to urge that the prices for these services should be set to cover their economic cost. In July 2006, 301 communes had benefited from these transfers of power. More than 250 management-delegation contracts had been signed between municipalities and operators, which in their great majority are formal user associations.

The water code adopted in January 2002 sets out the procedures for managing and protecting resources by defining the rights and obligations of the state, local authorities and users. It recommends the establishment of public water-service development funds and sets up a national council, regional and local councils, and water-basin councils, which are in charge of giving opinions and making proposals on water-resource management and development projects. Apart from the different policy components elaborated since more than 10 years ago, the central feature of the government's
Mali

The current strategy is the national water-access plan (PNAE), which was drawn up in 2003 and which was supplemented in 2004 by a water-access initiative, which itself was partly inspired by the African Development Bank. At the start of 2005, the government had the idea of setting up an agency to oversee project execution, the Agence malienne pour l’eau et l’assainissement (Amepa), which is relatively autonomous from a budgetary and statutory point of view and which was to take over a large part of the present functions of the national hydraulics department (DNH). This new institution should simplify and accelerate project implementation procedures without municipalities losing their role of promoter.

The whole of the water sector is placed under the responsibility of the Ministry of Mines, Energy and Water (MMEE), the operational structure for which is the DNH. The MMEE is responsible for inter-ministerial co-ordination and all policies in the sector. It has the role of supervising the development and management of water resources so as to assure coverage of the country’s needs, of completing studies and development work, and of conserving and protecting all surface and underground water, except for agricultural water schemes. Responsibility for sanitation, on the other hand, is shared amongst the DNH, the Ministry of the Environment and the Ministry of Health. The DNH has the task of drawing up national policy in the hydraulics field and of assuring co-ordination and technical control through its regional and sub-regional, and other dependent services. These latter contribute to implementation of national policy and to national- and regional-level planning for the development of the public drinking-water service in co-operation with the local authorities, who serve as promoters for the service.

In rural and semi-urban areas, the DNH is the principal protagonist through its regional and sub-regional branches, the regional water and energy departments (DRHE) and the sub-regional water and energy service (SSRHE), even if all of them are not operational. An institutional framework for the public drinking-water service in rural and semi-urban areas has been tested and set up after much consultation with representatives of all the different stakeholders in the sector.

In certain large cities – only 16 are involved – the principal protagonist is EDM SA, which is also in charge of energy distribution but over a wider area. Regulation of drinking water supply in urban areas has been put by the state in the hands of the regulatory commission for electricity and water (CREE).

The coverage rate is very uneven from a geographical point of view. Certain regions are penalised by heavy constraints such as isolation and low population density, which make the organisation of upkeep and maintenance services extremely problematic, whether for hand pumps or small networks. The rate of access to tap water, which stood at 6.4 per cent in 2001, had risen to 8.6 per cent in 2005. The rate of access to drinking water at standpipes rose from 7.23 per cent to 8.5 per cent during the same period. That of access to drinking water from the EDM network rose from 13.6 per cent to 17.1 per cent for the period. In urban areas, the access rate increased from 50.9 per cent to 56.7 per cent. Thus, the rate of access to drinking water in all urban and semi-urban areas progressed from 58.7 per cent to 70.2 per cent between 2001 and 2005 and in rural areas at from 46.4 per cent to 64.3 per cent. Taking into account the different levels of access stated above, the national coverage rate for drinking water rose overall from 49.9 per cent in 2001 to 66.1 per cent in 2005.

The only data available regarding access to sanitation services are those gathered by the 2001 demographic and health survey, EDS III. This survey showed that 62 per cent of households use very meagre sanitary installations: 10 per cent use improved latrines and 23 per cent do not have toilets at all. The difference in rates of access is very marked between urban (30 per cent) and rural (2 per cent) areas. As regards collective liquid sewerage systems, the only areas with access to these are the centres of Bamako and Koulouba, and the industrial zone and a small part of the city of Ségou. Mini-networks of small-diameter sewers have also been developed.

As for financing, individual sanitation remains the favoured option. Most financing, therefore, is provided by families. The state does, however, provide financing...
for mini-sewerage systems through the Office Malien de l’Habitat. About 139 million CFA francs were invested in this way in the mini-sewerage systems of Bankoni and Baco Djicoroni. To this can be added investment for the construction of mini-sewerage systems in Djené and Timbuktu. For the mini-sewerage systems, micro-financing institutions, sanitation co-operatives and economic interest groupings have been included in the financing, management and cost-recovery schemes. The major problem is the very low cost-recovery level, which stands only at around 20 per cent.

According to an estimate by the French engineering firm Hydroconseil in 2005, the investment required to reach the Millennium Development Goals is about $47 million per year. At operational level, however, Mali’s great water resource potential is increasingly diminishing under the effect of a deterioration in the country’s physical environment.

Deficiencies also need to be dealt with in terms of adaptation of the institutional and legal framework. They concern: i) overlapping responsibilities amongst departments belonging to different ministries and amongst services within a single ministry; ii) insufficient concertation amongst the structures responsible for planning water supply and country planning, again due largely to overlapping responsibilities; and iii) failure to prioritise the different actions carried out.

Mali has made great investment efforts in recent years but infrastructure is still inadequate, particularly with regard to small supply networks for towns of more than 2,000 inhabitants. Until now, donors have carried out operations sporadically without real co-ordination amongst them. More than 20 bilateral and unilateral technical and financial partners are involved in financing in the sector.

A major national rural infrastructure programme, the Phir, part of which is devoted to drinking water and sanitation, is currently being implemented. The Phir is to cover the 2001-10 period. The first phase, for 2001-05, was financed by the International Development Association and the Malian government. This first phase provided amongst other things for the creation of 1,300 modern water points, the rehabilitation of 800 wells and the construction of 25 simplified water supply systems in the Kayes, Koulikoro, Sikasso and Ségou regions. Out of a total $138 million drawn on for the first phase of the programme, $25.2 million were allocated to drinking water and sanitation in rural areas. In 2006, the supervisory council of the Agence Française de Développement approved a EUR 6.1 million subsidy for Mali to finance a drinking-water-supply and sanitation project for semi-urban population centres in the south of the country, where more than 5,000 people live. The project should enable standpost users to obtain 15 litres of water per person per day and those with individual supply lines 40 litres per day.

**Political Context and Human Resources Development**

The political situation, though stable, is marked by the excitement of the preparations for the 2007 presidential election. In 2006, the political parties had already declared their intention to present candidates for the country’s supreme office. This pre-election sensitivity was behind the government’s sharp reaction to Mali’s being ranked 175 out of 177 countries in the United Nations Development Programme’s Human Development Index. In normal circumstances, this would have been a non event.

Under decentralisation plans, the government has opted for administrative reform through the establishment of local and regional authorities to serve as decentralised bodies. The aim is to render them responsible through elected bodies for project conception and management and to make them promoters for regional and local development. Implementation of the CSLP II will serve as an opportunity to focus on the difficulties that are hampering the decentralisation process.

As part of its efforts, the government adopted in April 2005 an action plan to improve and modernise the management of public finances, called PAGAMGFP.
Great progress has been made in providing basic education. Between 2002 and 2005, the gross enrolment rate for boys and girls rose 9.66 points, from 64.4 per cent to 74 per cent and that of girls alone 9.7 points, from 53.7 per cent to 63.4 per cent. Boys’ literacy level remained much higher than that of the girls as a result of the weight of social and cultural factors. The teacher-pupil ratio was constant between 2002 and 2004 at 57 pupils per teacher. In 2005, it diminished by 3 points to 54 pupils per teacher. This positive progression was the result of major investments in education infrastructure and significant recruitment of contract teachers.

The fulfilment of CSLP objectives in the domains of health and population has been satisfactory. There was a major extension of DTCP3 vaccination coverage of children under 1 year old, which rose from 75 per cent in 2002 to 91 per cent in 2005, and the proportion of the population living within 5 kilometres from a working health centre rose from 44 per cent to 50 per cent during the same period. The main constraints encountered in the implementation of the Prodess II sanitary and social development programme are, amongst others, delay in application of the decree on the transfer of jurisdiction and resources from the state to local authorities, shortage of qualified personnel and the absence of a formal operational framework for the maintenance of equipment and infrastructures.

To improve access to housing, the government has instituted an urban planning and housing policy, which has resulted in the drafting of an urban planning master plan (SDU) and a national housing programme (PNL), as well as the establishment of three institutions of reference: i) the Banque de l’habitat du Mali (BHM), specialised in financing for housing; ii) the Office malien de l’habitat (OMH), another housing finance structure in charge of supporting BHM in its policy of reduction of the cost of purchasing housing; and iii) the Fonds de garantie hypothécaire du Mali, in charge of providing mortgage guarantees and of refinancing banks and financial institutions in the housing domain.

As part of the government’s effort to promote youth employment, 2 000 volunteers have been given internships in the public services. The primary sector continues to be the biggest provider of jobs, however, accounting for 83.4 per cent of the employed working population, while the second and tertiary sectors employ 4.1 per cent and 12.5 per cent of workers respectively. The employment situation in Mali, particularly that of the young, remains a major government concern. Strong demographic growth – about 2.2 per cent per year – is accelerating the flow of young people into the labour market, while growing urbanisation, fed by rural depopulation and the return of emigrants is generating a high demand for jobs.

At the social-development level, major efforts have been made to set up facilities, equipment and legislative and regulatory provisions in favour of the handicapped. Support is being given to the elderly so they can access basic social services such as health care and social welfare through the implementation of a national plan. Major initiatives have been taken to help the needy, notably in the form of income-generating activities, medical care and school enrolment of children in difficult circumstances.

The goals set by CSLP II in the health field are those set out in the 10-year plan for sanitary and social development (PDDSS) and the current second 5-year programme for sanitary and social development (Prodess II). Amongst these can be mentioned: i) an improved geographical access to essential health services and availability of qualified human resources; ii) constant availability of medicine, vaccines and quality consumables at low prices throughout the country; iii) reduction for the poor of the cost of medical care in particular, vaccination, prenatal care and family planning, and free treatment of children’s diseases; iv) reform of hospital and research facilities; and v) reinforcement of the institutional capacities of the Ministry of Health and health-care facilities in general.

The strategies decided for implementation of the PDDSS are: i) geographical access to health services; ii) better availability and management of human resources; iii) better health-service use, performance and quality; and iv) protection of household income and availability of essential medicines.
The social development programme adopted by the government in 2005 has as its principal aim to contribute to public well-being by reducing sources of social distress and instability with a view to achieving sustainable human development.

Fulfilment of the objectives of CSLP II in this sector should result in: 

- greater solidarity towards the neediest and most underprivileged sectors of society;
- improved social-protection coverage for the whole population;
- better access for the neediest to basic social services and micro-financing;
- social mobilisation; and
- promotion of community health.

In Mali, the prevalence rate of HIV/AIDS remains low: according to the health and demographic survey EDSM III, it was 1.7 per cent in 2001. Faced with the spread of HIV/AIDS, Mali has undertaken numerous institutional reforms with a view to strengthening the measures to fight the pandemic. These efforts have resulted in:

- the institution of an executive secretariat responsible for implementing, monitoring and evaluating the national policy;
- the adoption of a policy declaration;
- the establishment of a high national council for the fight against AIDS (HCNLS);
- the creation of sectoral and regional committees to combat AIDS;
- modification of the composition of the HCNLS and its attachment to the country’s presidency;
- adoption of the national strategy framework for the fight against HIV/AIDS;
- a commitment to provide anti-retroviral (ARV) drugs to all AIDS victims free of charge; and
- the promulgation of an HIV/AIDS law text on 26 July 2006.