I. ECONOMIC ENVIRONMENT[1]

(1) OVERVIEW

1. Since the first review of its trade policy in 1998, Mali has modified its development programme and in 2002 adopted a Poverty Reduction Strategy Paper (PRSP) (Chapter III (3)(i)),[2] which was revised in early 2003 in order to take into account the impact of the crisis in Côte d'Ivoire.[3] Mali has also continued with its macroeconomic stabilization and structural reform programme, with the support of a Poverty Reduction and Growth Facility (PRGF) from the IMF, the renewal of which is being sought. The main objectives of its PRSP are to control government finance, support the common monetary policy of the West African Monetary Union (WAMU), and speed up structural reform (cotton subsector and management of government finance for 2003). In 2002, Mali was able to meet two of the first four convergence criteria subject to multilateral monitoring by the West African Economic and Monetary Union (WAEMU), but should have met all the criteria in 2003.

2. Economic growth depends above all on trends in the primary sector, which is highly vulnerable to climate variations. Since the first review, an increase in production and exports of gold, which has become Mali's major source of export earnings has led to an average rate of economic growth of around 5.2 per cent (1998-2002). The Malian authorities recognize, however, that this activity cannot constitute a sustainable basis for economic activity inasmuch as gold resources are not renewable and mining yields only a low level of value added. Meeting the objectives of the PRSP, including average economic growth of 6.7 per cent by 2015, will require giving impetus to the rural sector, industry and commercial services.

3. The crisis that broke out in Côte d'Ivoire in September 2002 underlined the importance of access to ports in the subregion for Mali's economy; Mali is a landlocked country and has to assume the extra cost involved in transporting goods.[4] The negative impact of the crisis on economic growth was mitigated, however, by the fact that economic operators were able to diversify channels and also by the fact that performance during the 2003-2004 agricultural season was better than originally forecast; this performance will be included in the figures for 2003. The Malian authorities are counting on growth of 5.6 per cent in 2003, with an increase to 6.7 per cent in 2004.

4. According to the UNDP, Mali is one of the poorest of the "least developed countries (LDCs)" and is 172nd out of 175 countries as far as its human development level is concerned.[5] Poverty affected 63.8 per cent of the population in 2001. Under the Heavily Indebted Poor Countries initiative (HIPC), in March 2003 it was decided to alleviate Mali's external debt.[6]

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[1] The main sources consulted when preparing this chapter were the WAEMU Commission (2003); IMF (2003a); IMF (2004).

[2] Achievement of the PRSP's objectives is built around three priority axes: institutional development and enhancement of governance and participation by the private sector; human development and better access to basic social services; development of the infrastructure and support for production sectors (Government of Mali (2002)).

[3] "Mali – Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding", 13 February 2003 [on line]. Available at http://www.imf.org [7 November 2003].

[4] According to information provided by the Malian authorities, 72 per cent of imports and 79 per cent of exports in volume terms went through Abidjan in 2001; these figures fell to 15 per cent and 32 per cent respectively in 2003.

[5] UNDP (2003).

[6] IMF Press Release No. 03/29. The nominal value of the reduction is US$675 million.

(2) BACKGROUND

5. Mali covers an area of 1,241,238 km^2, of which two thirds is in the Saharan region. It has borders with Mauritania and Algeria to the north, Niger to the east, Burkina Faso, Côte d'Ivoire and Guinea to the south, and Senegal to the west. The River Niger (locally called the "Joliba") flows through the south of the country.

6. In 2001, Mali's population was estimated to be some 11 million, of whom the majority lived in the south of the country, with around 29 per cent in urban areas (mainly the capital, Bamako). In 2000, per capita GDP was US$240.[7] Part of the population (between 800,000 and 2 million) lives in Côte d'Ivoire. The rate of demographic growth is relatively high (with an annual birth rate of 3.1 per cent). Some 26 per cent of the adult population is literate and average life expectancy is 48.4 years.

7. Mali's nominal gross domestic product (GDP) was estimated by the authorities to be CFAF 2,549 billion (US$3.9 billion) in 2003, of which two thirds can be attributed to the informal sector.[8] According to estimates by the IMF, nominal GDP, excluding the informal sector, was CFAF 1,187 billion (US$2 billion) in 2002. Mali's economy chiefly depends on agriculture (particularly cotton and livestock), which accounted for 32 per cent of nominal GDP in 2002 (Table I.1), but employs around 70 per cent of the working population. Mining has expanded strongly, however, since the first review of trade policy as a result of the increase in gold production (and exports, see below). The share of mining and quarrying in GDP rose from 6 per cent in 1998 to 14 per cent in 2002. Manufacturing is still little developed (Chapter IV(4)) and industrial production has not increased since the first review. The services sector includes a large percentage of trade-related services and accounts for close to 33 per cent of nominal GDP.

Table I.1
Basic economic indicators for Mali, 1998-2002
(in percentage of GDP)

	1998	1999	2000	2001	2002
Primary	**36**	**38**	**35**	**35**	**32**
Agriculture	21	22	19	20	17
Livestock	10	10	11	10	10
Fishing and forestry	5	5	6	5	5
Secondary	**22**	**20**	**22**	**24**	**27**
Mining and quarrying	6	6	7	12	14
Manufacturing	11	8	8	6	8
Electricity, gas and water	10	10	11	10	10
Construction and public works	1	1	2	2	2

Table I:1 (cont'd)

[7] IMF (2004).

[8] According to a study provided by the authorities on "*L'emploi, le chômage et les conditions d'activité dans la ville de Bamako*", the informal sector absorbs around 80 per cent of the working population living in Bamako, while the formal private sector employs 10 per cent of the working population and the public sector 10 per cent.

	1998	1999	2000	2001	2002
Tertiary	**34**	**34**	**37**	**35**	**33**
Trade	12	13	14	13	13
Transport and telecommunications	5	5	5	5	5
Banks and insurance	1	1	1	1	1
Non-tradable services	9	8	9	9	9
Other services	8	8	8	7	7

Source: IMF (2004).

(3) RECENT ECONOMIC DEVELOPMENTS

(i) Macroeconomic indicators[9]

8. Mali's authorities estimated the rate of economic growth of GDP in volume terms to be 3.9 per cent in 2002 compared with 12.6 per cent in 2001 (Table I.2), the latter rate being exceptional and a result of the settlement of the crisis that occurred in the cotton subsector in 2002. The slowdown in economic growth occurred at a time of inflationist pressure with inflation rates of around 5.2 per cent in 2001 and 5 per cent in 2002. These relatively high inflation rates (the average for the period 1998-2002 was around 2.5 per cent) are due to the effects of the crisis in Côte d'Ivoire on the cost of imported goods and the increase in the price of millet, a basic foodstuff.

Table I.2
Economic indicators for Mali, 1998-2002

	1998	1999	2000	2001	2002
			(Percentage)		
Real economy					
Change in real GDP	8.1	5.7	-3.3	12.0	3.9
- Primary	10.9	7.7	-10.4	11.7	-4.4
- Secondary	11.1	-8.8	4.4	26.1	20.0
- Tertiary	4.8	5.3	4.3	8.7	1.1
			(CFAF billions)		
External economy					
Current transactions	-143.6	-176.1	-226.9	-275.9	-136.5
- Exports, f.o.b.	334.8	355.4	388.1	531.2	631.4
- Imports, f.o.b.	-329.3	-372.8	-421.5	-538.4	-498.3
- Services (net)	-159.2	-161.3	-167.9	-198.1	-167.2
- Current transfers	40.0	45.8	44.3	51.1	58.5
Capital account and financial transactions (net)	108.3	137.1	182.6	131.1	183.2
Overall total	-22.6	-10.1	27.8	-32.9	96.4

Source: IMF (2004).

9. In 2002, trends in economic activity were marked by: (i) poorer performance during the 2002-2003 agricultural season in comparison with 2001-2002; (ii) record production figures for gold (66.1 tonnes); (iii) construction and public works activities related to the organization of the African Cup of Nations (ACN); and (iv) a slowdown in trade and transport as a result of the crisis in Côte

[9] As of 2002, the Malian authorities revised the way in which the national accounts are compiled on the basis of recommendations from the WAEMU Commission so as to allow comparisons among member States. The main consequence of this revision has been to attribute the performance in the agricultural sector (n/n+1) to the calendar year n, which was previously attributed to the year n+1.

d'Ivoire. The growth rate in 2002 was below the average of 5.2 per cent over the period 1998-2002, which was marked by strong expansion in the mining sector (Table I.2).

10. As regards the external economy, there was a surplus in the trade balance (on an f.o.b.-f.o.b. basis) in 2002 because of the marked increase in exports (19 per cent) as a result of gold exports and a sharp drop in imports on an f.o.b. basis (7.4 per cent), although the overall trade balance (on an f.o.b.-c.i.f. basis) still shows a deficit, which is nevertheless much lower.[10] Over the period 1998-2002, imports increased on average less rapidly than exports and the deficit in the current balance remained at roughly the same level as in 1998. The decrease in global cotton prices played a role in this situation, despite the compensatory effect of expansion of domestic cotton production (Chapter IV(2)(b)), and diversification towards gold (see below).

(ii) Monetary and exchange policy

(a) Institutional arrangements

11. The countries belonging to the West African Economic and Monetary Union (WAEMU), including Mali, have common monetary and exchange policies.[11] The WAEMU complements the WAMU by an economic integration component (Chapter II(4)(ii)), and incorporates its provisions, including a common currency administered by the Central Bank of West African States (BCEAO), a specialized and autonomous institution of the WAEMU.[12] Mali, like the other member countries of the WAEMU, accepted Article VIII of the Articles of Agreement of the IMF on 1 June 1996.

12. The franc of the African Financial Community (CFA) is the WAMU's currency unit. Until 1 January 1999, when the euro became the currency of countries belonging to the European Monetary Union, including France, the CFA franc had fixed parity with the French franc.[13] The CFA franc now has fixed parity with the euro: CFAF 1,000 = €1.52449017.[14] The introduction of the euro did not lead to any substantive changes as far as the arrangements in the franc zone are concerned.[15]

13. The BCEAO is responsible for issuing CFA francs and ensuring their stability. Its responsibilities are set out in its articles of incorporation as follows: to implement the monetary policy guidelines defined by the WAMU Council of Ministers; to transact exchange operations; to hold and administer member countries' exchange reserves; and to promote the proper functioning of the Union's system of payments. Consequently, no monetary policy is implemented at the national level.

14. The BCEAO defines its monetary policy in such a way as to maintain the rate of external cover for the currency at a satisfactory level and to sustain economic activities in member countries

[10] In 2002, imports on a c.i.f. basis amounted to CFAF 646.7 billion (US$1,078 million), while imports on an f.o.b. basis amounted to CFAF 498 billion (US$830 million), the difference between the two figures mainly being the result of transport costs.

[11] The WAEMU Treaty was signed on 11 January 1994 by Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal and Togo; Guinea-Bissau acceded to the Treaty on 1 January 1997.

[12] Monetary cooperation among member countries of the WAMU, created in 1962 with a new Treaty signed in 1973, and France dates back to the colonial era. The BCEAO is the result of a monetary cooperation agreement signed with France in 1972 and supplemented by the transactions account agreement of 1973.

[13] When the CFA franc was devalued by 50 per cent in 1994, the fixed rate became CFAF 1,000 = F 10.

[14] The same parity applies to the CFA (Central African Financial Cooperation) franc, which is the currency of the member countries of the Central African Economic and Monetary Union (CEMAC), whose structure is similar to that of the WAEMU.

[15] Decision of the Council of the European Union of 23 November 1998 concerning exchange matters relating to the CFA franc and the Comorian franc (98/683/EC).

without inflationary pressure. The BCEAO administers monetary policy in each member country by fixing objectives for the money supply and credit on an annual basis. These take into account the general financing needs of each member country's economy and the resources needed to meet them, as determined by each national Credit Committee. The BCEAO's articles of incorporation provide a ceiling for advances to national treasuries, which are subject to an interest rate fixed by the BCEAO with a penalty if the ceiling is exceeded. Advances were frozen in each member State at the 31 December 2002 levels and then consolidated over 10 years at an interest rate of 3 per cent. States are called on to issue public securities on the WAMU's financial market.

15. Maintaining a common monetary policy calls for financial discipline on the part of each country, which retains its own decentralized economic policy. The WAEMU has established a Convergence, Stability, Growth and Solidarity Pact[16], subject to multilateral monitoring since 2000. According to the latest data from 2002, Mali has been able to satisfy two of the first four convergence criteria and according to the forecast by the WAEMU Commission, should have respected them all in 2003.[17] The time-limit for convergence, planned for the end of 2002, has been postponed until mid-2005 because of the problems encountered by WAEMU member States in meeting the first four criteria.

(b) Foreign exchange regulations[18]

16. Foreign exchange transactions in euros between the BCEAO and commercial banks in Mali, as well as exchange transactions by economic operators, are at a fixed rate. Foreign exchange transactions in euros by economic operators may be subject to a commission. In addition, the buying and selling rates for other currencies are determined on the basis of the rate for the euro on the foreign exchange market.

17. Any foreign exchange operation in Mali must be conducted through intermediaries approved (commercial banks) or authorized (exchange bureaux) by the Ministry of Finance. Banks and post offices levy a commission of 0.25 per cent on transfers outside the WAEMU and this is handed over to the Treasury. Imports and exports exceeding CFAF 5 million must be domiciled with an approved bank.

18. Payments (except for transactions in gold and the issue, advertising and sale of financial instruments) and transfers of capital within the WAEMU are free. The main provisions of the common regulations governing foreign exchange with third countries are the following:

- Sums to cover current transaction operations may be freely transferred subject to the submission of supporting documentation;

- the obligation to repatriate earnings from exports to countries outside the WAEMU and their conversion into CFA francs;

- capital may enter freely from any country; and

- outflow of capital to countries outside the WAEMU is subject to verification based on the submission of supporting documentation (attestation and issue of a transfer authorization by the services of the Ministry of the Economy and Finance).[19]

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[16] Additional Act No. 4/99.
[17] WAEMU Commission (2003a).
[18] IMF (2003b).

19. Mali allows foreign investors to repatriate capital invested and the profits from their operations, as well as savings on salaries by expatriate staff (Chapter II(3)(e)).

(iii) Budget policy

20. Since the first review of Mali's trade policy, the government finance situation has deteriorated as regards the percentage of the overall balance in the GDP, with deficit increasing from 2.2 per cent in 1998 to 3.6 per cent in 2002. This trend is chiefly marked by a decrease in grants recorded in the GDP (3.6 per cent of GDP in 2002 compared to 5 per cent in 1998), as the overall balance excluding grants remained at around the same level, with a deficit of 7.2 per cent in 2002. This stability is due in particular to the efforts made to collect revenue, especially customs duties and taxes (7.6 per cent of GDP in 2002) and the royalties paid out by enterprises in the gold sector (1.3 per cent in 2002), as well as the relative control of government spending (23.7 per cent of GDP). It is expected that there will be a deterioration for 2003 because of the increased expenditure involved in implementing the PRSP, especially the planned recruitment in social services.

21. Mali has recorded an increase in revenue from duties and taxes on international trade from CFAF 131.7 billion in 1999 to CFAF 180.4 billion in 2002, which is mainly attributable to the strong increase in imports (28 per cent since 1997), despite the liberalization of trade within the WAEMU. In 2002, this revenue was composed as follows: 23.7 per cent in the form of customs duties; 1.6 per cent as taxes (statistical fee (RS) and community solidarity levy (PCS)); 46.5 per cent for the value added tax (VAT) and the tax on the supply of services (TPS); 16.7 per cent for the tax on petroleum products; and 5.4 per cent for export taxes. In all, 46.3 per cent of budgetary revenue (excluding grants) was levied by the customs in 2002, a slight decrease in comparison with 1999.

22. Since the first review, Mali has also enhanced the institutional framework for drawing up, implementing and monitoring the budget by adopting the decree determining the new budgetary nomenclature and the State's harmonized accounting plan on 1 January 2003, in accordance with the relevant WAEMU regulations, and, in addition, by adopting a manual on government spending procedures.[20] This reform enhances transparency and good governance in government finance, as well as budgetary management as a whole, by combining operating and investment expenditure in a single budget.

(4) TRENDS IN TRADE

Breakdown of trade

23. According to the statistics available (Table I.3)[21], Mali's exports are still as little diversified as they were at the time of the first review of trade policy and the share of value added products continues to be modest. With an increase from 40.6 per cent in 1998 to 71.8 per cent in 2002, gold has made a sizeable contribution to export earnings. This change has mainly occurred to the detriment of cotton (even though the volume exported increased), whose share fell from 44.1 per cent in 1998 to

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[19] According to the provisions of Article 6 of Regulation No. 09/98/CM/UEMOA on financial relations among member States of the WAEMU, investment, loans, deposits and in general all capital movements among member States of the WAEMU are free and are not subject to restrictions, pursuant to Articles 76, paragraph (d), 96 and 97 of the WAEMU Treaty and Article 4 of the WAMU Treaty.

[20] Directives Nos.5/97/CM/UEMOA, 6/97/CM/UEMOA, 4/98/CM/UEMOA, 5/98/CM/UEMOA and 6/98/CM/UEMOA, as amended.

[21] The composition and geographical structure of trade are difficult to circumscribe because of the importance of informal channels.

17.7 per cent in 2002. The reason is the decline in global cotton prices, which are at their lowest level since 1994.[22]

Table I.3
Principal exports by Mali, 1997-2002

Section		1997	1998	1999	2000	2001	2002
				(US$ millions)			
	Total	544.2	590.5	571.0	524.8	713.6	865.3
				(Percentage)			
I	Live animals and animal products	9.4	8.4	9.4	10.1	8.8	4.3
XI	Textiles and textile articles	48.3	45.9	39.7	31.1	14.1	17.9
XIV	Pearls or cultured pearls, gemstones and the like, precious metals, costume jewellery, coins	36.4	38.2	42.1	51.7	67.6	71.8
	Other	5.9	7.5	8.8	7.1	9.5	6.0

Source: Malian authorities.

24. It is difficult to identify the destination of Mali's exports because of the country's landlocked situation, which makes it necessary to transit through ports in the region. According to the information available from importing countries, however, exports to America (mainly Mexico) have gradually increased while those to Europe and Asia have decreased, which could be indicative of diversification since the first review (Table I.4).

25. The composition of imports appears to have changed little and fuel, chemicals, and transport machinery and equipment still occupy first place (Table I.5). The origin of these imports is essentially still the same, with Côte d'Ivoire and France at the top (Table I.6). Trade between Mali and Côte d'Ivoire could, however, see changes if the crisis in Côte d'Ivoire persists.

Table I.4
Destination of Mali's exports, 1997-2002
(Percentage)

	1998	1999	2000	2001
America	17.6	19.8	26.9	35.7
Europe	39.5	34.1	34.0	25.4
European Union	38.3	31.3	30.1	21.9
- Italy	21.0	12.5	7.5	5.6
- France	1.8	2.0	5.1	5.1
Asia and Middle East	30.0	34.2	23.3	25.0
Africa	12.0	7.9	10.3	11.8
Sub-Saharan Africa	6.3	4.4	7.2	9.1
- Ghana	0.0	0.0	1.2	4.7

Note: Statistics in this table have been drawn up on the basis of imports of Malian origin into other countries.

Source: UNSD Comtrade database.

[22] World Bank study on this question has identified as a cause the support policies in developed countries and finds that the decrease has had a significant impact on Mali and on the other countries for which cotton plays an important role in exports (Badiane, O., Ghura, D., Goreux, L. and Masson, P.R. (2002)).

Table I.5
Principal imports by Mali, 1997-2002

Section		1997	1998	1999	2000	2001	2002
		(US$ millions)					
	Total	682.6	811.7	823.3	805.5	989.0	927.9
		(Percentage)					
II	Plant products	4.8	8.1	6.4	4.3	3.9	6.4
IV	Food industry products; beverages, alcohol and vinegar; tobacco and manufactured tobacco substitutes	7.1	8.5	7.6	6.7	8.0	9.4
V	Mineral products	22.2	18.2	17.1	25.4	24.4	23.3
VI	Products of the chemical or related industries	15.2	15.2	14.4	11.8	10.5	16.5
VII	Plastics and articles of plastic; rubber and articles of rubber	2.2	3.3	3.4	3.0	3.6	3.8
XV	Base metals and articles of base metal	6.7	8.5	9.1	7.6	7.3	6.3
XVI	Machinery and appliances, electrical equipment	17.5	16.2	18.0	19.4	22.5	14.4
XVII	Transport equipment	12.2	9.6	12.5	11.9	9.1	9.7
	Other	12.1	12.4	11.5	9.9	10.7	10.2

Source: Malian authorities.

Table I.6
Origin of Mali's imports, 1997-2002
(Percentage)

	1998	1999	2000	2001	2002
America	9.6	8.8	9.0	11.3	9.6
United States	5.2	5.9	4.6	8.0	5.4
Europe	35.8	39.4	44.2	35.0	38.1
European Union	32.9	37.1	41.0	32.3	36.6
- France	20.9	21.2	23.6	17.5	18.7
- Belgium-Luxembourg	3.1	4.2	4.2	3.3	3.9
Asia and Middle East	13.3	13.9	13.4	12.7	11.6
China	3.2	4.2	3.9	4.5	2.7
Japan	6.3	4.3	4.4	4.1	4.1
Africa	41.2	37.0	31.4	39.2	40.1
Sub-Saharan Africa	38.9	34.4	28.4	35.2	35.1
- Côte d'Ivoire	29.1	26.5	22.1	24.8	23.1
- Senegal	6.0	6.7	4.7	6.3	6.4

Source: Malian authorities.

(5) OUTLOOK[23]

26. According to the Malian authorities, performance during the 2003-2004 agricultural season has been better than expected (growth of 22 per cent in cereal production, for example), and consequently the growth rate for Mali's economy as a whole was around 5.6 per cent in 2003. This rate is much higher than the rate expected in the light of the crisis in Côte d'Ivoire and offsets the decline in gold production, which fell from its record level of 64 tonnes in 2002 to 52 tonnes in 2003. Because of the abundant supply of the population's basic foodstuffs, slight deflation (-0.8 per cent) was noted. As regards the external economy, exports fell by 15.5 per cent between 2002 and 2003 according to the WAEMU Commission. This decrease is mainly due to the exceptional level of gold

[23] The main sources consulted were: WAEMU Commission (2003); IMF (2003a); IMF (2004).

exports in 2002, while imports continued to increase. Consequently, the trade surplus (on an f.o.b.-f.o.b. basis) of CFAF 141 billion (US$235 million) recorded in 2002 is also an exceptional figure.

27. For 2004, Mali's authorities are hoping for an economic growth rate of 6.7 per cent. Such an increase could be achieved if there is greater rainfall and projects to develop agriculture go ahead, which would enable cotton and cereal production to improve their performance during the period. On the other hand, the authorities expect gold production to decrease from 51 tonnes in 2003 to 46.8 tonnes in 2004. Industry will be sustained by expansion in cotton production and, consequently, ginning of seed cotton. Construction and public works (for example, the building of roads, schools) will also be a focus for growth in the secondary sector. Energy production could be revitalized as a result of the reform in the sector.