Mali

key figures

• Land area, thousands of km²	1 240
• Population, thousands (2005)	13 518
• GDP per capita, $ PPP valuation (2005)	968
• Life expectancy (2000-2005)	47.8
• Illiteracy rate (2005)	70.5

All tables and graphs in this section are available in Excel format at:
http://dx.doi.org/10.1787/451805363676

Mali

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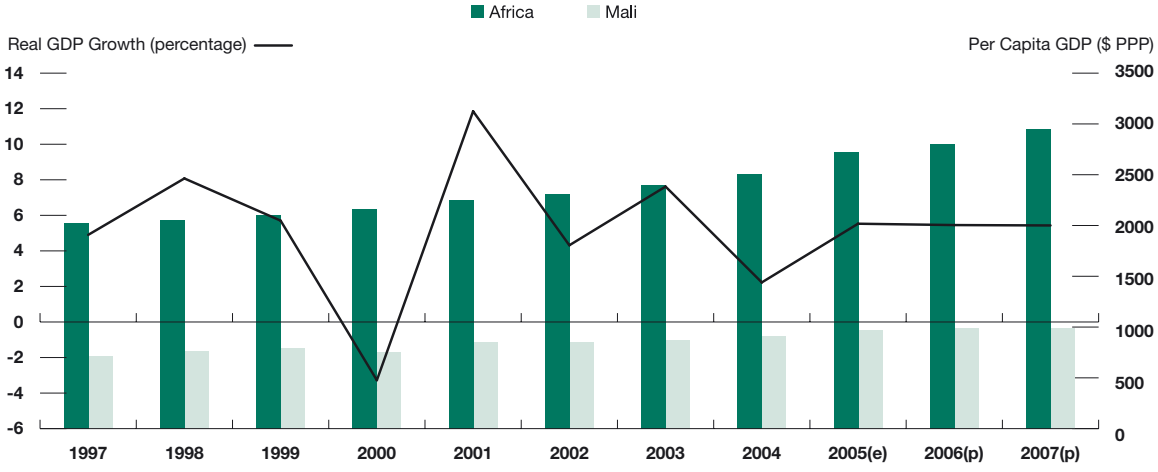
MALI RETURNED TO A STRONGER 5.5 per cent growth rate in 2005 after 2.2 per cent in the previous year. This figure, close to the average 5 per cent experienced over the 1994-2004 period, is marked by a catch-up effect in relation to 2004, which was an atypical, difficult year. The vulnerable and erratic nature of Malian economic growth is due to exogenous factors such as rainfall, fluctuating international market prices for its principal export products (cotton and gold), rising hydrocarbon prices and regional instability caused by the Ivorian crisis. In this situation, Mali has not met the convergence criteria of the West African Economic and Monetary Union (WAEMU). At the same time, an improvement in its economic performance is expected in 2006-07, following a good cotton season and a rise in gold production and cereals exports. The pursuit of institutional and structural reforms remains the priority.

Mali continued to implement its strategy of diversification of its economy to achieve durable and balanced growth in 2005. This strategy mainly concerns agriculture, with the particular aim of reducing dependence on cotton. It seeks also to develop mining activities as existing reserves start to run out. In this context, the government has adopted a new investment code, set up a one-stop investment shop and set up concertation structures to improve the business climate. The high cost of factors and an insufficiently developed financial system penalise the Malian private sector and foreign investment, however.

Greater diversification of the economy is needed for the current economic recovery to be sustainable.

With 7 000 km of common border with seven countries[1], Mali has made combating the disadvantages of its land-lacked position a priority. Having been forced to accelerate this process by the Ivorian crisis, it is diversifying its transport corridors through the construction of routes linking itself to main West African ports like Dakar, Tema, Lomé, Conakry, Nouakchott and Cotonou, in addition to Abidjan.

Figure 1 - **Real GDP Growth and Per Capita GDP**
($ PPP at current prices)



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

1. Algeria, Mauritania, Senegal, Guinea, Côte d'Ivoire, Burkina Faso and Niger.

Mali reaffirmed its role on the West African political scene in 2005, playing the role of mediator in regional crises and advocate of stronger relations with its neighbours, but also, by virtue of its position as prime mover in the cross-frontier initiatives programme of the Economic Community of West African States (ECOWAS)[2]. On the domestic front, the process of democratisation is advancing, thanks to reforms aimed at improving resource management and reinforcing decentralisation. Social tensions have appeared, however, around salary and employment claims. The Millennium Development Goals overall are out of reach overall but progress has been registered, notably in education. Social questions, the impact of privatisation and the economic and security consequences of the Ivorian crisis dominate the political debate as the country moves towards the elections programmed for 2007.

Recent Economic Developments

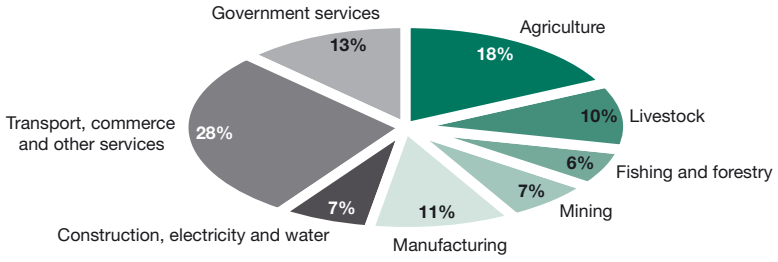
The primary sector, which provides work for close to 70 per cent of the active population; represented 34 per cent of GDP in 2004, less than in 2003. The main reasons for the fall were difficulties in the cotton sector and a poor cereals harvest. Thanks to adequate and well-distributed rainfall, the sector performed better in 2005, achieving an estimated growth rate of 10 per cent.

In Mali, cotton cultivation involves 200 000 family farms and a total 3.3 million people and accounts for 8 per cent of GDP formation. The sector is organised in an integrated manner by Compagnie Malienne pour le Développement du Textile(CMDT). Its task is to intervene along the whole chain of production, processing and marketing, while at the same time encouraging rural development through the provision of infrastructures and social services in the Sikasso, Koulikoro, Ségou and Kayes production zones. In the 2005-06 season, 174 749 hectares were given over to cotton cultivation, which is to say 1 per cent more than in the preceding season. Cottonseed production is expected to reach 600 100 tonnes, compared with the 589 751 tonnes marketed in 2004-05. The experts say that the increase is unexpected, given a reduction in the basic price paid producers, which is down from 210 CFA francs/kg in 2004-05 to 160 CFA francs/kg following the introduction of a new price-fixing mechanism in January 2005. The latter gives priority to changes in international prices rather than to production costs and the price of cotton in relation to that of cereals. The long depression in international cotton prices, which are below production costs, weighed on cotton marketing. As a result, 2005-06 production is swelled by unsold production from the previous season. In 2004-05, CMDT subsidised producers and left itself with a deficit of 68 billion CFA francs, of which 28.2 billion CFA francs was covered by the state. Without the price reduction negotiated at the start of the 2005-06 seasons, CMDT would have suffered new losses which would in turn have had a considerable impact on the state budget.

Cotton cultivation plays a structuring role in the production system. It enables the agricultural sector to diversify into cereals cultivation, which is linked to it by crop rotation and the fact that it used the same inputs and phytosanitary products. In 2005-06, dry cereals production, mainly corn, millet and sorghum, is expected to increase to 3 million tonnes, compared with 2.5 million tonnes in 2004-05, thanks to good rainfall. Mali's cereals production exceeds its own food needs but is unevenly distributed on the country's markets. Production zones bordering on Burkina Faso, Côte d'Ivoire and Mauritania are better linked to cross-border markets than to the rest of Mali, given the country's size and the inadequacy of its transport infrastructures. Following a tense food supply situation in 2004, it is clear that an improvement in domestic transport links is a necessity if food security is to be guaranteed over the whole country. Rice production is expected to reach 900 326 tonnes in 2005-06, its highest level in three years.

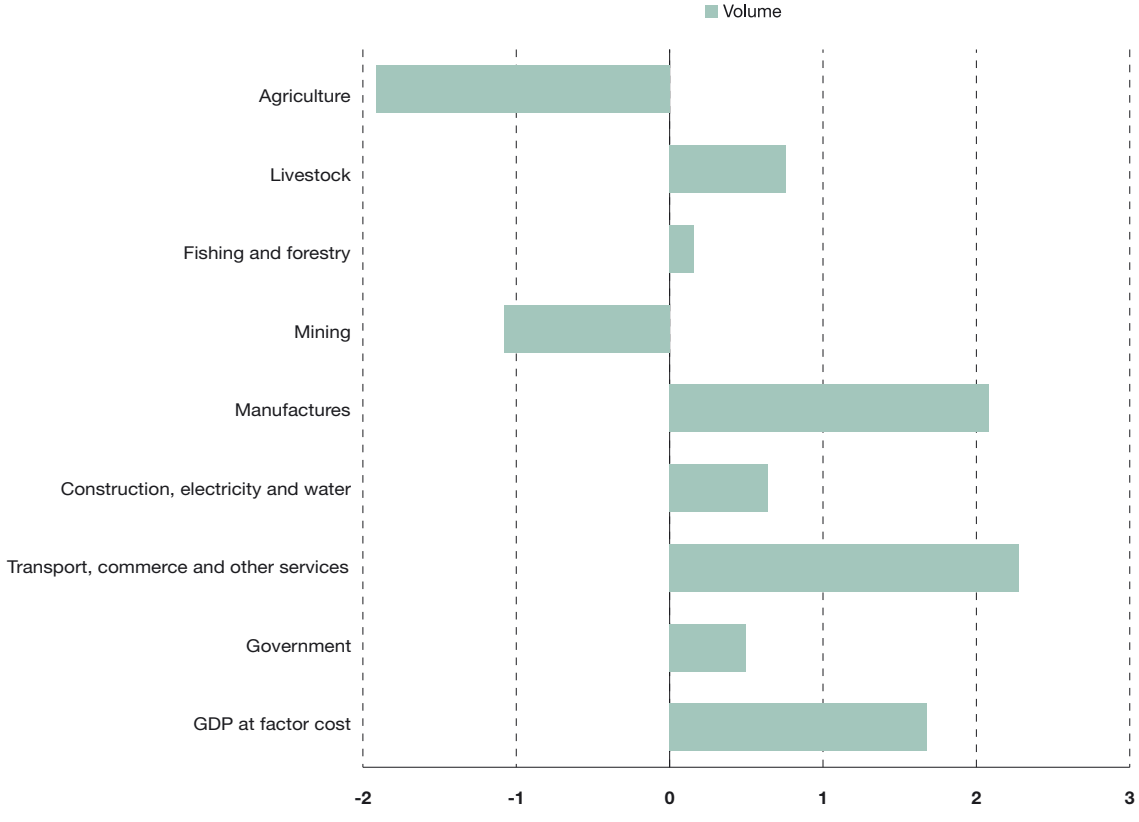
2. Cross-border co-operation became an official part of the community's agenda through the adoption on 18 January 2005 by the ECOWAS council of foreign ministers in Accra of a memorandum entitled "The Concept of Border Country or the Integration of Proximity". The cross-border initiatives programme is the *modus operandi* of the community's policy of cross-border co-operation.

Figure 2 - **GDP by Sector in 2004** (percentage)



Source: Authors' estimates based on Direction Nationale de la Statistique et de l'Informatique data.

Figure 3 - **Sectoral Contribution to GDP Growth in 2004** (percentage)

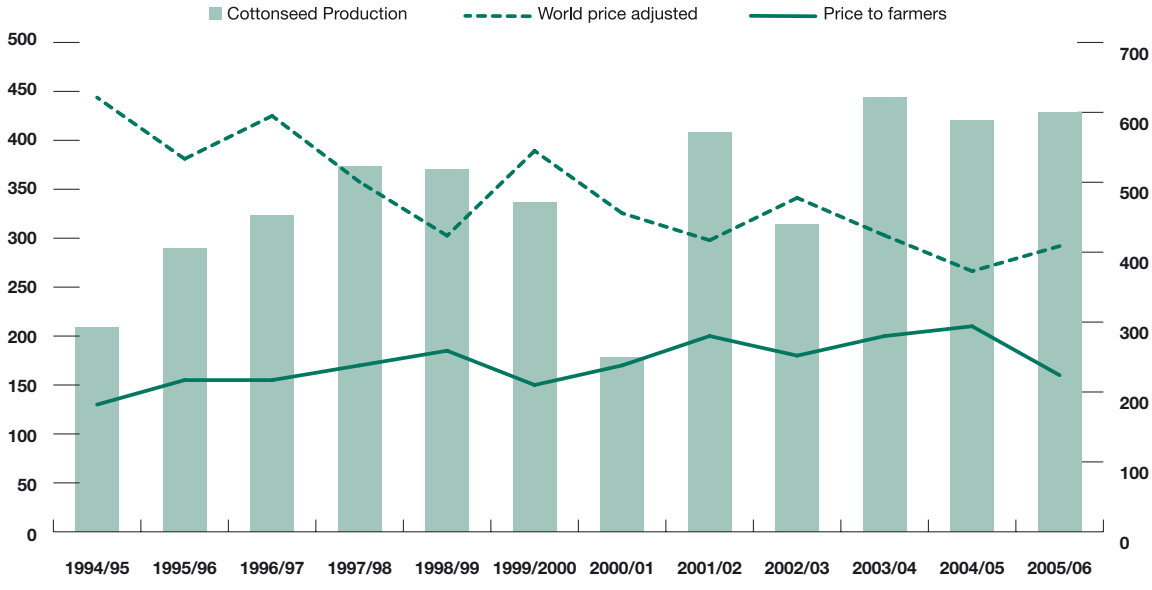


Source: Authors' estimates based on Direction Nationale de la Statistique et de l'Informatique data.

Production is concentrated in the region covered by the Office de la Haute Vallée du Niger (OHVN), where there is major unexploited potential. Out of a total irrigable area of 1 million hectares, only 80 000 hectares are currently equipped.

Seventy five per cent of cotton and cereals production is carried out using animal-driven methods. This stimulates stock breeding, which is transhumant by tradition, and integrates into a unique agro-pastoral system. In 2005, stock breeding contributed to 10 per cent of GDP formation, making it the third biggest export sector after gold and cotton. The main destinations for cattle exports are neighbouring countries since the bulk of animals are exported on foot. But the crisis in Côte d'Ivoire and difficulties in transporting

Figure 4 - **Cotton Production and Prices in Mali**



Note: Production and prices to growers apply to cottonseed on a seasonal basis. The international price refers to cotton fibre. It has been converted into cottonseed equivalent at a conversion rate of 42 per cent and calculated as a calendar year average (year n+1 for a season in n/n+1).
Source: Direction Nationale de la Statistique et de l'Informatique and World Bank data.

animals by rail to Senegal have emphasised the importance of finding outlets outside the region. That would result not only in greater fluidity on transport routes but would also help to promote meat and milk processing activities. At present, although it produces 600-800 tonnes of milk per year, Mali imports milk worth 15 to 20 billion CFA francs each year.

Overall, the agricultural sector has a low productivity level because of the lack of specialisation of the labour force. This also blocks development of product processing. The rural economy is little diversified and dependent on export products with little added value. The situation is aggravated by the undeveloped state of the rural infrastructure network which provides only limited access to urban markets. Under the terms of the new agricultural orientation law of October 2005, a programme to improve agricultural competitiveness and diversification was launched. The objective is to eliminate obstacles to the development of commercial activities in the agricultural field in those areas in which Mali has a comparative advantage and real market opportunities. This programme provides for wider diffusion of technological know-how with a view to improving the production, productivity, processing and marketing of selected products. It also aims to improve the performances of targeted activities, as well as access to financing and the development of infrastructures giving access to markets. Twenty three activities have been identified, of which 13, including tomatoes, mangos, potatoes and green beans, are being given priority on the grounds that they offer particularly good prospects. A Mali label could be considered for these products. A project to exploit the potential for sugar production in the OHVN area has attracted the interest of the Malian private sector. A plant with an annual production capacity of 150 000 to 170 000 tonnes is to be set up with financing from American and South African investors, including the Schaffer group of the US.

Over a 10-year period, Mali has become Africa's third biggest gold producer after South Africa and Ghana. Gold was the country's leading export product in 2004 and contributed 7 per cent to the formation of GDP. Production fell to 44 tonnes in 2004 but is expected to return to the 2003 level of 52 tonnes in 2005. The government is counting on growth of 6 per cent in 2006 Following the start of production at the

Loulo gold mine in 2006, 42 tonnes of additional reserves have become available. Since the beginning of 2005, the steady increase in gold prices (they rose 16.2 per cent in CFA francs between January and September) can be expected to have a positive effect on the trade balance and on fiscal and non-fiscal revenue collection. The Sadiola, Moila and Yatéla mines, which are exploited by the South African company Randgold, are starting to become exhausted but 600 tonnes of reserves have been identified in the Kayes and Sikasso regions. Following adoption of the WAEMU code at the end of 2003, the Malian mining code is being revised. It creates incentives to attract new investors and encourage exploitation of other metals and phosphates. At the same time, the development of small-scale mining is being sought as a way of boosting the impact of gold mining on the local economy. As for oil, exploration prospects are confined to the north west, east central and west central regions. Four-year prospecting licences have been granted to Australian and Canadian companies.

The mining industries apart, the secondary sector has a marginal but growing position in the Malian economy. It represented 17.9 per cent of GDP in 2004, an increase of 14 per cent over 2003. In manufacturing industry and particularly agro-food, as in energy and construction, the major obstacles to industrialisation are high factor prices, notably for land and electricity, a poorly qualified labour force, a little developed financial sector and poor transport links between industrial zones and their main markets. All these problems contribute to a low company creation rate.

The Fitina spinning factory, which is today closed, had difficulties from its opening in 2002. The equipment imported was held up for a long time in the port of Abidjan by the Ivorian crisis. Unable to meet its commitments, Fitina lost its Mauritian outlet. Reopening the plant is considered to be an urgent strategic objective which would boost local cotton processing. Such difficulties of the moment apart, however, the future of the textile sector also depends on the advantages offered by agreements like the US's Africa Growth and Opportunity Act, which has yet to produce significant results.

After a long period of preparation, feasibility and opportunity studies for a cement plant construction project have been completed. Using local limestone deposits, the plant's production would partly replace imported construction materials. National demand for cement is estimated at 1 million tonnes but is today met wholly through imports. Guarantees and suitable partnership terms with the state now need to be sought as the next stage of the project, which has the backing of the West African Development Bank.

Driven by the dynamism of the transport and telecommunications sub-sector, the tertiary sector increased its contribution to GDP from 39.2 per cent in 2003 to 40.2 per cent in 2004. The development of the mobile phone and GSM networks run by Malitel and Ikatel should be particularly noted.

The strategy adopted by the government, with World Bank support, for diversifying sources of growth in the Malian economy considers tourism, new information technologies and communication as promising sub-sectors. Lack of adequate infrastructure is a major constraint, however. The three main sources of growth in the tertiary sector are transport, telecommunications and trade. Banking and insurance services, on the other hand, accounted for only 0.8 per cent of GDP in 2004. The share of the informal sector in the contribution of transport and trade to GDP formation is preponderant. Trade is migrating towards China, particularly Hong Kong, Shanghai and Pekin, while Chinese operators are increasingly moving into the distribution sector in Mali. This trade covers textiles and plastic products but also spare parts and two-wheeled transportation. Two major challenges in these trades, however, are the need for surveillance of the sometimes uncertain quality of some imported goods and for administrative supervision to prevent this trade escaping customs duties.

After a difficult year in terms of economic performance, uncertainties over 2005 have been dissipated, with a growth rate of 5.5 per cent expected. This figure, however, includes a catching up effect in relation to 2004, which should disappear in 2006. Growth prospects for 2006 and 2007 are seen at 5.5 and

Table 1 - **Demand Composition** (percentage of GDP)

	1997	2002	2003	2004	2005(e)	2006(p)	2007(p)
Gross capital formation	**22.7**	**18.4**	**26.2**	**18.5**	**19.0**	**19.4**	**19.6**
Public	7.0	7.6	7.6	7.8	8.0	8.1	8.1
Private	15.6	10.9	18.6	10.7	11.0	11.3	11.4
Consumption	**85.2**	**82.5**	**81.7**	**87.6**	**88.5**	**86.9**	**87.0**
Public	18.5	16.2	18.2	18.9	20.5	20.7	20.5
Private	66.7	66.3	63.4	68.8	68.0	66.2	66.6
External sector	**-7.9**	**-0.9**	**-7.8**	**-6.1**	**-7.5**	**-6.3**	**-6.6**
Exports	23.0	29.0	23.6	25.6	25.1	26.4	25.1
Imports	-30.9	-29.9	-31.4	-31.7	-32.6	-32.6	-31.7

Source: Direction nationale de la statistique et de l'informatique data ; estimates (e) and projections (p) based on authors' calculations.

5.4 per cent respectively. Satisfactory agricultural performances, increasing gold production and new infrastructures to open up the domestic market to the wider region are the cards Mali can play to encourage growth. Progress in institutional and structural reform remains nevertheless indispensable to consolidate these results in future.

With regard to demand, the 2005 food crisis had a negative impact on household consumption. The increase in the fiscal deficit in 2004 over 2003 mitigated the fall in the growth of internal demand. Following a fall in private investment in 2004, which resulted from the fall in agricultural and gold production, a recovery is expected in 2005 and 2006. There will be a visible increase in investment in both the public sector via development of social and transport infrastructures and the private sector in the form of new gold production sites. An improvement in the external balance is expected in 2006, reflecting an increase in the volume of gold exports, which will compensate for the importation of capital to finance investment in this sector. The increase was confirmed in 2005, which should open the way to an improvement in the fiscal position in 2006 and 2007.

Macroeconomic Policies

Fiscal Policy

In 2004, Mali respected four of the five main criteria and two of the secondary criteria in the convergence, stability, growth and solidarity pact of the WAEMU. Because of budgetary difficulties, caused by an increase in expenditure which outpaced revenue growth, compliance with these criteria deteriorated in 2005. Not only the basic budget balance against GDP remained negative but also the annual inflation rate rose to 5 per cent, whereas the ceiling fixed by WAEMU is 3 per cent. On the basis of expected results, a recovery in convergence criteria is expected in 2006. Inflation, in particular, should return to under 2 per cent. The erratic inflation curb can be explained by the steady rise, until the last quarter of 2005, of food prices, which represent 50 per cent of the formation of the consumer price index, ahead of oil. The arrival on the markets of the first cereals from the new crop should slow down this trend.

The two secondary criteria not fulfilled in 2004 were a current external balance deficit excluding grants of less than 5 per cent and a minimum fiscal pressure level of 17 per cent. They illustrate the principal difficulties of the Malian economy: exports subject to fluctuations in international prices and a limited tax base. Although it is below the WAEMU ceiling, Mali has a fiscal pressure level of 15 per cent, which is among the highest among member countries. Fiscal receipts are nevertheless insufficient and an enlargement of the tax base, notably through the elimination of *ad hoc* exonerations and the adoption of measures to bring informal sector operations into the formal economic sector, are among the key objectives. Fiscalisation of the agricultural sector is also planned as a measure to accompany the new agricultural orientation law. The

Table 2 - **Public Finances** (percentage of GDP)

	1997	2002	2003	2004	2005(e)	2006(p)	2007(p)
Total revenue and grants[a]	**19.9**	**20.1**	**22.0**	**22.3**	**23.4**	**24.7**	**25.2**
Tax revenue	12.5	13.4	14.3	15.7	16.4	16.8	16.5
Grants	5.3	3.8	4.7	4.1	4.6	5.5	6.3
Total expenditure and net lending[a]	**22.9**	**23.8**	**23.3**	**25.0**	**27.6**	**27.3**	**26.9**
Current expenditure	12.3	15.0	14.5	15.7	16.7	16.4	16.1
Excluding interest	*11.4*	*14.2*	*13.7*	*15.0*	*16.0*	*16.0*	*15.9*
Wages and salaries	3.6	4.1	4.3	4.9	4.9	4.9	4.9
Interest	0.9	0.8	0.8	0.7	0.7	0.4	0.2
Capital expenditure	9.9	8.9	9.0	9.7	9.9	10.1	10.1
Primary balance	**-1.1**	**-2.9**	**-0.6**	**-2.0**	**-3.3**	**-2.1**	**-1.5**
Global balance	**-2.0**	**-3.7**	**-1.3**	**-2.7**	**-4.0**	**-2.6**	**-1.7**

a. Only major items are reported.
Source: IMF and Ministry of Economy and Finance data; estimates(e) and projections(p) based on authors' calculations.

government intends to meet the fiscal pressure convergence criterion by 2007.

The major difficulties experienced in the execution of state financial operations in 2005 were caused partly by a loss of revenue from cotton exports and the cost of covering of CMDT's deficit on the 2004-05 season and partly by tax exonerations granted on new vehicle imports and a reduction in domestic taxes on oil products (TIPPE), aimed at attenuating the impact of the rise in oil prices. Sixty thousand tonnes of imported rice were also exempted from VAT as a means of heading off the risk of a food crisis in the spring of 2005. These difficulties were exacerbated by delays in disbursement of external resources by donors, caused by uncertainty in 2005 over the timetable for privatisation of CMDT. These negative factors should be partly counterbalanced by the good performance of the gold sector, a major source of fiscal revenue and dividends, in terms of both production and export value. Delay in the payment of dividends by the mining companies is nevertheless responsible for the low level of collection of non-fiscal revenue, which stood at 33.3 per cent in August 2005. The fact remains that fiscal revenue increased in 2005, principally because of more rigorous control over exonerations, reinforcement of efforts to combat fraud and continuing computerisation. These measures were applied to both direct and indirect taxation.

Current and capital spending increased, according to estimates. The reason for the increase is an increase in spending in social sectors and an improvement in the level of realisation of public investment programmes in line with the objectives of the Strategic Framework to Fight Poverty (SFFP). This spending also reflects growth in public sector salaries to compensate for the increase in inflation in 2005. Taking into account these changes and the financing of the deficit of CMDT by the state, the global deficit is expected to deepen to 4 per cent. Nevertheless, an improvement in the global balance should be possible in 2006, thanks to consolidation of the fiscal position (under the effect of the reforms under way, fiscal revenue should total 16.8 per cent of GDP) and capital expenditure financed by aid, notably for infrastructures.

The objectives fixed by the SFFP were adopted in the 2006 finance law, which highlights the government's commitment to pursuing and extending its reforms on the basis of three priorities: improvement of governance, human development and access to basic social services, and development of infrastructures.

Budget support, as a pre-eminent instrument of international co-operation, is at the forefront of economic strategy in Mali in 2006. This strategy was accepted by the country's partners at the round table meeting which took place in Geneva in March 2004. On this occasion, donors agreed to provide 75 billion CFA francs, of which 33 billion CFA francs mobilised immediately. Budget support agreements are in the process of being signed between the Malian government

and the country's development partners. In October 2005, Mali and the Netherlands concluded an agreement of this type for 6.56 billion CFA francs. The second strategy line in the 2006 finance law consists of implementation of a programme for institutional development, involving a complete reform of public administration on the basis of five strategic objectives: reorganisation of the central services of the state and reinforcement of public management capacities; consolidation of decentralisation; greater recognition of the role of local authorities in the promotion of development; reinforcement of human capacities. The third strategy line concerns execution of a programme to modernise and improve public finances, based on a streamlining of central control of budgetary procedures and public contracts.

Monetary Policy

As a founding member of the WAEMU, Mali respects the monetary policy fixed by the Central Bank of West African States (BCEAO), which is directed towards the double objective of stabilising prices and respecting the criteria for convergence, stability, growth and solidarity within the union. Since the last rate reduction in March 2004, the discount and pension rates have been maintained at 4 and 4.5 per cent. Taking into account the increase in bank liquidity and growth in credits to the economy, the BCEAO judged it necessary to increase the coefficients of obligatory reserves in certain member countries to prevent inflation. In Mali, the fall in the general price level in 2003-04 meant that no increase was necessary and the coefficient stayed at 9 per cent. Between 2003-04 and 2004-05, however, the level of credit to the private sector fell from 20 per cent to 5 per cent. This fall illustrates the difficulty for the banks in diversifying their investments outside the cotton sector. To ensure control over the excessive liquidity in Malian financial establishments, the monetary authorities are aiming to improve the performance of the banking sector through audit procedures.

At the start of 2005, the tendency for prices to fall was reversed as a result of the poor agricultural season and the increase in energy prices. In September, Mali recorded its highest inflation rates of the last 10 years – 11.5 per cent, comprising 22.5 per cent for food products and 2 per cent for all other products. The annual inflation rate reached 5 per cent, compared to -2.8 per cent in 2004. By October, inflation had fallen again, following the arrival on the markets of the first food products from the 2005-06 season, which promises to be positive.

External Position

The euro-dollar exchange rate and rainfall plays a fundamental role in the competitiveness of Malian products, as well as in production levels. Because it is landlocked, Mali is also sensitive to the political and economic stability of neighbouring countries. The country took the full brunt of the negative effects of the Ivorian crisis, with a fall in exports of live animals, restrictions on imports through the port of Abidjan and a fall in transfers from Malians resident in Côte d'Ivoire. Trade between the countries did not cease, as is demonstrated by the fact that part of Mali's last cotton crop was exported via the Sikasso-Bouaké-Abidjan corridor. Nevertheless, the situation in Côte d'Ivoire led to a reorientation of Malian trade towards other countries with ports, principally Senegal and Ghana but also Mauritania, Guinea, Benin and Togo(for oil products). This change could have major structural effects on the Malian economy by encouraging local processing of the products of certain activities such as livestock, fruit and vegetables with a view to exporting them in the sub-region. Availability of adequate infrastructures to serve these markets is nevertheless an essential condition.

The difficulties of the primary and mining sectors in 2004 resulted in a slowdown in the growth of total export revenue, which in turn led to a trade deficit amounting to 2.5 per cent of GDP. It is likely that this deficit will increase to 3.6 per cent under the effect of the increase in the value of imports of oil products, which rose from 152 billion CFA francs in 2004 to 212 billion CFA francs in 2005. Imports will continue to increase during the 2006-07 period, reflecting the need to finance investment in the mines and infrastructures. The trade balance should improve

nevertheless as a result of an increase in gold exports of 6 and 7 per cent respectively in 2006 and 2007.

Malian trade policy at the moment aims to improve the prospects for cotton exports. With such other African producer countries as Benin, Burkina Faso and Chad, Mali is promoting a sectoral initiative in favour of cotton, which was launched on the eve of the World Trade Organisation (WTO) conference in Cancun in 2003. With a view to the negotiations in Hong Kong at the end of 2005, the four countries fixed a common strategy under the terms of the N'Djamena Appeal of November 2005 to obtain a "rapid, ambitious and specific" treatment of the cotton issue within the WTO. They proposed totally eliminating subsidies in the short term, a substantial reduction in domestic aid by 2009, creation of an emergency fund to deal with deficits caused by a fall in cotton prices and more technical and financial assistance for the development of the sector in Africa. The Hong Kong conference came up with a compromise providing for the elimination of subsidies on agricultural exports from OECD countries by 2013 and on cotton by 2006. The agreement provides among other things for the abolition of customs duties and quotas imposed on cotton imported from less advanced countries. These results do not displease the Malian authorities on condition that they are properly implemented and that negotiations continue in 2006. Some organisations are sceptical, however, considering that the abolition of customs duties is the prelude to an agreement on a general drop in customs tariffs in 2006, the negative effects of which will weigh principally on the economies of developing countries.

According to BCEAO forecasts, the balance of services deficit should diminish in 2005 from the previous 148 billion CFA francs to 133.6 billion CFA francs. Because of Mali's landlocked position and its geographical size, the transport account showed a growing deficit, which rose from 151.6 billion CFA francs in 2004 to 164.7 billion CFA francs in 2005, demonstrating the strategic importance of developing infrastructures. At the start of the Ivorian crisis, a fall in the number of Malian migrants was registered. This phenomenon is now having less effect, however, on current transfers, which rose from 121.6 billion CFA francs in 2004 to 139.2 million CFA francs in 2005. The number of temporary returns which become definitive will have an influence on current transfers in 2006 and beyond. This budget line is particularly important for the balance of payments, as can be seen from the history of Malian migration in Africa and elsewhere.

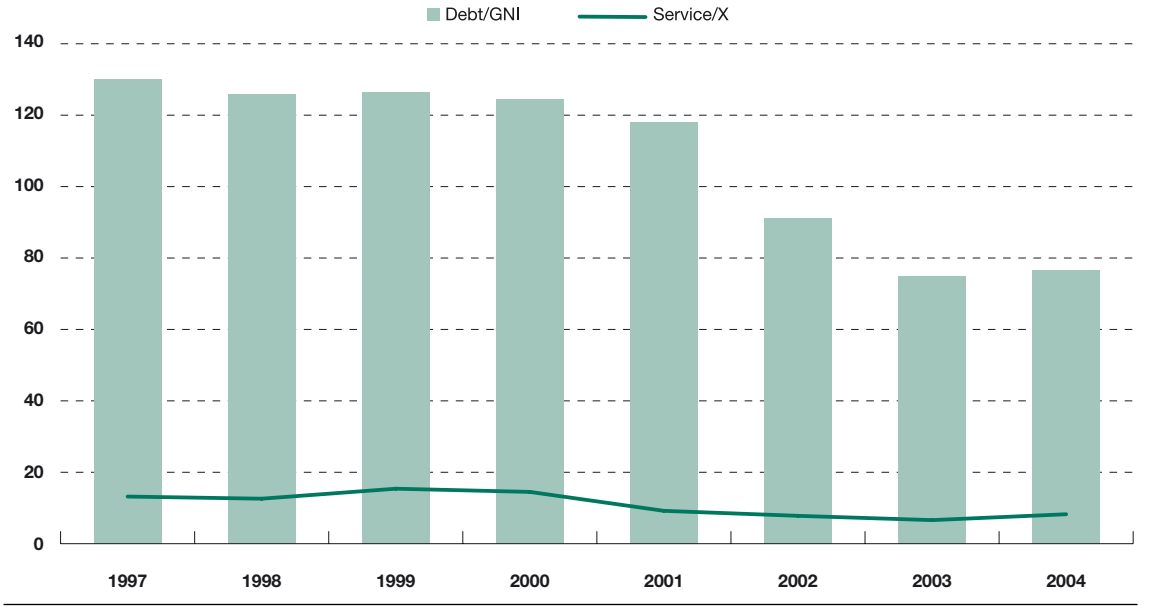
After having fallen in 2003, direct foreign investment increased again to 27.6 billion CFA francs in 2004 and 36.4 billion CFA francs in the first quarter of 2005, even if they are still at a lower level than the economy requires. Non-traditional partners such as China and, to a lesser extent, India are starting to play an important role as providers of investment. This investment is generally directed into energy, telecommunications and construction. It is contributing as much as the Ivorian situation to the reorientation of Malian trade. This reorientation is at present a trend which it is difficult to evaluate in quantitative terms. Although it has not yet produced major changes in export and import structure, it reflects structural changes

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

	1997	2002	2003	2004	2005(e)	2006(p)	2007(p)
Trade balance	0.6	5.0	-1.4	-2.5	-3.6	-2.4	-2.8
Exports of goods (f.o.b.)	20.8	26.8	22.1	20.6	20.7	22.0	20.8
Imports of goods (f.o.b.)	-20.2	-21.8	-23.5	-23.0	-24.3	-24.4	-23.6
Services	-10.0	-6.7	-6.1	-6.1			
Factor income	-1.5	-5.5	-7.4	-3.8			
Current transfers	4.7	4.5	4.9	4.1			
Current account balance	**-6.6**	**-4.6**	**-6.4**	**-8.6**			

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

Figure 5 - **Stock of Total External Debt** (percentage of GNI) **and Debt Service** (percentage of exports of goods and services)



Source: IMF and World Bank.

which need to be followed to better understand the country's development prospects in the medium term.

At the end of 2004, total medium- and long-term external debt before relief stood at 1 705.2 billion CFA francs, of which 74 per cent in the form of multilateral debt. The ratio of debt to gross national income (GNI) has been falling since 2002 and should stand at 76.5 per cent in 2004. Debt and interest repayment should fall by 3.1 per cent in 2006 to reach 80 690 billion CFA francs.

Mali reached completion point under the Heavily Indebted Poor Countries (HIPC) Initiative in February-March 2003. Since then, the annual level of resources disbursed has been satisfactory. In 2004, the realisation level was 97.3 per cent and corresponded to 28.8 billion CFA francs. A downward trend in HIPC resources for financing projects in the social sector is starting to be seen even though spending is stable and even growing. In 2006, for the first time, HIPC receipts will not be sufficient to cover planned expenditure - a problem which all the other countries benefiting from the HIPC Initiative will face in the years to come. Mali is one of the 18 countries which will benefit from a total cancellation of debt owned to the multilateral initiative decided at the GB summit in Gleneagles in July 2005. In December, the International Monetary Fund announced that it was cancelling Malian debt accumulated before 1 January 2005.

Structural Issues

Recent Developments

In a context of weak growth in key economic sectors and persistent regional instability, Mali has pursued its reform programme. Results so far have been mixed, notably with regard to privatisations, but these reforms which aim to improve the economic environment have to be judged in terms of their impact in the long term.

The government considers the energy sector to be strategic in the fight against poverty and for the improvement of its economic competitiveness. The major difficulties are the low level of electrification at national level and high electricity costs. With $53.5 million financing over five years from the International Development Association, the World

Bank and the Global Environment Facility, the Malian agency for the development of domestic energy and rural electrification (AMADER), a national administration, began its programme in two parts. Over the 2005-09 period, it aims to achieve an electrification level of 10 per cent in the rural zones, rising in 20 years to 80 per cent, and, at the same time, to encourage sustainable development of timber resources through better control of domestic energy demand. To this end, the country has been divided into multi-sectoral electrification zones, which correspond to the main regions for gold, cotton and rice production, urban regions and those affected by emigration. The number of potential subscribers in these regions is currently being assessed. AMADER is responsible for providing technical and financial assistance to the different operators on the ground – private, national and international, as well as local authorities, NGOs and consortia – and for regulating the sector.

The success of the project risks being hampered, however, by the need for clarification regarding energy choice and the prospect of a new privatisation of Energie du Mali (EDM), following the withdrawal of its principal shareholder, the Bouygues group's Saur International, in October 2005. This withdrawal follows differences between the government and the private concessionaire, notably over tariffs. The differences also concerned the energy supply development plan and the investment required for it. Eighty per cent of electricity today is generated by hydroelectric power and the remaining 20 per cent by thermal energy. Thanks to Indian investment, the authorities intend to make increasing use of isolated thermal power station so as to increase energy availability in the most far-flung areas. This choice is contested by donors who fear the effects of an increase in oil prices on public debt and prefer interconnection with the Ivorian and Guinean grids, as well as exploitation of the hydroelectric potential of the Niger and Senegal rivers on the basis of the experience of the Organisation pour la Mise en Valeur du Fleuve Senegal (OMVS) set up by Mali, Senegal and Mauritania. The OMVS owns the Manantali dam. Via Sogem, in which the three countries are represented. It has put the management of its network in the hands of the South African electricity company Eskom and has an average production of 807 Gwh/year. Because production from Manantali is expected to peak in 2005-06, studies have been carried out with a view to making use of hydroelectric potential available via new installations at Félou, Guina and Kénie. These projects have been postponed because of lack of investment capital. Now that it has again become majority owner of EDM, the Malian state is seeking financing for these new installations. The European Union has shown interest in financing them by grants. There is a consensus on the fact that the return of the state as principal shareholder in EDM should only be temporary and offers the opportunity to reprivatise in 2006. Lease-type arrangements can be expected to be used subsequently to facilitate investment in these strategically important national projects.

In telecommunications, in contrast to the energy sector, competition between the two mobile telephone companies, Malitel, which belongs to the established national operator Sotelma, and Ikatel, a subsidiary of France Telecom, has produced a steady reduction in prices since the start of 2005. The two operators are engaged in a commercial war to extend their networks over the whole country. This was clearly demonstrated when Ikatel installed an optical fibre cable between Bamako and Kayes, to be followed by Malitel, which used the high tension electricity line between the two same cities to lay its own telephone cable.

The success of the cell network, the number of subscribers to which has exceeded that of the wired network, has created a problem of saturation in the capital. The arrival of a third operator in Bamako could be envisaged. Meanwhile, the opening of the capital of Sotelma to private operators, provided for by the 1997 privatisation and liberalisation plan, is expected to be completed by the end of 2006. The government has spent 5 billion CFA francs on restructuring the company. Syntel, the union for Sotelma employees, has been involved in this process with a view to reaching agreement on the redundancy programme which will accompany the privatisation.

The unions are also closely involved in the privatisation of CMDT. Originally planned for 2006,

it has been put back to 2008. The reasons for this delay are the difficulties caused by the Ivorian crisis, the need to draw lessons from the privatisation experiences in other West African producer countries and the wish to prevent cotton becoming the major issue in the 2006-07 election campaign. A proposed new timetable was accepted by donors in November 2005. It should be brought into effect in 2006 via the identification of three or four zones in which the new cotton companies will be set up from 2008 on. Identification of these zones will be followed by realisation of an operating plan and creation of new regulatory structures. The government took the view that a regulatory framework needed to be a precondition of the start of the process. It wants, in particular, to see set up an autonomous body responsible for the classification of cotton fibre and seed (and thus pricing) and a cotton exchange and to ensure that the new cotton companies take over from the public service responsibility for training, public education and the structuring activities in rural areas. The cotton classification office will bring together representatives of the state, growers and ginners. Growers will be able to take stakes in the capital of the cotton companies with Malian and private sector operators. A major effort to strengthen the managerial and organisational capacities of the growers is planned with the support of France, the Netherlands and the World Bank, who will finance a global programme of support for the privatisation of CMDT by 2008. At the same time, the government, for its part, has been asked to appoint someone to take charge of the project, which involves different ministries in such fields as finance, agriculture, trade, planning, investment promotion and small- and medium-sized companies.

Beyond the specific concerns of the cotton sector, the process of drafting a new agricultural orientation law has resulted in adoption of a text which covers agricultural, pastoral, fishing and forestry activities, as well as natural resource management. It has three objectives: food self-sufficiency, modernisation of family farming and development of agro-industry. This process involves concertation with farmers at local, regional and national level. It is concerned at the moment with drafting the main lines of new land legislation. The agricultural law defines the role of each player in the agricultural system – farmers, professional representative bodies, chambers of agriculture, the state, local authorities and private sector agricultural service providers – and lays emphasis on the need for partnership and subsidiarity between them. Its objectives are pursued by, among others, the programme for agricultural competitiveness and diversification(PCDA) mentioned above, which benefits from a $47.5 million loan from the World Bank, which will be supplemented by financing from USAID, the Agence Française de Développement, the Canadian International Development Agency and Germany and the Netherlands. An important feature of the programme is the construction of rural roads to end isolation and make market access more fluid.

The PCDA is seen as a priority measure in the policy of development of the private sector defined in 2005. In it, the government details the indispensable features of its strategy for the promotion of investment and improvement of the factors of production by making the private sector the pivot for economic growth and sustainable development in Mali in line with the Strategic Framework to Fight Poverty. Specific measures to improve the business climate are being introduced in conjunction with the application of this policy.

Firstly, a new investment code was adopted in August 2005. It enlarges the scope for tax exemption, notably in the case of privatisations, for which investors can benefit from a 30-year exemption from all duties and tax connected with their activities. These tax allowances aimed at attracting investment sometimes involve a loss of revenue and risk having negative consequences on the economy over the long term. The code reinforces the incentives available to companies using raw materials and local consumer products and offers particularly favourable conditions to those which establish themselves outside the Bamako area or develop innovative technology. It provides, too, for foreign investors to have full rights to their wealth, including land, and to be able to repatriate their dividends and their capital if it comes from a foreign source.

Secondly, concertation between the government and private sector is being reinforced through the

creation of opportunities for dialogue. An annual meeting between the president and the private sector is planned, as are periodic meetings with competent ministers. A presidential investment council, composed one third of Malian private sector operators, one third of foreign investors resident in Mali and one third of foreign investors not yet resident, is to be set up. Thematic meetings are to be held. Thirdly, a national agency for the promotion of investment (ANPI) is being set up to take over the activities of the existing national centre for the promotion of investment and the agency for the development of industrial zones. Its task will be to provide support for companies in Mali and to promote investment outside the country. Pending the opening of the ANPI, a one-stop registration centre has been brought into operation to reduce the cost and time needed to set up a company. The sector development strategy also provides for the creation of minimal infrastructures to support growth, including an extension of Bamako airport and the creation of zones offering competitive costs for such factors of production as energy, water, telephone and Internet.

To improve the business climate, reforms of the judicial and banking sectors are also planned, with priority going to the strengthening of human capacities and training. Better knowledge of efforts being made to harmonise African business law, notably through the Organisation pour l'Harmonisation en Afrique du Droit des Affaires(OHADA), is needed, as are more rapid judicial procedures. New financial products suited to the needs of Malian companies are required, as are solutions to the problems posed by bank guarantees. Despite their excess liquidity, Malian banks finance little long-term productive investment and do not meet risk diversification criteria. Constitution of a financial guarantee fund for the private sector to facilitate access to bank credit has not produced the expected results. Despite the involvement of the banks in the privatisation of the public sector electricity, telecommunications and railway companies, their main activities remain the provision of financing for the cotton sector and for food imports and exports. The state has minority holdings in the main Malian banks(20 per cent in BDM, 5 per cent in BCS and 30 per cent in BNDA). The exception is Banque Internationale du Mali, in which it has 62 per cent but which is in the process of being privatised. The situation of the Banque de l'Habitat du Mali was restored in 2005 through recapitalisation and recomposition of its board. BMD has completed the computerisation of its network and is pursuing its foreign expansion strategy through the opening of a branch in Bissau. The legislative and regulatory texts covering the insurance sector are currently being reviewed in preparation for the arrival of new operators and retirement funds are being restructured. At the same time, the government has given the minister for the promotion of investment and small and medium-sized companies the task of spearheading preparations for the introduction of micro-financing policy to serve as the basis of a donor-backed action plan for the period 2006-10. The attachment of a microfinance support structure to this ministry, when approval and control is the responsibility of the ministry of finance, is proof of the strategic importance attributed to this mode of financing, which is destined above all for small and medium-sized companies, women and young people.

Transport Infrastructure

Taking into account its geographical situation and a demographic density of less than 10 per cent, it is not surprising that improvement of transport links should be a strategic development objective for Mali. The road network is 18 709 km long and comprises 3 397 km of surfaced road, 11 148 km of earth road and 4 164 of track. This network links the capital to the principal regional centres – as far as Gao in the north via Ségou and Mopti and Sikasso in the south – but does not give the rural zones to these same centres. The density level of the Malian road network is among the lowest in West Africa, with 1.18 km of road for every 100 km^2, compared with an ECOWAS average of 3.1.

The rail network links only Koulikoro to Dakar in Senegal via Bamako. River transport is used to take construction material, rice, cereals and passengers to Timbuktu. It is out of action, however, for five months of the year. Mali has 25 airports, including six international ones in the main economic and tourist centres (Bamako, Kayes, Geo, Mopti, Sikasso and

Timbuktu). In recognition of its landlocked status, Mali has warehouses in the West African ports. Access to the sea has been diversified as a result of the Ivorian crisis with the result that these warehouses are often saturated and in need of expansion.

The 2005-07 period is a pivotal period between the end of the first sectoral transport programme and the start of the second 2008-12 phase, for which an investment programme was adopted in 2005. Road transport remains the priority but the upgrading of airports is also given attention. The two objectives remain the improvement of access to the exterior through the diversification of access to the sea and the pursuit of improvement to internal transport links by the development of interface roads and rural tracks. The two objectives are not contradictory because the improvement of internal transport links ties up with the main cross-border corridors to Nouakchott (via Nioro in Mali and Aïou El Atrouss in Mauritania, Dakar (via Kayes-Kidira, expected early 2006) and Conakry (via Narena-Kourémalé, inaugurated in October 2005). Bamako has access to these ports, all of which are situated at a distance of about 1 000 km. The choice of port depends on their storage capacities, the quality of their installation and the speed of administrative formalities, even if official strategy is to use all these ports according to need so as to reduce dependence on Côte d'Ivoire.

Implementation of Malian transport policy, which was drafted before the Ivorian crisis, speeded up after events in 2002, notably thanks to the opportunities offered by the regional and continental opportunities by the WAEMU (for links between capitals of countries in the union), ECOWAS (West African road programme) and the New Partnership for Africa's Development (NEPAD short-term infrastructure action plan). As a result, the eastern part of Mali is full of construction, maintenance and roadlaying projects. Two routes will lead to Dakar, one by the south (Kati-Kita, due to open in 2007) and one by the north (Diema-Sandaré, due to open February 2005). There are projects also under way in the north (Timbuktu-Tonka-Goundam-Dire, due to open end 2005) and in the south (renovation of the Bamako-Sikasso road up to the Côte d'Ivoire border), while the road between Gao and the border with Niger in the east should be operational in 2008. A road between Nioro and Banamba is also under study as a means of linking the main roads in the west with those in the east. This would link rice production and consumption zones between themselves, as well as with neighbouring countries, without having to use the right bank of the Niger. Planned improvement to strategic routes between Sévaré and Gao and Bamako and Bougouni, which will give access to the port of the Gulf of Benin (Tema, Lomé and Cotonou) and was due for completion by the end of 2004, has not yet started because of lack of funds.

The financing of road upkeep is the responsibility of the road agency under the terms of a reform which involves the creation of a national roads department and an agency for road maintenance, Ageroute. The road agency, Agence Routière, will have three types of resources which will provide 70 per cent of its budget: the road usage tax levied on oil products, the axle load tax and the road toll tax. The remaining 30 per cent will come from the state budget. At the moment, these proportions are reversed, with the greater part provided by the Ministry of Finance, with the result that disbursements for road maintenance are slowed down. The oil products tax comes to 3 CFA francs the litre and is included in the general tax on oil products. The aim is to increase it to 9 CFA francs the litre. The axle load tax was introduced in 2003 and Mali is studying the possibility of co-ordinating checks at border posts under community agreements and introducing a measure providing for user compensation for damage caused to infrastructures. With regard to road tolls, studies into the establishment and operation of 12 toll and weigh points are under way. The principal problem is finding private sector companies ready to invest in this domain. The government's programme provides for a budget of 7.5 billion CFA francs in 2004 and 13 billion CFA francs in 2007.

The national roads department fixes the main lines of the maintenance programme. It requires a financing convention with the Agence Routière, which has charge of administration and financial management of the road network, then a project management convention with the maintenance execution agency. This system

should allow greater participation of the private sector in the realisation of work and maintenance services on the roads. Malian companies benefit little from the system, however, leaving the way open to French, Chinese, Senegalese and Tunisian companies, who are better equipped to win these contracts.

Road maintenance is a priority for Mali's partners. The World Bank has made available a loan of $32.48 million for the $131.51 million programme to reinforce transport corridors. The cost of the maintenance part of the programme is put at $75.36 million. The African Development Bank, the African Development Fund and the West African Development Bank are contributing to the financing. The European Union is providing grants via the ninth European Development Fund and the Arab funds are participating through OPEC, BID and the Arab Bank for Economic Development in Africa (ABEDA).

Since 2003, operation of the rail network is assured by the Franco-Canadian company Transrail. The concession has been awarded by a newly created Senegalo-Malian authority. It has made possible a reduction in container rotation from 40 to 20 days and a 50 per cent increase in net tonnage, compared to the situation in October 2002. While freight traffic has benefited from the reform, passenger transport is the object of a dispute between the conceding authority and the concessionaire who considers it is not profitable. The state is ready to subsidise prices on the basis of the utility to the nation of the Dakar-Bamako line but this choice does not suit Transrail which wants to stop the service, for which the number of stations has already been reduced. This situation has resulted in delay in investment in rolling stock which Transrail was supposed to carry out. Senegal and Mali decided to make good the delay by purchasing equipment from Indian operators. A programme of investment in rolling stock, track renewal and improved telecommunications was decided at the time of the reform. Its completion depends on a solution being found to the blockage in 2006.

Aviation infrastructures benefited from investment realised for the African Nations Cup in 2002. They need to be improved further, however. Runways need to be extended, hangars to be built, surface areas to be expanded and airport security improved. To achieve this, the government decided to put Malian airports out to concession. The rehabilitation of certain aerodromes in the interior of the country is being financed by the government and BADEA at a total cost of $12 million.

Development of transport infrastructures is indispensable to mobility, communication and interconnection between regions and with the rest of the world. There remain obstacles, however, which arise out of geographical constraints, the constant, high level of investment needed, insufficient financing capacity and the low level of development public-private partnerships, notably with regard to Malian companies. To meet this challenge, the government has linked its infrastructure development programme to the other strategic programmes under way, such as the PDCA (renovation of rural tracks), the programme of support for the private sector(Bamako airport) and the SFFP(improvement of access corridors to the sea). The transport sector represents a focal point of the strategy of development and elimination of poverty, which makes Mali one of the key countries for the Sub-Saharan Africa Transport Policy programme, which was due to hold its annual meeting at Bamako in November 2005.

Political and Social Context

From 1992, Mali embarked on major political, institutional, economic and social reforms with the aim of constructing democratic institutions, establishing a market economy and resolving the conflict in the north. It supported West African integration and solidarity by involving itself in the resolution of crises, reinforcing bilateral relations for the management of shared resources like the River Senegal, common infrastructures such as railways or port access routes and the development of transborder co-operation. In December 2005, Bamako played host to the Franco-African Summit, which was devoted to African youth. As a country of ancient and intense internal, African and international migration, Mali took advantage of the occasion to plead its case for migratory policies in

The Sévaré-Gao Road
Improvement of Transport Links for Food Security and National Cohesion

The road linking Sévaré in the Mopti region, where food crops are cultivated, to Gao in the north is 558 km long. Before its construction, one vehicle per day used the route and, at the time of the great droughts of the 1970s, food aid to the north was sent by aircraft in the absence of any other way of reaching isolated communities. Creating a link between Gao and the cereal production zones was seen therefore from the 1980s on as an objective serving food security and the fight against poverty.

Construction of the road benefited from German and Arab funds(ABEDA, BID, the Abu Dhabi Fund for Development, the Kuwaiti Fund for Arab Economic Development, the OPEC Special Fund for International Development, the Saudi Fund for Development). The work was carried under state control by the authority for the Sévaré-Gao road. The technical supervision of part of the link was put in the hands of a group of companies led by Satom. Since inauguration of the road in 1987, traffic has increased steadily and represents about 100 vehicles a day today.

The road has helped to reinforce national cohesion by facilitating mobility between the Gao, Tibuktu and Kidal regions and the southern part of the country. Compared to the cost of flying (85 000 CFA francs single) or by boat (9 322 CFA francs for a four to five-day journey in fourth class), the road journey costs 8 000 CFA francs and takes six to seven hours. The regularity of supplies to the market in Gao has led to a significant reduction in the price of foodstuffs and other basic necessities. In addition, the road has encouraged trade and the development of villages along the route, as well as those in the interior, through the construction of access roads to the main road.

However, with use, the condition of the Gao-Sévaré road is deteriorating and needs improvement. Preliminary studies were carried out with IDA financing. Financing is now being sought and the work put out to tender. The opening of a bridge over the River Niger at Gao is due in March 2006. On the basis of this example, the Malian authorities consider that it is necessary to rethink the notion of profitability which underlies the decision to build a road so as to better serve the fight against poverty.

harmony with the fight against poverty and the development of sub-Saharan Africa.

In Mali, reforms are implemented in a context of political stability and social dialogue. The existing political system is built round a coalition which took Ahmadou Toumani Touré to the presidency of the republic in 2002. It relies on concertation with management and organised labour on the basis of a model referred to as "consensual democracy". Since autumn 2005, however, a recomposition of the political chess board has begun following the emergence of a parliamentary opposition. At the next presidential elections in 2007, the two major parties, the Rassemblement pour le Mali (RPM) and the Alliance pour la Democratie au Mali (ADEMA) want to put up their own candidates against the president who can seek a second mandate. At the same time, the social climate became tenser in September 2005 when strikes were organised by the main Malian trade union, the UNTM. These protests, which were supported by the population, were organised to press for more efficient measures in favour of employment, particularly for young people (49 per cent of Malians are under 15), and higher salaries. Debates of this type are becoming more common in Malian society as democracy is consolidated and poverty evolves. Ninety per cent of poor people live in the rural areas but poverty is

increasing in the big cities as a result of a deteriorating employment market and migration.

Growing urbanisation is encouraging political and administrative decentralisation. The second local political term began with the communal elections of 2004, in which the participation level was 43 per cent. The institutional development programme in progress is targeting obstacles to the implementation of decentralisation and power-sharing: the transfer of competence and resources; planning, budget and fund mobilisation procedures; local authority support. These reforms benefit from the support of the donors (USAID, AFD and others) who are financing the local authorities investment fund, which is managed by the national agency for local authority investment, ANICT, and support the elaboration of local development plans and the involvement of civil society. In 2001-03, 96 per cent of resources allocated to this fund were used. Its use is directed towards the realisation of small improvements and basic social infrastructures. The local tax system, on the other hand, is still unsuited to the needs of financing, for example for the periodic maintenance of a local road network.

Mali has not improved its 174th position out of 177, according to the Human Development Indicator calculated by the United Nations Development Programme. This situation makes it difficult for Mali to achieve the Millennium Goals, even if the schooling and access to drinking water objectives appear to be within its reach. In 2006, the gross schooling rate should reach 70 per cent overall and 60 per cent for girls alone. In quantitative terms, the objective of reaching 100 per cent in 2015 is possible if efforts and resources are intensified. There is a question mark, however, over the viability of teaching, taking into account the massive use being made of temporary teachers and the limited training prospects which are offered to them. The level of access to drinking water was expected to reach 67 per cent in 2006, compared to the 82 per cent target set by the Millennium Development Goals.

Compared to the education sector, the health sector registered less progress, even though geographical access to healthcare improved. In 2004, 47 per cent of the population was less than 5 km from a community health centre. Lack of qualified personnel and material, especially in isolated regions, is having a particular effect on maternal and infant health. Despite the fact that caesarean births are free, the maternal mortality rate remains at 580 per 100 000, it was 582 per 100 000 10 years ago. The figure compares with a Millennium Development Goal rate of 145 per 1 000. Infant mortality has regressed to 212 per 1 000, thanks, notably, to better DCTP3 (diphtheria, tetanus and whooping cough) vaccination cover. This level remains too high, however, in relation to the objective of 145 per 1 000 by 2015. The mortality rate trends associated with tuberculosis and malaria have been rising again for some years. They stand at 55-60 and 20-25 per cent respectively. On the other hand, Mali has a relatively low HIV/AIDS prevalence level, compared with the rest of West Africa. It stands at 1.9 per cent of the population between the ages of 15 and 49. More women are infected than men and the population of the Bamako area more than the rest of the country.

Poverty affects more than 60 per cent of the population, of which a third is in extreme poverty. With an annual reduction rate of the incidence of poverty of 0.35 per cent, a reduction of poverty by half by 2015, in line with the Millennium Development Goals, is not imaginable. The impact of economic growth on poverty is limited, even during periods of strong growth like the 1990s. The persistence of the poverty level can also be explained by the fall in the employment level, particularly in the public sector. In 2004, the unemployment level was 8.8 per cent with higher levels in Bamako (11 per cent) and the other big cities(14 per cent). It is a result, too, of the inequality of access to basic social services and economic opportunities in the different region.

Working on the basis of this analysis and the evaluation of implementation of the 2002-06 SFFP, the government is preparing the second phase of the framework for the period 2007-11. It is based on the consolidation of the results achieved, integration of the OMD in growth strategy and acceleration of growth. The actions planned have been organised on the basis

of the different types of obstacles identified: vulnerability to the vagaries of the climate, food insecurity, poor transport links, the high cost of factors and the need to improve the business climate. Corresponding to these obstacles are priority intervention domains, corresponding to sectors with strong growth potential(rice, cotton, livestock and meat, fruit and vegetables, mining, small-scale businesses and tourism), access to social services, development of transport and communication infrastructures, good management of public affairs and sectoral policy, the pursuit of institutional reforms and investment in human resources. It is question, then, of anchoring in a more unified and coherent framework the diverse development and poverty elimination programmes which benefit from international aid and investment. The challenge to be taken up is that of the implementation of these measures and the pursuit of reforms.