Mali: Economic Factors Behind the Crisis
Abstract

By some measures, Mali’s economy has performed well over the last decade. It has respected most of the West African Economic and Monetary Union’s macroeconomic convergence criteria, was made eligible for the debt relief initiative for heavily indebted countries, and assessments by regional and international organisations highlight its fiscal prudence, appropriate economic policy choices and macroeconomic stability. Yet a closer look reveals additional patterns that have contributed to growing disparities, weak trust in government and public discontent. Mali’s positive economic growth in aggregate terms translates into slow per capita growth rates and Mali continues to rank as one of the world’s poorest countries. The economy’s heavy reliance on a few key sectors and persistent structural weaknesses have led to growing unemployment. The gradual reduction in the national poverty headcount measure conceals an increase in the absolute number of poor people and the persistence of poverty in the country’s Northern regions. The food crisis that preceded the recent escalation of conflict further aggravated regional disparities. In addition to its vulnerability to shocks, Mali’s challenges include weak governance, widespread corruption and the recent expansion of the illegal economy. Several policy measures have been taken over the years to address economic and social policy gaps. The European Union should support the government of Mali in building on progress made and introducing new initiatives to promote broad-based and equitable development.
This study was requested by the European Parliament’s Committee on Development.

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EXECUTIVE SUMMARY

Mali’s economy has generally been viewed as performing well by regional and international organisations. Its good performance made it eligible for the HIPC initiative and debt relief. Mali has observed most of the UEMOA convergence criteria in recent years and macroeconomic policy has been judged appropriate. This sound economic performance coupled with Mali’s democratisation process have led the donor community to consider it a reliable partner and Mali has been one of the world’s highest per capita aid recipients. At the same time, partly as a result of the persistently high population growth rates, per capita consumption remains low and Mali continues to rank as one of the poorest countries in the world. Slow economic growth has been accompanied by persistent structural weaknesses that have led to limited economic opportunities and rising unemployment. The gradual reduction in the national consumption poverty rate conceals considerable regional variations, with high poverty rates persisting in Northern Mali. The 2011 food crisis further aggravated these disparities. Economic growth in recent years has mainly been driven by the primary sector, food crops, rice and livestock, followed by the tertiary sector, while the secondary sector has mainly experienced a decline. Inflation has generally been in line with the UEMOA criteria of an annual 3 per cent limit, despite pressures from food price fluctuations, as a result of both government fiscal policy and BCEAO policy (authority over all monetary policy lies with the BCEAO). Prudent fiscal policy and public finance management reforms have been applauded by regional and international organisations. Increases in tax revenues have been achieved through a rise in both direct and indirect taxes and taxes on oil products. Spending has been adjusted in line with revenue trends and was cut in 2008 in response to declining gains as a result of the food and energy crisis, although spending on education, health and social safety nets was maintained. Despite these efforts, total outstanding government debt has steadily increased, most of it external debt. However, public debt to GDP ratios remain well below the UEMOA convergence criteria. Mali’s main exports are gold and cotton, commodities whose prices fluctuate, with major destabilising impacts on public finances and balance of payments. Intra-regional trade remains low, despite ECOWAS agreements, partly as a result of the persistence of non-tariff barriers and of weak infrastructure.

The rise in foreign investment has been an important source of additional revenue. It reflects government efforts to attract investors through the adoption of an investment code that offers fiscal incentives to large investors and the establishment of the investment promotion agency. Despite these initiatives, investors continue to face difficulties including weak human resources and inadequate infrastructure. Efforts to improve infrastructure and utilities include the construction of dams for hydro power and the extension of the electricity network. Still, the state of infrastructure remains a constraint on investment. While the increase in foreign direct investment has contributed to increasing government revenue, several commentators have highlighted the short-term perspective that has prevailed in the promotion and regulation of investments and how this limits their development potential. The expansion of large-scale land acquisitions for instance, has not led to improved employment opportunities and has been associated with negative impacts for local populations and increased conflict over economic benefits.

Mali’s economy is primarily based on agriculture, with 80 per cent of the population deriving its livelihood from this sector. Mining has also been rapidly expanding and has attracted a significant increase in foreign direct investment. Gold’s importance in particular has grown and currently accounts for 75 per cent of Mali’s exports. In agriculture, the cotton sector represents an investment opportunity and is underdeveloped. Greater productivity could be achieved through diversification of value-added activities such as spinning and the production of fabric. Agricultural potential is also strong for other crops including rice, millet, and horticultural products. The expansion of irrigation and technical
improvements have led to higher rice yields and horticulture production, but more could be done to increase diversity in agricultural production to tackle food security concerns and over-dependence on cotton and gold. Much like the cotton sector, gold is another commodity that is primarily processed and marketed abroad. Development of the mining sector has not led to the creation of national operators and service providers, suggesting that mining contracts have included few if any demands in the way of local content and employment.

Despite its positive economic performance, Mali remains one of the poorest countries in the world, ranking 182nd out of 187 countries in the Human Development Index (HDI) in 2012. The gradual reduction in national headcount poverty rates has coincided with an increase in the absolute number of poor people, from 5.7 million individuals in 2001 to 6.4 million in 2010. Although some progress has been made, for instance in primary school enrolment, Mali is lagging behind on most social indicators and is expected to fail to achieve most of the MDGs by 2015. Moreover, trends in poverty and social indicators vary considerably by region, with some progress achieved in Mali’s Western and Southern regions and the persistence of poverty in Northern Mali. The 2011 food crisis further aggravated these inequalities by disproportionately adversely affecting households in the Northern regions (in these regions, the proportion of people living in food poor households increased by 41 per cent following the 2011 price and production shocks). Government spending in education and health is broadly in line with UEMOA averages, yet remains highly skewed to the richest population groups. Public spending on social safety nets aimed at reaching the poor remains very low in comparative perspective and is poorly targeted, with high a share of resources failing to reach the poorest households.

The economic and social trends and policies outlined above need to be considered alongside a series of challenges Mali faces and which include: Mali’s exposure and vulnerability to climatic and price volatility shocks, weak governance, widespread corruption and a growing criminal economy. Mali’s dependence on agriculture and commodities leaves the country highly vulnerable to shocks. It experienced three food crises in seven years as a result of a combination of drought, flooding and poor harvests. The population group that is hardest hit by food crises tends to be highly dependent on buying cereals and is mainly concentrated in the Northern regions. Weak governance and corruption pose a challenge to economic development and policy. Inefficiencies in government are partly due to the concentration of power in the central executive branch of government and its lack of accountability to both citizens and other branches of government. Efforts to improve transparency include the establishment of the Public Auditor in 2001. Audits have helped shed light on cases of financial mismanagement and corruption. The decentralisation process, launched in the early 1990s as a central component of the country’s democratisation process also aimed to address governance challenges by enhancing state responsiveness and promoting citizen’s representation. Significant achievements have been made in holding municipal elections and administrative re-organisation, yet the process has encountered challenges as a result of the central government’s reluctance to transfer power, the piecemeal approach to institutional reform and insufficient resources available to local governments. Recent years have also witnessed the expansion of the criminal economy. The rise in drug trafficking and other illicit commerce as well as kidnappings has come hand in hand with the strengthening of armed groups in Northern Mali and neighbouring countries.

Mali is among the most aid-dependent states in sub-Saharan Africa. Preceding the 2012 crisis, trends in ODA reflect the prevailing view among donors of Mali as a successful case of democracy and development. The country was lauded for having successfully secured a democratic transition in 1992, following twenty years of military rule. It was generally regarded as a reliable partner thanks to close collaboration with organisations such as the IMF and World Bank. In recent years, Mali has intensified cooperation with China, India and Libya. Relations with China have especially deepened over the last
decade in the form of unconditional concessionary loans and infrastructure aid. Mali has also actively
promoted regional integration and is a member of the AU, NEPAD, ECOWAS and UEMOA. As such, it
complies with regulations and initiatives including in the areas of public accounting and public financial
management, taxation and macroeconomic convergence criteria.

The escalation of conflict in the North, the March 2012 coup and the drastic reduction of donor support
that followed led the economy to grind to a halt in 2012. Real GDP growth was -1.2 per cent, mainly as a
result of the weak performance of the secondary and tertiary sectors. The government continued to
pursue a policy of fiscal discipline but government liabilities increased. Inflation rose to 5.3 per cent and
this in turn contributed to the slowing down of the secondary and tertiary sectors. Despite protecting
social expenditures, service provision suffered, especially in the North. The destruction of healthcare
centres and schools in the Northern regions led to substantial disruption in service provision and access
to basic health care remains difficult. Northern Mali is now in a humanitarian crisis. About 400,000
people have been displaced and have sought refuge either in neighbouring countries or in Mali’s
Southern regions, leading to rising food prices and economic pressures in the South of Mali.

The European Union, in coordination with other donors and the European Parliament have a central
role to play to support the Government of Mali in the aftermath of the crisis. Opportunities for support
may be grouped around five main sets of issues: the economy, employment and urbanisation, regional
inequalities, governance and taking a broader regional approach. Despite gradual increases in
government revenue, additional reforms are required to enhance domestic revenue mobilisation and
equitable public spending. Efforts to reduce tax exemptions, close loopholes and expand progressive
social spending through social protection could be supported by the EU. Donors could also support
initiatives aimed at improving the scale and quality of investments. Efforts to improve infrastructure are
critical to attracting investors. Yet an objective that is at least as important as attracting new
investments concerns the quality of these investments. Better investment deals can help generate
increases in revenue for government while promoting local employment opportunities and
development. Donors could support government efforts to open up existing land and mining deals for
scrutiny and re-negotiation, help the state improve its knowledge and administration of its resources
and support reforms requiring investors to conduct social and environmental impact assessments.
Donors should also support diversification initiatives with the objective of promoting the development
of agricultural commodities beyond cotton (fruit, vegetables, oil seeds) and to include food processing
and manufacturing and tourism by small and medium-sized enterprises. This would promote economic
stability and help ensure that gains are distributed more fairly to local communities. In the area of
employment, efforts to support those informally employed, including small-holder farmers and small
scale and artisanal mining should be promoted along with policies providing training opportunities for
youth, particularly aimed at developing skills to match opportunities in urban settings. The EU and
other donors should promote good governance and transparency by supporting civil society, parliament
and the media to oversee government accountability. Finally, the EU could promote a
broader regional approach to resolving the political and economic development challenges faced by
Mali.
LIST OF ACRONYMS

AFDB | African Development Bank
AFISMA | African-led International Support Mission to Mali
APEJ | Agence pour la Promotion de l'Emploi des Jeunes
API | Investment Promotion Agency
ASM | Artisanal and Small-Scale Mining
AU | African Union
BCEAO | Banque Centrale des États de l'Afrique de l'Ouest (Central Bank of West African States)
CFA | Franc Communautaire d' Afrique
CMDT | Compagnie Malienne pour le Développement du Textile
CPI | Presidential Investment Council
ECOWAS | Economic Community of West African States (Communauté économique des États de l'Afrique de l'Ouest)
EITI | Extractive Industries Transparency Initiative
EP | European Parliament
EU | European Union
FAO | Food and Agriculture Organisation
GPRSP | Growth and Poverty Reduction Strategy paper
ILO | International Labour Organisation
IMF | International Monetary Fund
INSTAT | Institut National de la Statistique
HIPC | Heavily Indebted Poor Countries
HUICOMA | Huilerie cotonnière du Mali
LOA | Loi d'Orientation Agricole
LSLA | Large-Scale Land Acquisitions
MICS | Multiple Indicator Cluster Survey
NEPAD | New Partnership for Africa’s Development
ODA | Official Development Assistance
PAGAM | Government Action Plan for the Improvement and Modernization of Public Finance Management
PEJHIMO | Programme Emploi Jeunes à Haute Intensité de Main d'oeuvre
PRED | Plan pour la Relance Durable du Mali (Economic reform programme for development)
PRSP | Poverty Reduction Strategy Paper
SME | Small and Medium Enterprises
UEMOA | Union Economique et Monétaire Ouest-Africaine (West African Economic and Monetary Union, WAEMU)
UNEP | United Nations Economic Commission for Africa
UNODC | United Nations Office on Drugs and Crime
UNDP | United Nations Development Programme
WTO | World Trade organisation
1. INTRODUCTION

The year 2012 was marked by exceptional events in Mali’s history. The droughts of 2011 were followed by a political-security and institutional crisis brought on by an escalation of armed conflict in Northern Mali by armed groups from January 2012 onwards and the coup of 22 March 2012 (see Timeline in Annex 1). Several studies have examined the political developments that contributed to the unfolding of the conflict and the subsequent political crisis. Less attention has been paid to the role played by economic factors.

Mali’s economy has generally been viewed as performing well in recent decades. Positive assessments by international and regional institutions underscore both the country’s good economic performance and appropriate economic policies and have been the basis for continuing and growing donor support. Yet a closer look reveals additional patterns and striking weaknesses that have contributed to growing disparities, weak trust in government and public discontent. Two defining features in particular stand out.

First, Mali’s positive economic growth in aggregate terms translates, in practice, into slow economic growth rates per capita. Partly as a result of persistently high population growth rates, per capita consumption remains low and Mali continues to rank as one of the world’s poorest countries. This slow economic growth has been accompanied by persistent structural weaknesses, heavy reliance on a few key sectors, and has led to limited economic opportunities, the country’s unemployment rate steadily rising. Second, the gradual reduction in national poverty rates conceals considerable variations in trends by region and population groups and growing inequalities. Most of the reduction in poverty has taken place in the Western regions, with Northern Mali experiencing persistent consumption poverty and worsening conditions as measured by other social indicators. The recent food crisis has further aggravated these disparities.

The present study documents these trends and analyses the role of policy. It is structured as follows. Following this brief introduction, the second section provides an overview of the main trends in Mali’s economy up to the end of 2011 and preceding the 2012 crisis. For each sector, it also reviews the main policies adopted in recent years and, where possible, identifies both the policy design gaps and implementation challenges encountered. The third section reviews trends in poverty, inequality and social policy. In the fourth section, attention is paid to the factors that have influenced policy implementation and affected reform efforts, including recurrent climatic shocks, weak governance, corruption and the expansion of the illegal economy. The fifth section examines the role of international and regional actors. The sixth section analyses economic and social-humanitarian developments since the onset of the crisis. The final section presents the main policy implications that arise from the study and lists priority areas for future policy efforts and EU and support.

The study is based on a comprehensive literature review, including papers published in academic journals, official government publications and those of the main regional and international organisations. Throughout, careful attention has been paid to verifying the quality and consistency of information. For some sectors, it has proved difficult or not possible to obtain relevant data and the weak documentation has limited the analysis undertaken here.
2. THE ECONOMY: TRENDS AND POLICY

Mali has recorded positive economic growth since the mid-1980s. Its good economic performance made it eligible for the debt relief initiative for heavily indebted countries (HIPC initiative) in 1998 with debt relief starting in 2000 (GPRSP, 2011). It has since then elaborated three poverty reduction strategy documents as part of this process, the latest in 2011.

As a member of the West African Economic and Monetary Union (UEMOA), Mali has adopted common monetary frameworks and complies with regular monitoring requirements. A glance at the UEMOA macroeconomic convergence criteria and Mali’s performance shows that the country has respected most criteria, see Table 1 (and Annex 2). Despite continuing to be a highly indebted country, assessments by international financial and regional organisations have lauded its fiscal prudence, macroeconomic stability and have generally deemed Mali’s macroeconomic policies as being appropriate (WTO, 2010; IMF, 2013c).

<table>
<thead>
<tr>
<th>Table 1 UEMOA convergence criteria-Mali (2010-2011)</th>
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</thead>
<tbody>
<tr>
<td><strong>Level 1 criteria</strong></td>
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<tr>
<td>---------------------</td>
</tr>
<tr>
<td>Basic fiscal balance/GDP</td>
</tr>
<tr>
<td>Average annual inflation rate</td>
</tr>
<tr>
<td>Stock of public debt to nominal GDP</td>
</tr>
<tr>
<td>Change in domestic payment arrears (in billions of CFA francs)</td>
</tr>
<tr>
<td>Change in external payment arrears (in billions of CFA francs)</td>
</tr>
<tr>
<td><strong>Level 2 criteria</strong></td>
</tr>
<tr>
<td>Wage bill to tax revenue</td>
</tr>
<tr>
<td>Investment financed from domestic resources to tax revenue</td>
</tr>
<tr>
<td>External current account balance to GDP</td>
</tr>
<tr>
<td>Tax ratio</td>
</tr>
</tbody>
</table>


2.1 Economic growth

Mali’s GDP has grown steadily, until 2012, at an average rate of 1.7 per cent from 1985-1994, at 5.8 per cent from 1995-2005 and at 4.9 per cent between 2007 and 2010 (GPRSP, 2011). Annual GDP growth was 2.7 per cent in 2011, while in 2012, in the context of the conflict and political crisis, Mali’s economy contracted with a negative growth rate of -1.2 per cent and the country experienced an economic recession (AfDB, 2013).

Between 2007 and 2010, the growth of the Malian economy was largely driven by the primary sector, especially food crops, rice and livestock. Growth in this sector was primarily the result of increases in the value of production of rice and other grains. The expansion of the government’s 2008 Rice Initiative
(more on this below) to include other grains contributed to this trend. Over the same period, cotton production, formerly the anchor of Mali’s agricultural sector and export revenue, decreased, partly as a result of the drop in the world price of cotton (GPRSP, 2011).

The secondary sector mainly declined over this period. According to the Government of Mali’s GPRSP (2011), the -0.5 per cent negative growth rate recorded for this sector between 2007 and 2010 can be explained, among other things, by the absence of new large-scale investments over the period, the closure of cotton mills (HUICOMA) and the uneven evolution of gold production. The poor performance of the food-processing industries has also contributed to the decline of the secondary sector. In contrast, in more recent years, the textile and extractive industries grew and continued to perform well in 2012 with growth rates of 35 per cent and 7.5 per cent respectively. Although gold production increased from 46 tonnes in 2011 to 49 tonnes in 2012, the reduced output of certain gold mines is responsible for the lower-than-expected growth of the extractive industries (AfDB, 2013a).

Trade contributed most to growth in the tertiary sector (2.1 per cent) between 2007 and 2010. Growth in the tourism and telecommunications also were important, while non-financial market services and non-market services made small contributions to growth (GPRSP, 2011). In 2012, the largest decrease was recorded in the tertiary sector, recording a -8.8 per cent negative growth rate. Nonfinancial services (-15 per cent), trade (-10 per cent) and financial services (-10 per cent) were hit the hardest (AfDB, 2013a).

Two features of Mali’s growth merit highlighting here. First, what are sometimes portrayed as good growth rates need to be considered alongside the country’s high population growth, leading, in practice, to low growth in per capita GDP. For instance, real GDP growth between 2004 and 2008 was 4.5 per cent, while real per capita GDP growth over the same period was 1.4 per cent (IMF, 2013e). Between 2001 and 2010, private per capita consumption grew at an average annual rate of 1.2 per cent (IMF, 2013c). By these measures, Mali ranks as one of the world’s poorest countries and has been described as “suffering from a slow economic growth rate” (IMF, 2013c).

Second, Mali’s economic growth has not been accompanied by increases in the number of jobs in the formal sector. The lack of job creation was initially accompanied by the growth of the informal sector. More recently, unemployment and underemployment have risen (GPRSP, 2011). Coupled with a growing workforce, such trends risk becoming an ever-growing cause of public discontent and unrest.
2.2 Inflation and monetary policy

Mali’s annual inflation rates have generally been in line with the UEMOA criteria of an annual 3 per cent limit. In 2011, annual inflation was at 3.1 per cent, compared with an UEMOA average of 3.9 per cent (IMF, 2013a). Increases in Mali’s inflation rate recorded in 2008 were largely the result of fluctuations in food and energy prices, in turn generated by the rise in commodity prices as a result of the international energy and food crisis and Mali’s 2011 drought and poor harvest (GPRSP, 2011; IMF, 2013a).

Controlling inflation has been the objective of both government fiscal policy, mainly through the introduction of subsidies and tax reliefs, and monetary policy, which is set by the Central Bank of West African States (BCEAO).

The government’s 2008 Rice Initiative is an example of an attempt to curb food price hikes from penalising the poorest. Through this initiative, subsidies to food producers, including subsidies for inputs (seed, fertilisers and pesticides) and duty exemptions for rice imports, aimed to support rice production and consumption. In the case of energy products, tax reliefs were introduced. These efforts were effective in controlling food product prices and the price of basic services, according to the Government of Mali (GPRSP, 2011). However, others have underlined the failure of this Initiative to stabilise rice prices. In 2009, despite the Rice Initiative and its subsidies on agricultural inputs, prices increased, and the government introduced rice subsidies again from March to May 2009 (World Bank, 2011).

Mali does not control its own monetary policy, as a member of the CFA (Franc Communautaire d’Afrique) and UEMOA. Authority over all major decisions lies with the BCEAO. According to IMF assessments (e.g. 2013a), the BCEAO has adequately pursued price stability by setting the policy rate or injecting liquidity in the zone.

2.3 Public finance

Assessments by regional and international organisations over recent years have generally applauded Mali’s prudent fiscal policy and progress made in public finance management reforms.

Between 2007 and 2010, total revenue and grants recorded an average annual increase of 4 per cent. This growth is mainly attributable to tax revenues, which registered an average growth of 9.9 per cent per year as a result of raises in direct and indirect taxes (GPRSP, 2011). In 2008, the slight reduction in revenue was mainly the result of the exemptions given to groups affected by the crisis (WTO, 2010). Between 2010 and 2012, total tax receipts continued to increase with the main percentage increases in revenue recorded for direct taxes, followed by indirect taxes (Table 2). Total tax receipts as a percentage of GDP remained relatively stable over this period and stood at 14.8 per cent in 2012.
### Table 2 Government revenue in CFAF millions (2010-2012)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total receipts</strong></td>
<td>653,465</td>
<td>728,330</td>
<td>767,652</td>
</tr>
<tr>
<td><strong>Direct taxes</strong></td>
<td>204,565</td>
<td>220,836</td>
<td>263,222</td>
</tr>
<tr>
<td><strong>Tax on industrial and commercial profits</strong></td>
<td>2,021</td>
<td>3,272</td>
<td>2,539</td>
</tr>
<tr>
<td><strong>Corporate tax</strong></td>
<td>107,705</td>
<td>100,367</td>
<td>116,058</td>
</tr>
<tr>
<td><strong>Alternative min. business tax</strong></td>
<td>1,198</td>
<td>1,328</td>
<td>1,224</td>
</tr>
<tr>
<td><strong>Income tax</strong></td>
<td>54,673</td>
<td>65,452</td>
<td>77,776</td>
</tr>
<tr>
<td><strong>Indirect taxes</strong></td>
<td>310,960</td>
<td>372,416</td>
<td>362,776</td>
</tr>
<tr>
<td><strong>VAT</strong></td>
<td>261,873</td>
<td>310,488</td>
<td>286,504</td>
</tr>
<tr>
<td><strong>Of which VAT on imports</strong></td>
<td>162,945</td>
<td>185,505</td>
<td>171,501</td>
</tr>
<tr>
<td><strong>Domestic VAT</strong></td>
<td>98,928</td>
<td>115,033</td>
<td>103,224</td>
</tr>
<tr>
<td><strong>BCEAO VAT account</strong></td>
<td>/</td>
<td>9,950</td>
<td>11,779</td>
</tr>
<tr>
<td><strong>Taxes on beverages</strong></td>
<td>3,151</td>
<td>3,812</td>
<td>4,731</td>
</tr>
<tr>
<td><strong>Tax on financial activities</strong></td>
<td>17,836</td>
<td>18,799</td>
<td>22,852</td>
</tr>
<tr>
<td><strong>Services tax (CPS) on gold</strong></td>
<td>20,503</td>
<td>23,694</td>
<td>33,827</td>
</tr>
<tr>
<td><strong>Other indirect taxes</strong></td>
<td>7,599</td>
<td>15,623</td>
<td>14,862</td>
</tr>
<tr>
<td><strong>Recording fees, stamp tax, other taxes</strong></td>
<td>17,775</td>
<td>18,416</td>
<td>15,859</td>
</tr>
<tr>
<td><strong>Taxes on foreign trade</strong></td>
<td>120,183</td>
<td>116,662</td>
<td>125,795</td>
</tr>
<tr>
<td><strong>Customs duties</strong></td>
<td>77,822</td>
<td>91,594</td>
<td>80,983</td>
</tr>
<tr>
<td><strong>WAEMU tariff (redevance statistique)</strong></td>
<td>8,583</td>
<td>10,418</td>
<td>9,695</td>
</tr>
<tr>
<td><strong>Other taxes collected by the Customs</strong></td>
<td>33,778</td>
<td>14,650</td>
<td>35,117</td>
</tr>
<tr>
<td><strong>GDP (CFAF billion)</strong></td>
<td>4,656</td>
<td>5,028</td>
<td>5,243</td>
</tr>
<tr>
<td><strong>Total receipts/GDP</strong></td>
<td>14.8%</td>
<td>14.5%</td>
<td>14.8%</td>
</tr>
<tr>
<td><strong>VAT/GDP</strong></td>
<td>5.6%</td>
<td>6.2%</td>
<td>5.5%</td>
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</table>


The 2012 crisis contributed to a reduction in government resources, as will be discussed in section 6, as public development assistance and economic activity were negatively affected. Still, improved tax collection, increased taxation of petroleum products and reduced spending contained the budget deficit at 1.3 per cent of GDP (Fossat et al, 2013).

With regards to government spending, the Government’s GPRSP document highlights its composition over 2007-2011, the highest shares of spending accruing to education, agriculture, transportation and communication (see Table 3). Over this period, total expenditures and loans recorded an average growth rate of 3 per cent (GPRSP, 2011). In 2008, when tax revenues declined as gains were more than offset by exemptions in response to the food and energy crisis, the government adjusted spending, decreasing it to 19.3 per cent in 2008 from 24.1 per cent of GDP in 2007 (World Bank, 2011). Social spending trends and their implications are discussed in Section 3.
Table 3 Average sector-specific expenses as percentage of total (2007-2011)

<table>
<thead>
<tr>
<th>Sectors</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting sustainable growth</td>
<td>31.2</td>
</tr>
<tr>
<td>Agriculture</td>
<td>12.1</td>
</tr>
<tr>
<td>Mine-industry-com-art-tourism-microfinance-energy</td>
<td>6.1</td>
</tr>
<tr>
<td>Transportation and communication</td>
<td>12.1</td>
</tr>
<tr>
<td>Employment</td>
<td>0.7</td>
</tr>
<tr>
<td>Equal access to quality social services</td>
<td>33.6</td>
</tr>
<tr>
<td>Education</td>
<td>19.0</td>
</tr>
<tr>
<td>Health</td>
<td>7.9</td>
</tr>
<tr>
<td>Urban development and housing</td>
<td>0.2</td>
</tr>
<tr>
<td>Sanitation and potable water supply</td>
<td>1.5</td>
</tr>
<tr>
<td>Other social sectors</td>
<td>5.0</td>
</tr>
<tr>
<td>Consolidation of governance and structural reforms</td>
<td>20.9</td>
</tr>
<tr>
<td>Government and administration</td>
<td>10.6</td>
</tr>
<tr>
<td>Diplomacy and foreign affairs</td>
<td>2.0</td>
</tr>
<tr>
<td>National defence and internal security</td>
<td>8.4</td>
</tr>
<tr>
<td>Debt</td>
<td>5.1</td>
</tr>
<tr>
<td>Undistributed staffing</td>
<td>9.1</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: GPRSP, 2011.

In recent years, reforms in both tax policy and administration have contributed to tax receipts increases. Tax policy and administration measures implemented include: the elimination of VAT withholding at source, the increase of the VAT threshold, the introduction of a 2 per cent tax on the cost of telecommunications and elimination of estimated payments of multiple taxes (except for unregistered businesses) (Fossat et al, 2013).

In the area of public financial management, the Plan d’Action Gouvernemental pour l’Amélioration et la Modernisation de la Gestion des Finances Publiques (Government Action Plan for the Improvement and Modernization of Public Finance Management, PAGAM) was launched in 2006 and has made progress in areas such as public procurement, preparation of the budget on the basis of results-based management principles, the establishment of medium-term expenditure frameworks in ministry departments, the expansion of the tax base and training of public finance management officials (PRED, 2013). The World Bank’s 2010 public expenditure review and evaluation of the reforms underway concluded that “Mali has a relatively reliable public financial management system, even though many improvements still need to be made” (World Bank, 2010).

More could be done to continue to improve the collection of tax and customs receipts, including: supporting progress in the transition from a tax system based on custom duties to a system geared towards domestic resources (the tax ratio remains below 15 per cent compared to a WAEMU community norm of 17 per cent, see Table 1); reform tax exemptions and other investment incentives in order to improve the business environment; simplify the personal income tax and excise taxes and reform the petroleum pricing mechanism (Fossat et al, 2013). On the latter point, fuel tax revenues have been decreasing since 2009 - from 2.2 per cent of GDP in 2006 to a low of 1 per cent of GDP in 2011 - following the government’s policy of not adjusting retail prices to changes in international oil prices. As
international import prices increased rapidly in 2008 and 2010, domestic retail prices were held fixed through a reduction of fuel taxes. A high share of the lost fiscal revenues accrues to wealthier population groups. These are resources that could be spent on low-income groups and a reform aimed at gradually raising domestic fuel prices and including a careful assessment of potential impacts on inflation and on household consumption, has been advocated by the IMF (e.g. in Josz, 2013).

Despite policy efforts to increase government tax revenues and control public spending, total outstanding government debt has steadily increased and rose from 20.7 per cent in 2007 to 30.5 per cent in 2010 (GPRSP, 2011; IMF, 2013a). Most of this debt is external debt (25.4 per cent of GDP in 2011) and is not viewed with concern. Mali’s growing public debt to GDP ratio remains well below the UEMOA convergence criteria of 70 per cent and, according to the IMF, these trends are in line with expectations as public debt ratios tend to increase in the wake of debt relief (IMF, 2013a). Mali’s debt relief process was completed in 2006.

Overall, both the IMF and the Government of Mali attribute what they agree to be acceptable trends, to debt relief, prudent fiscal policy and government policy aimed at the consolidation of public finances through the control of current expenditure and expansion of the tax base (IMF, 2013a; GPRSP, 2011).

2.4 Trade and balance of payments

Mali has a significant current account deficit. Excluding official grants, it averaged about 10 per cent of GDP over the last decade and was financed by aid and foreign direct investment inflows, mainly in the gold and telecommunication sectors (Joz, 2013). The overall balance of Mali’s balance of payments improved on average in recent years, recording a deficit of 3.2 per cent of GDP on average between 2007 and 2010 (GPRSP, 2011; AfDB, 2013).

From 2006 to 2010, Mali’s exports increased on average by 6.9 per cent each year. During the same period, imports increased on average by 26.8 per cent each year, mainly as a result of sustained demand for capital goods and energy products, as well as higher global prices for oil and food products (WTO, 2010). In 2011 and 2012, favourable gold and cotton prices led to higher increases in exports than imports and, as a result of the slow growth in imports and increase in gold and cotton exports, the current account deficit improved. In contrast, the capital and financial transaction accounts deteriorated in 2012 following the suspension of foreign aid and the overall balance of payments recorded a deficit of 1 per cent of GDP in 2012 (AFDB, 2013).

Mali’s exports are concentrated among a few partners that are not in the region. Five major partners accounted for 80 per cent of exports in 2010; South Africa, Switzerland and Italy were the top three markets for export. Trade with South Africa accounted for over 50 per cent of exports and was almost exclusively gold. From 2008 to 2010, major products for exports were gold and cotton, followed by live cattle. Top imported goods from 2008 to 2010 were petroleum oils, pharmaceutical products and cement/construction material (WTO, 2010).

As a member of ECOWAS, Mali participates in reforms aimed at harmonising trade tools and promoting regional trade integration. Yet Mali’s share in trade with other countries of the sub-region is still largely insignificant (Keane et al, 2010). More generally, intra-regional trade remains low. It accounts for 8 per cent of total foreign trade between neighbouring countries in the ECOWAS zone and less than 13 per cent in UEMOA (AFDB, 2013; Keane et al, 2010).

Reasons for the low intra-regional trade integration include the persistence of non-tariff barriers to intraregional trade in the union and at the ECOWAS. Insufficient transportation and energy infrastructures are also obstacles to reaping the full benefits of the common market (Keane et al, 2010; IMF, 2013a).
The concentration of Mali’s exports in commodities whose prices fluctuate significantly – gold and cotton - has major destabilising impacts on public finance and balance of payments (GPRSP, 2011). This has led to calls for the greater diversification of production as a tool for greater economic stability.

2.5 Foreign investments

Foreign direct investment in Mali has been rising quickly to approximately 7-8 per cent of GDP (IMF, 2013a) and increased by over 140 per cent between 2008 and 2009. Increases were recorded especially in the mining sector, but also in others. For example, foreign investors now represent the bulk of large agri-investors in Mali. The area controlled by foreign interests has increased by two-thirds in just one year, between 2009 and 2010 (Oakland Institute, 2011).

These trends reflect Government efforts to encourage foreign investment, including the adoption of pro-investment policies and the creation of new institutions starting in the 1990s. In 1991, the government passed an investment code, later revised in 1999, offering fiscal incentives to large investors. Regulations include shortening the application process necessary to establish a business enterprise in Mali and establishing income tax exemption (from 5 to 8 years depending on the enterprise) and property tax exemption (for 5 to 10 years) (Oakland Institute, 2011). The code also recognizes a special status of export zone industries to those which export most of their production.

Other initiatives to promote foreign investment include the establishment of the Investment Promotion Agency (API) and the Presidential Investment Council (CPI). The CPI was created in 2003 and is chaired by Mali’s president. Membership includes Mali’s largest national industrial groups and some of the world’s largest corporations (incl. Coca Cola and Anglogold), as well as the Prime Minister and several ministers. Mali’s API, was created in 2005 under the supervision of the Ministry of Industry, Investments and Trade.

Despite the number of changes implemented within the legal and regulatory environment, Mali still has a long way to go in terms of the ease of doing business. It ranked 153 out of 183 countries in the Doing Business 2011 report and its performance worsened between 2012 and 2013 (IMF, 2013a). Examples of Mali’s performance on specific indicators, according to the 2011 report include: 117th on the ease of starting a business, 152nd on getting credit and 159th on paying taxes. Mali held 117th place out of 134 countries in the 2009 Global Competitiveness Index with its weakest performance in areas related to business and financial market sophistication and the quality of health and education (ILO, 2011).

Difficulties facing investors include weak human resources (low literacy rate and an under-qualified workforce workforce), inadequate infrastructure (road and rail networks still limited), poor communications system, high cost of utilities, particularly electricity, and weak public administration and lack of transparency (UNCTAD, 2006; IMF, 2013c). Evidence from enterprise surveys indicates that infrastructure constraints are responsible for about 40 per cent of the productivity handicap faced by Malian firms, with the remainder the result of poor governance, red tape, and financing constraints. Power is the infrastructure constraint that weighs most heavily on Malian firms, with transport a close second (Briceño-Garmendia et al, 2011).

Despite these shortcomings, notable progress on infrastructure has been made in recent years as a result of critical policy decisions. According to Briceño-Garmendia et al. (2011), more than 80 per cent of Mali’s segment of the West Africa road corridors is maintained in good or fair condition and air transport security has improved. Mali has also successfully liberalised its mobile telephone markets, with access approaching 40 per cent in 2008. Roaming agreements and cross-country competition have kept prices low. Access to electricity in Mali has more than doubled in the last decade, helped by a programme for rural electrification (Briceño-Garmendia et al, 2011).
Despite recent achievements, the power sector currently poses perhaps the greatest infrastructure challenge. The cost of producing power in Mali is among the highest in the region. Only about 17 per cent of the population enjoys access to electricity, much lower than other low-income countries in the region (Briceno-Garmendia et al, 2011). Furthermore, the power tariff, while relatively high, is still insufficient to cover costs. A recent IMF (2013c) assessment observes that key elements of the planned electricity reform have not been implemented. In particular, the financial situation of the national power utility has worsened considerably in recent years in spite of significant government financial support for investments and increasingly for current expenses (IMF, 2013c).

Diversification of the power generation mix has been pursued by investments in Mali’s hydropower potential, for example through the construction of dams such as at Manantali and Sélingué (Bazin et al, 2011). More recently, the Taoussa project (completion expected in 2014) for the construction of a dam on the river Niger close to the city of Gao will also produce hydro power.

While the increase in foreign investments in Mali has contributed to increasing government revenue, several commentators have highlighted the short-term perspective that has prevailed in the promotion and regulation of investments and the ways in which this limits the development potential of investments. Beyond the objective of increasing investments and revenue in terms of quantity, there is a concern with the quality of investments and their social and economic impacts.

An example is provided by the area of large-scale land acquisitions (LSLAs), some of these involving foreign investors (Djeré et al, 2012). While such investments hold potential for creating jobs, improving access to markets and contributing to infrastructure development, many LSLAs have been associated with negative impacts for local populations, including the dispossession of land and other resources and increased conflict over economic benefits (Polak et al, 2013). In countries with acute food insecurity challenges, insecure land tenure systems, legal pluralism and fragmented land management responsibilities, such as Mali, it is especially critical to clarify and strengthen the lines of accountability of public authorities involved in such deals and ensure that investment contracts take social and environmental concerns into account (more on this below) (Polak et al, 2013; Cotula, 2013). While government policy in Mali has established favourable conditions and incentives to promote LSLAs, more needs to be done to ensure that local and national economic and environmental sustainability are respected (Polak et al, 2013; Cotula, 2011).

An example that has caused debate is the Malibya project, for which the government of Mali has made up to 100,000 hectares of land in the Office du Niger available free of charge for Libya to develop and build infrastructure to cultivate rice and cattle. The investment includes substantial tax breaks as laid out in Mali’s investment code. The contract does not require the products grown to be sold in Mali and the associated contract for constructing the irrigation canals in the region has been awarded to a Chinese company. Resettlement and compensation have not been addressed satisfactorily and the deal was marked by a lack of transparency and consultation. For instance, the Malian government has not made public any environment and social impact assessment and it is not clear whether such an assessment has ever been made (Oakland Institute, 2011b). Mali’s farmer associations have expressed great concern about this and other large scale land allocations, as expressed in the Kolongotomo Declaration of 2010 (see references).

2.6 Agriculture and farming

Mali’s economy is primarily based on agriculture. Eighty per cent of the population derives its livelihood from this sector and agriculture and livestock have contributed most to economic growth in recent years, especially the cultivation of food crops and animal husbandry (GPRSP, 2011; World Bank, 2011).
Cotton accounts for 1 per cent of Mali's GDP and is the country's number two export, having been surpassed by gold in the mid-2000s (AfDB, 2013; IMF, 2013c). In the second half of the decade, production declined and the cotton share in total export revenues significantly decreased (World Bank, 2013). Cotton activity is heavily concentrated in the South of the country, particularly in the Sikasso region. More recently, production has been expanded into Western Mali.

Mali's cotton production has declined in part because of low global prices for cotton in recent years, which has meant low prices for producers. In addition, the authorities cite the poor governance of cotton-producing firms, the indebtedness of producers, delays in payments, and the high cost of inputs (WTO, 2010; World Bank, 2013). This was especially evident at the end of 2009, when many cotton producers were highly indebted and left cotton production in favour of other crops.

In an attempt to revive the sector, authorities have launched several initiatives over the years. These include subsidies to farmers, the re-payment of farmers’ outstanding debts and plans for the privatisation of the Malian textiles company (CMDT), a semi-public company which held a monopoly of ginning, marketing and processing of cotton (WTO, 2010; World Bank, 2013). The government’s aims to increase participation by cotton producers in the subsector’s development and the CMDT’s withdrawal from certain activities have only been partly successful. The privatisation of CMDT, for instance, has encountered some difficulties after only three investors submitted a bid for its four subsidiaries and only one was successful. In 2011, negotiations with this investor remained to be finalised and a plan concerning the subsidiaries for which buyers are yet to be found was underway. A recent assessment by the IMF (2013c) notes that the Malian government’s approach to reforming the cotton sector reflects a limited vision, with references to privatisation, but no clear plan on transiting to new policy options (IMF, 2013c).

One of the defining features of cotton production in Mali is that its expansion up until recent years has not been accompanied by the development of a local cotton processing industry, in practice limiting its broader economic contribution (AfDB, 2013). Mali exports nearly all the cotton it grows and less than 1 per cent of cotton production is processed locally.

A 2006 UNCTAD report identified cotton processing as a promising growth area for Mali. The sector remains underdeveloped and constitutes an investment opportunity. Greater productivity in the cotton industry could be achieved through diversification of activities, particularly value-added ones, such as spinning and the production of fabric.

In addition to cotton, Mali has a large agricultural potential in other crops, especially in the South, along the Niger River. Yet the agricultural growth rate remains low. With the exception of rice produced in the Office du Niger zone - established in the 1930s and currently covering 1000,000 hectares of irrigated land - yields of major crops have either increased only marginally (millet) or declined (maize, cotton, sorghum). Moreover, the use of fertilizers and agricultural equipment is still limited (Matsumoto-Izadifar, 2008).

Despite these broad trends, the recognition of the need to increase and diversify agricultural production both to tackle food security concerns and reduce over-dependence on cotton and gold, has led to a number of initiatives that have helped step up production in some crops. Increases in the production of rice were achieved through the government’s 2008 Rice Initiative, outlined above. The government claimed that the improved access to inputs for producers achieved under the Rice Initiative resulted in a 50 per cent increase in rice harvests in 2008/09. However, the initiative was also criticised for not supporting staple crops consumed by the majority of the rural population and for failing to stabilise rice prices (Oakland Institute, 2011a; World Bank, 2011). The expansion of irrigation, the introduction of new product varieties and the intensification of production supported by technical
improvements have also contributed to increases in rice yields and horticulture production (such as mangoes, shallots and potatoes), especially in the Office du Niger zone (Matsumoto-Izadifar, 2008).

The livestock and fishing sectors also have potential but are lagging behind and risk losing export opportunities (Matsumoto-Izadifar, 2008). Deficiencies in the cold storage and bulk transport infrastructure have acted as obstacles and need to be made available (UNCTAD, 2006).

Among the factors hampering the development of agro-processing and other agribusiness activities in Mali is the government’s failure to support small and micro enterprises and family farming. Beyond the small number of large enterprises that dominate the agro-food industry, it is mostly small enterprises that are engaged in the processing of domestic agricultural material. These are mostly informal. Their informal nature has meant that they are largely excluded from government support. However, they have development potential and could be supported to upgrade their production and management skills.

In terms of policy, the 2006 Framework Law on Agriculture (LOA) aims to promote sustainable, modern and competitive agriculture by outlining the transition from traditional systems to modern agricultural production technology through more intensive agriculture and more efficient use of equipment (WTO, 2010). Yet the LOA reflects Mali’s contradictions on policy towards rural and agricultural development and small enterprises and family farming (Oakland Institute, 2011a). The law itself reflects divergent views on what constitutes agricultural development and policy priorities. While several chapters address efforts to strengthen family farming, ‘food sovereignty’ and ‘sustainable agriculture,’ it also emphasises the need for ‘maximum value,’ ‘modern’ and ‘well-structured agriculture’ (Oakland Institute, 2011a).

Mali’s agricultural potential has recently become of great interest to investors, both overseas and domestic (Djiré et al, 2012). The Office du Niger irrigable zone is of particular note, but requires significant new canal infrastructure to open up new areas for farming. In the absence of public funds for this work, the government has sought private investors to take on this task and, by 2012, had made agreements to lease more than 800,000 hectares of land in the zone. This area is eight times the current irrigated area, and there are serious questions to be asked about the future availability of water from the River Niger for such a large extension of irrigated land. To date, only a small fraction of the land considered for lease has actually been put into production.

As argued above with regards to large-scale foreign investments, this wave of large-scale agricultural investments is taking place in a national context that has been ill-prepared to ensure that benefits are maximised and risks properly managed. Equally, the tenure system is subject to growing conflict and major governance challenges. In Mali, land tenure is governed by two main systems: the formal system under written law established by the state, and customary systems that are most widespread in rural areas but differ from place to place. While there are bridges between the two systems, for example when holders or acquirers of customary rights undertake formalisation procedures provided by national law, the legal pluralism allows for the state to exercise its rights to take land for public purposes with little compensation paid to customary users.

Generally, legal requirements on managing the environmental and social impacts of investment projects are often sidestepped or ignored. ‘Letters of intent’ and even actual land leases are given out in the absence of strategic planning, while the size of some large land allocations, compared to the neighbouring areas allocated to family farmers, raises serious equity concerns.
2.7 Mining

Mali’s mining industry has attracted a significant increase in foreign direct investment and contributed to increasing government revenue, with international mining companies as majority stakeholders in mining operations and the Mali government holding a minority stake.

Government policy has helped promote the industry. The mining code of 1991 and 1999 establishes attractive conditions, tax exemptions and other incentives that have helped attract investment and boost extraction. Incentives for mineral exploration and extraction include a two year period in which investors may explore for minerals without being required to commit to mining operation and tax-free treatment for certain categories of equipment and fuel during the exploitation phase (Oakland Institute, 2011).

More recently, the government’s intention to ensure that mining act as an engine of development led to Mali’s application to join the Extractive Industries Transparency Initiative (EITI) in 2006. It was designated an EITI compliant country in 2011, joining the ranks of ten other countries, of which five are Sub-Saharan African countries (IMF, 2012).

In particular, gold’s importance in the economy has been growing over the past twenty years. It now accounts for 7.6 per cent of GDP (AfDB, 2013) and 75 per cent of Mali’s exports (IMF, 2013). The share of gold revenue of total government revenues went up from 6.5 per cent in 2004 to 17 per cent in 2008 (Drakenberg, 2010). Gold mining is mainly concentrated in the Western and Southern regions of Mali.

The importance of gold combined with trends in gold prices has helped protect Mali from the effects of world cotton price fluctuations (IMF, 2013). At the same time, gold prices have been marked by increasing volatility and Mali’s reliance on gold contributes to its vulnerability to external shocks.

Favourable outcomes, such as increased government revenue, have been achieved by government policies to promote gold exploration and extraction and increased extraction. However, numerous studies point to the limited benefits accruing to the population.

Gold is another commodity that is processed and marketed abroad. The sector is largely cut off from other domestic economic sectors, spillover effects to other sectors have been limited, and is entirely export-oriented. Development of the mining sector has not led to the creation of national operators and service providers, nor has it led to the establishment of processing industries which could be a source for jobs, technological investments and infrastructure development (AfDB, 2013; FIDH, 2005). This suggests that mining contracts have included limited or no demands in the way of local content and employment.

Thus, despite its importance, both in terms of extraction and favourable prices, the creation of added value through beneficiation, practices that benefit the communities where the gold is mined, has been very limited. The main contribution from mining comes through royalties and corporate taxes. Gold constitutes a source of revenue but not a source of industrial development (FIDH, 2005).

One approach to addressing these issues is through additional support to artisanal and small-scale mining (ASM). According to Buxton (2013), ASM employs ten times more people than does the large-scale mining sector, and stimulates considerable local economic development around ASM sites. In Mali there are an estimated 200,000 ASM miners, mainly operating in the informal sector. As a result of the larger mining activities, lack of recognition and access to markets, artisanal and small-scale miners operate in the informal economy and this has meant they are largely excluded from government support.

Much like in the field of small-scale farming examined above, the informal nature of ASM is one of its main challenges. The marginalisation and informality of ASM arise in part from the lack of...
communication between different actors in the sector and limited knowledge regarding ASM communities among policymakers and large-scale enterprises. Buxton (2013) underlines the ways in which a ‘knowledge intermediary’, which acts to promote exchange, could address these gaps. A knowledge programme could link different stakeholders and address some of the shortcomings arising from the predominantly informal nature of this sector to help ensure that resources are invested in ASM and promote more inclusive, broad-based development.

2.8 Employment

Three clear employment trends are observable in Mali, weak job creation despite positive economic growth rates, the expansion of informality and the increase in unemployment, especially among youth.

Despite healthy annual average economic growth rates, Mali’s unemployment rate has increased in the last decade and currently stands at 9.6 per cent (AfDB, 2013a). According to Mali’s PRSP, 300,000 young persons approach the labour market each year and a large number of them seek employment in vain. This leads to increases in poverty, especially in urban areas, and may lead, over time, to stresses in society (GPRSP, 2011).

Informality is high, with nearly 87 per cent of the labour force working in the informal sector and on low incomes. Moreover, the informal economy has been growing. According to household survey data, 80 per cent of workers were in the informal economy in 2004 compared with 87 per cent in 2007 (ILO, 2011). The informal economy comprises almost all of the primary sector, a quarter of the industrial sector and 70 per cent of the tertiary sector. The share of informal employment is higher among women and in rural areas.

With regards to policy, initiatives to address informality remain limited. Although the majority of working persons are self-employed (57 per cent), policies to address SMEs and small-scale industries are underdeveloped. The establishment of an SME Charter and a process of consultation to define the strategic orientations of a SME policy were proposed by government in 2008 but there is no evidence yet that these actions have been implemented (ILO, 2011).

In the area of education and vocational training for the young, the government’s Agence pour la Promotion de l’Emploi des Jeunes (Agency for the Promotion of Youth Employment; APEJ) implements the Programme Emploi Jeunes à Haute Intensité de Main d’oeuvre (PEJHIMO). The PEJHIMO offers direct employment to youth (15-40 years of age) as well as training opportunities to support job creation in rural areas. Participation is not restricted to the poor, wages are set higher than the minimum wage, although the programme is primarily run in poor areas. Activities covered include reforestation, pond improvement, rural trails, and paved roads construction. An early evaluation of the project highlighted the potential for this initiative to contribute to infrastructure development as well as providing economic opportunities for youth and recommended its expansion (World Bank, 2011).
3. POVERTY, INEQUALITY AND SOCIAL POLICY

3.1 Poverty and inequality

Trends in social indicators reflect progress in some areas and these have been reported extensively by official reports. Mali’s Human Development Index increased from 0.176 to 0.344 between 1980 and 2012 (UNDP, 2013), primary school enrolment increased from about 55 per cent of eligible children in 2000 to almost 82 per cent in 2010 (UNDP database, 2013). Yet, beyond these improvements, Mali remains one of the poorest countries in the world, ranked 182nd out of 187 countries in the HDI in 2012. Indicators reflect weak progress in most areas and the persistence or aggravation of disparities in others.

Using the US$1.25 a-day threshold, Mali had a poverty rate of 50 per cent in 2010 and remains one of the poorest countries in West Africa (World Bank, 2013a). Using household survey data and national poverty lines, the World Bank estimates that poverty incidence declined from 56 per cent in 2001 to 44 per cent in 2010 (World Bank, 2013a). However, this decline has coincided with an increase in absolute numbers of poor from 5,687,000 in 2001 to 6,350,000 individuals in 2010. Given Mali’s high population growth rate, 3.6 per cent per year, a steeper decline in poverty would be needed to lower the absolute number of poor individuals.

In education, despite the increase in primary school enrolment, maintaining regular school attendance remains a major challenge due to girls being taken out of school for early marriage and boys needed in the field, the lack of trained professional teachers and regular teacher strikes demanding better work conditions. Secondary school enrolment remains low at 39 per cent in 2011 (UNDP, 2013). Moreover, according to the UNDP’s 2009 national development report, adult literacy rates have made little progress: 18.8 per cent of adults were literate in 1990, and just 24 per cent in 2008. Progress towards achieving the Millennium Development Goals remains weak. Mali will almost certainly fail to achieve most goals (AfDB, 2013b).

Trends in poverty and other social indicators reflect very different patterns by region, urban-rural context and gender. The analysis of household survey data indicates that the national decline in expenditure poverty was not evenly distributed across the different regions. Kayes and Koulikoro regions experienced a large decline in poverty between 2001 and 2009, the Northern regions experienced hardly any change, while the Southern Sikasso region has seen its headcount poverty increase (World Bank, 2013).

Concerns with the household survey expenditure data, its comparability and coverage, have led to the examination of other indicators in addition to expenditure poverty. Taking malnutrition (weight for age) into account, the highest proportion of underweight children is in Timbuktu, followed by Sikasso and Ségué. A similar picture emerges with severely underweight children. Using a measure of durable goods and dwelling characteristics and an alternative poverty line, the Sikasso region has the lowest poverty rate in 2009/10 along with Kayes/Koulikoro and has experienced a large decline in poverty, while asset-poverty is highest in the north and Mopti-Ségou regions (World Bank, 2013).

These figures reflect the regional inequalities that characterise Mali. Of particular note are the trends in poverty, including the estimates on the welfare impacts of the recent food crises (more on this in Section 4.1) indicating the limited or no progress in poverty reduction in the Northern regions and the aggravation of vulnerability in these areas as a result of the 2011 food crisis, compared with the welfare improvements experienced in other regions.

Another dimension of inequality is along the rural-urban divide. The entire decline in poverty headcount since 2006 has been in rural areas. One reason for the lack of poverty reduction in urban
areas in the last few years is the return of many Malians from Côte d'Ivoire following the Ivorian political turmoil (World Bank, 2013a). Other factors include demographic pressure and internal migration. The urban population grew on average by 5 per cent annually between 2001 and 2006, compared to total population growth average of 3.6 per cent per annum. At the same time, the group without employment, which is mainly urban, grew strongly while the share of the self-employed in agriculture fell. This reflects a rural exodus as well as an entry in the urban labour market of the rural self-employed (World Bank, 2011). This has contributed to aggravating poverty in urban areas.

Finally, another dimension of inequality is gender. In Mali, women typically have lower human capital than men. High illiteracy and low educational attainment restrict their employment opportunities. Legal protection often favours men. As a result, women are typically dependent on men and have more limited control over resources (World Bank, 2011).

Recent policy developments point to contradicting intentions on this issue. On the one hand, government efforts have promoted gender equality and women’s economic empowerment, for instance, through the establishment of the Ministry for Promotion of Women, Children and Family in 2010 and of a special fund to operationalize it in 2011. On the other hand, recent developments have rolled back progress in this area. In 2011, the national assembly repealed the family code, lowering the minimum marriage age from 18 to 16 years and reducing women’s rights and freedoms (WDR, 2012). These developments have led to calls for the authorities to clarify policy choices, reiterate their focus on gender equality, and ensure the promotion of the socioeconomic status of women (IMF, 2013c; WDR, 2012).

3.2 Social policy

Spending in the health and education sectors are broadly in line with UEMOA averages. Public spending on health in 2010 was 5 per cent of GDP (against a UEMOA average of 6 per cent) and education spending in 2011 was 4.8 per cent of GDP (the UEMOA average) (IMF, 2013a). Both education and health spending have recorded increases over time as a percentage of GDP. Still, the provision of social policy and social protection remains weak. Increases in social spending may have contributed to some of the improvements in social indicators, but the weak progress and persistent inequalities, as outlined above, suggest that such efforts have been insufficient.

Social spending also remains skewed towards the richest population groups. According to the World Bank (2011), the 10 per cent most educated children (those who stay the longest at school) absorb 50 per cent of public resources. Public expenditures in education also favour the urban over the rural population and boys over girls. Similarly, public expenditures in health mainly reach the richest quintiles. Only 17 percent of the poorest 20 percent of the population in Mali use the public health system, as opposed to other providers, and out-of-pocket costs of health care are high, individuals largely pay for their care (World Bank, 2011).

Other dimensions of inequality in access to social policy and policy outcomes are by rural-urban place of residence and region. A child living in an urban area is 4 times more likely to complete the first cycle of elementary education than a child in a rural area (GPRSP, 2011). Indicators on access to basic services also reflect the disadvantage of the Northern regions. For example, net enrolment rates in both primary and secondary schools are highest in Bamako, while the Northern regions as well as Ségou/Mopti record the lowest rates (World Bank, 2013; GPRSP, 2011). Completion of elementary school varies from 24.7 per cent in the Kidal region to one hundred per cent in the district of Bamako. The Northern regions and the Mopti region register the lowest completion rates (GPRSP, 2011).

In Mali, resources allocated to policies that explicitly target low-income groups, social safety nets, remain limited and are heavily dependent on external financing. Total spending on social safety net
programmes, excluding general food subsidies, over 2006-2009 was an average of 0.4 per cent of GDP. In 2008, the social safety net budget increased to 0.8 per cent of GDP, as a result of the government’s response to the food and fuel price crisis. Compared to safety net programmes in other low-income countries which typically represent about 1 or 2 per cent of GDP, Mali is among the countries that spend less on social safety nets (World Bank, 2011).

Finally, there is evidence that existing safety net programmes fail to reach the most vulnerable. For example, school feeding, one of Mali’s largest safety net programmes (about 20 per cent of safety net spending) has encountered major challenges in reaching the poorest children for instance because they are less likely to be at school (World Bank, 2011).
4. POLICY IMPLEMENTATION CHALLENGES

The previous sections provide an overview of economic policies and some of the gaps and trade-offs in policy design. Weaknesses in policy outcomes arise from shortcomings in policy and policy design gaps. They also result from implementation challenges.

Several factors have acted as obstacles to the implementation of economic and social policy and policy reforms. The conflict in the North itself and related security concerns are commonly quoted as reasons for implementation disruptions. While this study analyses economic factors that may have contributed to the renewed violence in the region and does not focus on security issues, if not as an outcome of policy, it must be recognised that security is critical, not only in terms of protecting the population and its livelihoods and securing political stability in the immediate instance, but also to Mali’s ability to attract investment and development finance in the mid- to long-term.

Beyond conflict-related disruptions, four factors have in practice affected policy implementation and outcomes and should be kept in mind when assessing economic policy performance: climatic and price shocks, weak governance, widespread corruption and the growing criminal economy.

4.1 Shocks: climatic and price volatility

Mali’s dependence on agriculture and commodity exports, highlighted in Section 2, leaves the country highly vulnerable to shocks that arise from the volatility of commodity prices and climatic or natural disasters. Political and conflict-related events further compound the effects of these shocks.

Consultation of the International Disaster Database highlights the number and range of large-scale disasters that have struck Mali, including drought, epidemics, floods and insect infestation over the course of many years (IDD, web page). Mali continues to suffer from climatic events which pose significant challenges to food security and the economy.

If we narrow our attention to recent years, Mali has experienced three food crises in seven years – in 2005, 2010 and 2012 (Oxfam, 2013). The most recent food crisis is the result of a combination of shocks. The Malian economy was hit by a drought in 2011, resulting in a poor harvest, particularly of rice. In 2012, heavy rains caused flooding, affecting approximately 12,000 people in the South and triggering emergency assistance (PRED, 2013). These natural disasters compounded the emergencies generated by the violence in the North over this same period and which further aggravated the food crisis through the massive displacement of people and the partial suspension of international aid.

The population groups that is hardest hit by food crises tend to be those who are highly dependent on cereal purchases and self-production in their total consumption. The share of purchased grain in overall consumption is highest in Timbuktu and Gao (22 per cent) and lowest in Sikasso (6 per cent). In Timbuktu and Gao (Northern Mali) cereals form about a third of total household consumption. These are the regions that are most vulnerable to changes in cereal prices and production (Eozenou et al, 2013).

Two studies of the 2011-12 food and fuel price crisis find that Northern Mali was the region most adversely affected. A simulation finds that the more arid Northern regions of Mali would experience a much larger adverse effect on poverty while the mainly agricultural region of Sikasso is less affected by the price rise because a larger proportion of the food is self-produced (World Bank, 2013). Using MICS 2010 data, Eozenou et al (2013) estimate that the largest increases in poverty associated with the 2012 food crisis are experienced in the Northern regions of Mali where the proportion of people living in food poor households increased by 41 per cent, in total an additional 58,000 households.
In sum, Mali is highly vulnerable to the volatility of commodity prices and natural disasters, partly as a result of the structure of its economy and high dependence on agriculture and commodity exports. Moreover, evidence on the most recent shocks preceding the 2012 conflict and political crisis indicate that they further compounded existing regional inequalities. Just before the 2012 conflict and coup, Northern Mali witnessed the largest relative increase in the number of food poor households in the country, as a result of the price and production shocks of 2011.

4.2 Weak governance

Weak governance poses a challenge to policy implementation in Mali. Poor transparency and accountability have led to episodes of mismanagement and corruption and to growing public disillusionment and discontent with governmental institutions.

In 2008, the BTI reported on the inefficiencies of Mali’s twenty-seven ministries and the high absenteeism rates of civil servants (BTI, 2008). Poor government transparency and accountability have led to public disillusionment with government as reported in the findings of public attitudes surveys. It is also reflected in the low voter turn-out for both parliamentary and presidential contests between 1992 and 2007, compared to other Sahel countries (IDEA, Voter turnout data website).

One reason for weak governance is the very structure and process of government in Mali. Van de Walle (2008) argues that the concentration of power in the executive branch of government and its lack of accountability to both citizens and other branches of government have played a central role in weakening institutions.

A number of different initiatives have been launched in an attempt to address this issue. One of these involves the strengthening of auditing practices. A Public Auditor was established in 2001 with the objective of monitoring and overseeing the use of public resources. This marked an important step forward and helped uncover episodes of mismanagement and corruption (more on this below).

Mali’s decentralisation process, launched in the 1990s with the objective of enhancing state responsiveness and service-delivery and promoting citizens’ representation, is another initiative launched at least partly in response to the governance challenge. Mali’s first presidential and parliamentary elections in 1992 marked the beginning of the decentralisation process with the creation of the Office of Decentralisation and Devolution in 1993. The administrative re-organisation and municipal elections, first held in 1999, and again in 2004 and 2009, were an important component of the country’s democratisation process.

The process has not been unproblematic (Coulibaly and Hilhorst, 2004). The transfer of powers from the central state in some areas has been slow and incomplete, in part as a result of the central government’s reluctance to transfer power (IIED, 2006). Moreover, the piecemeal approach to institutional reform resulted in considerable confusion and contradictions between specific sectoral laws and the provisions made by decentralisation regarding areas such as land management and natural resource management (IIED, 2006). Insufficient resources have also limited local governments’ ability to effectively carry out their responsibilities. In the area of health for instance, while decentralised health centres are expected to provide fee waivers for the indigent, no additional funds are allocated to the decentralised structures in support of this service and in practice there is no guarantee that those entitled have access to free health care (World Bank, 2011). A study by Oxfam (2013) on major government infrastructure and development projects in Northern Mali also finds that the low quality of decentralised services and associated limited capacity of elected local officials have led to poor project outcomes.

At the same time, important efforts to address these issues have been made. For instance, the adoption of Mali’s pastoral code which explicitly recognises the role of rural councils in the management of
pastoral resources such as livestock corridors, reflects government efforts to rationalise legislation and promote coherence in the process by passing laws which keep with the provisions of decentralisation (IIED, 2006).

4.3 Corruption

Corruption is widespread in Mali. According to the Corruption Index 2010, Mali ranks among the most corrupt countries (116 out of 181 countries surveyed, up four points from the previous year) (ILO, 2011). Both the World Bank and the ILO (2011) report on the ways in which corruption in Mali negatively affects the economy by impeding the growth of the private sector and the activities of entrepreneurs.

Efforts to improve transparency through audits have helped shed light onto cases of embezzlement and corruption. The annual reports of the Public Auditor have flagged financial mismanagement and misuse of funds and have triggered public debate, forcing ministries concerned in some instances to explain themselves in public. For example, the latest Public Auditor’s report mentions embezzlements mainly involving tax remissions or unwarranted tax allowances on fuel and equipment imported by mining companies (BTI, 2012).

Despite these developments, the findings emerging from the Public Auditor’s work typically have limited impact since the government does not have a systematic approach to handling the irregularities identified. The lack of follow-up prosecution in several cases with detailed evidence showing massive financial losses for the government, limits the impact of audits (BTI, 2012).

A well-known case led to the suspension of health grants issued by the Global Fund to Fight Aids, Tuberculosis and Malaria in 2009 due to massive levels of corruption (BTI, 2012; AFD, 2013). The Global Fund has since resumed aid, and in November 2012 announced EUR110m in new funding (The Guardian, 16 May 2013).

Corruption also affects access to land, registration and documentation of property rights and regulation of disputes over land. The cost of gaining a land title are high and most land in Mali is held by the state, with customary users having occupancy rights that can be revoked in the event of the land being needed for state purposes. In this context, farmer groups and the opposition accused the government of supporting large scale land acquisitions by both domestic elites and foreign interests. Supposedly, the government has given out long term leases on more than 800,000 hectares of irrigable land to a mix of domestic elites, and foreign companies from China, Libya and South Africa since 2003. The negotiation of such leases has not been transparent, with the supposition that corrupt payments have been involved in some of the deals.

4.4 The criminal economy

Recent years have also witnessed the further expansion of the criminal economy, with implications for Mali’s broader economy, public disillusion with government and armed conflict.

The rise in drug trafficking and other illicit commerce as well as in kidnappings represents an important new source of income for certain Northern groups, with destabilising impacts. The region’s role as a transit zone for cocaine rose from 2005 onwards as South American cartels sought to avoid more effective law enforcement on traditional routes and to open new European markets (FCO, 2013). Mali plays a role in this transit, with both overland and air routes transporting cocaine between West Africa and Europe. According to a recent UNODC study on transnational criminal networks in West Africa, the value of the illicit cocaine trade in West Africa dwarfs the national security budgets of most states in the region (UNODC, 2013). Ransom from kidnapping also represents an important revenue stream, particularly for armed groups in Northern Mali (FCO, 2013). The expansion of drug trafficking and kidnapping for ransom has come hand in hand with the strengthening of armed groups (Norton, 2013).
Weak governance, leading to lack of government control over the territory and limited capacity to prevent criminality and violence, is at the heart of the problem (FCO, 2013). At the same time, some commentators have pointed out that state complicity with organised crime has been one of the factors contributing to the growth of armed groups and a driver of conflict in the North of the country (Lacher, 2012; Lebovich, 2013). High levels of corruption and state complicity with criminal networks have also contributed to growing public distaste for government and to reported initial support for the March 2012 coup (Arieff, 2013).

The expansion of the illicit economy also arises from the lack of economic and livelihood alternatives in the North, particularly among the young. In Northern Mali, contraband and drug smuggling represent a source of income in circumstances with no alternative sources of income and employment. The collapse of one of the most vibrant sectors in the region, tourism, has further aggravated the situation and has facilitated the expansion of illicit commerce (Lacher, 2012).

Any strategy to tackle the expanding criminal economy will necessarily have to address the issues of governance and government corruption as well as unemployment, especially youth unemployment. Youths will need to be provided with viable alternatives to the drugs trade.
5. **THE ROLE OF INTERNATIONAL AND REGIONAL ACTORS**

5.1 **International actors**

Mali is among the most aid-dependent states in sub-Saharan Africa. Compared to other sub-Saharan African countries, Mali has tended to receive more aid, both in per capita terms and as a share of its economy (van de Walle, 2012). Mali received a steadily increasing amount of foreign aid during most of the first decade of the millennium, although rapid GNI growth has led to a stabilisation of net ODA as a percentage of GNI (AfDB, 2013; OECD DAC). The biggest ODA donors in 2010-2011 were the U.S., the World Bank, and the EU (OECD DAC; Table 4).

<table>
<thead>
<tr>
<th>Donor</th>
<th>USD million</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 United States</td>
<td>232</td>
</tr>
<tr>
<td>2 IDA</td>
<td>155</td>
</tr>
<tr>
<td>3 EU institutions</td>
<td>120</td>
</tr>
<tr>
<td>4 Canada</td>
<td>106</td>
</tr>
<tr>
<td>5 France</td>
<td>97</td>
</tr>
<tr>
<td>6 AfDF</td>
<td>73</td>
</tr>
<tr>
<td>7 Netherlands</td>
<td>58</td>
</tr>
<tr>
<td>8 Germany</td>
<td>50</td>
</tr>
<tr>
<td>9 Japan</td>
<td>41</td>
</tr>
<tr>
<td>10 Denmark</td>
<td>31</td>
</tr>
</tbody>
</table>


A large share of ODA goes to the health, education and rural development sectors. For donors, the main channels of financing are projects/programmes, absorbing 73 per cent of aggregate financing over the period 2008-2011, while budget support accounted for 25 per cent of the aggregate volume of aid for 2008-2011 (WTO, 2010).

The European Union’s activities in Mali have focused largely on transport, decentralisation, general budget support and access to water. Table 5 reports EU aid spending by sector and the following paragraphs provide examples of EU-funded projects in the main areas of EU initiative in Mali.
Table 5 EU aid in millions of Euro (2008-2013)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Euro million</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of the productive sector</td>
<td>275.5</td>
<td>48.4%</td>
</tr>
<tr>
<td>Transport</td>
<td>196</td>
<td>34.4%</td>
</tr>
<tr>
<td>Food security, emergency aid and agriculture</td>
<td>69</td>
<td>12.1%</td>
</tr>
<tr>
<td>Climate Change</td>
<td>5.5</td>
<td>1.0%</td>
</tr>
<tr>
<td>Culture</td>
<td>5</td>
<td>0.9%</td>
</tr>
<tr>
<td>Consolidation of structural reforms</td>
<td>89</td>
<td>15.6%</td>
</tr>
<tr>
<td>Decentralisation</td>
<td>75</td>
<td>13.2%</td>
</tr>
<tr>
<td>Non-state actors</td>
<td>7</td>
<td>1.2%</td>
</tr>
<tr>
<td>Migration</td>
<td>2</td>
<td>0.4%</td>
</tr>
<tr>
<td>Support to the private sector</td>
<td>5</td>
<td>0.9%</td>
</tr>
<tr>
<td>Strengthening the social sector</td>
<td>166</td>
<td>29.2%</td>
</tr>
<tr>
<td>Water/Energy</td>
<td>18</td>
<td>3.2%</td>
</tr>
<tr>
<td>Budgetary support and macroeconomic reforms</td>
<td>148</td>
<td>26.0%</td>
</tr>
<tr>
<td>Others</td>
<td>39</td>
<td>6.9%</td>
</tr>
</tbody>
</table>


In the transport sector, EU resources were central to the development of regional corridors and access routes to Dakar, Niamey and Nouakchott from Northern and Southern Mali. Improvements in road infrastructure considerably mitigated the effects of the crisis in Cote d’Ivoire on Mali by permitting access to ports other than Abidjan (EU, 2008). More recently, with the 10th European Development Fund (2008-2013) emphasis has been placed on opening up areas in the North and the Niger Delta, completing a route linking Timbuktu and Goma-Coura via four cities along the river, and extending the Gao-Ayorou axis with the route Bourem – Kidal (EU, 2013).

State reform and decentralisation EU-funded projects include initiatives to establish governmental representatives in each region, build inter-community relations, strengthen political dialogue and promote regional development managed by regional assemblies. Civil society is viewed by the EU as a key actor in the decentralisation process and in the implementation of the strategic framework for growth and poverty reduction. Recent projects have led to the establishment of a Civil Society Forum and efforts to strengthen resource management capacity within civil society (EU, 2013).

Recent EU-funded initiatives in agriculture include projects to develop sustainable growth of agriculture in the Office de Niger area and have led to, among other things, the establishment of 2,309 hectares of irrigated land for farmers. Between 2001 and 2010 the EU also invested in an environmental programme against desertification in the inner Delta and Niger loop. Since 2008, environmental efforts have focused on climate change. The EU plays a central role in the Global Climate Change Alliance (GCCA) of which Mali is a key beneficiary (EU, 2013).

In addressing the challenges of the Sahel, the EU has been advocating a comprehensive security and development approach and is taking an increasingly regional approach, for instance through its EU Strategy for Security and Development in the Sahel, which is articulated around 4 lines of action: governance and development, political action, security and the rule of law countering extremism and radicalisation (EU, 2011).

In recent years, Mali has been intensifying cooperation with China and India as well as with Libya. Relations with China have especially deepened over the last decade. China’s support is mainly made up of unconditional concessionary loans and infrastructure aid. It also provides technical assistance,
particularly in the field of rice production. The share of Mali’s exports to China has increased by five times between 2008 and 2009 (BTI, 2012).

Trends in ODA reflect the prevailing view among donors of Mali as a successful case of democracy and development in a low-income country, until early 2012. The country was lauded for having successfully secured a democratic transition in 1992 and was generally regarded by the international development community as a reliable partner, also thanks to the close collaboration with international organisations such as the IMF and World Bank.

Yet the persistence of poverty and of socio-economic disparities, particularly by region, point to the question of whether aid could have done more to prevent the present situation. While acknowledging the potential contribution of aid in some fields (for instance the expansion of civil society), some analysts have pointed out that aid was not successful at reducing several of the underlying, structural constraints that contributed to the country’s 2012 crisis (e.g. van de Walle, 2012).

Most aid flows were suspended in the aftermath of the military coup and reinstated only after initial agreements on elections to be held in July 2013. Since then, plans to considerably step up foreign assistance have been established. At an EU-led donor conference in Brussels in May 2013, donors agreed to provide EUR3.25 billion to fund a development plan for Mali. The funds would help finance the Malian government’s plan to improve health, education, the economy and food security as well as to help rebuild the northern region, and would be released in stages conditional on the realisation of Mali’s political stabilisation plan (The Guardian, 16 May 2013).

5.2 Regional actors

Mali has actively promoted regional integration and is a member of the African Union (AU), the New Partnership for Africa’s Development (NEPAD) and the Economic Community of West African States. It is also a member of the UEMOA, along with Benin, Burkina Faso, Cote d’Ivoire, Guinea-Bissau, Niger, Senegal, and Togo.

As a member of the UEMOA, as outlined earlier, Mali complies with its regulations and initiatives, including in the areas of public accounting and public financial management harmonization, taxation and macroeconomic convergence criteria. As a member of the CFA zone, the BCEAO, West African Central Bank, has authority over all major decisions and has maintained consistently low inflation rates in Mali. Participation in the UEMOA has resulted in higher intra-regional trade, though the increase remains low. The share of intra-regional as a share of total trade has increased from 10 percent in 1994 to about 16 percent in 2000 (World Bank, Regional integration in Africa web page).

As shown above, UEMOA membership also involves periodic reviews of member countries’ macroeconomic policies. Mali has also submitted itself to NEPAD’s African Peer Review Mechanism (APRM). This is a process, adopted by AU member states, which assesses progress being made towards achieving mutually agreed goals with the objective of promoting high standards of governance in the areas of democracy and political governance, economic governance, corporate governance and socio-economic development (NEPAD APRM webpage).

With regards to infrastructure development, Mali’s strategic focus on regional relations and agreements has paid off to date. As a landlocked country, Mali is heavily dependent on regional transport corridors and regional infrastructure. Its access to ports is granted through international corridors, its use of water sources for irrigation as well as for hydropower is linked to trans-boundary international arrangements with neighbouring countries. Continued progress in telecommunications depends on connections to submarine cables passing through Cameroon and Senegal (Briceño-Garmendia et al, 2011).
As a member of ECOWAS, Mali has contributed to ECOWAS peacekeeping missions, for example in Liberia. It has however refrained from involvement in domestic issues in neighbouring countries such as Mauritania. It has also avoided being drawn into the conflict of Cote d’Ivoire despite strong interests since roughly 3 million Malians reside there.

Mali was suspended from all decision-making bodies of ECOWAS in March 2012. ECOWAS imposed economic and diplomatic sanctions on Mali in response to the military coup and the country’s access to cash from the BCEAO and assets in the ECOWAS countries were frozen. Borders between Mali and member states were closed and Mali no longer had access to its neighbour’s seaports. ECOWAS also imposed travel bans on junta members and froze their personal assets. Sanctions were lifted one month later in April 2012 following agreement on restoring the constitutional order between ECOWAS and junta leader.
6. DEVELOPMENTS SINCE THE ONSET OF THE CRISIS

6.1 The economy

The escalation of conflict and the March 2012 coup led the economy to grind to a halt in 2012. Industrial activity slowed down and the significant reduction of donor support led to a contraction of the construction and public works sector. Travel to Mali dramatically declined with the deterioration of the security situation, causing a reduction of activity in the services sector, especially tourism (AfDB, 2013a).

In 2012, real GDP growth was -1.2 per cent, mainly as a result of the weak performance of the secondary (-2.2 per cent) and tertiary (-8.8 per cent) sectors, while the primary sector grew by 8.1 per cent (AfDB, 2013a; IMF, 2013). The government continued to pursue a policy of fiscal discipline, as outlined in Section 2, but government liabilities increased. Malian authorities prioritised paying wages, pensions and army and security force expenses and protected spending in the areas of education, health and social protection. Public sector investment was the sector that suffered most, with a 60 per cent reduction in real terms (PRED, 2013).

The sharp decline in foreign aid and foreign direct investment led to a deterioration of the capital account, financial transactions declined and led to an increase in the overall deficit of the balance of payments. Inflation rose to 5.3 per cent, from 3.5 per cent in 2011. This in turn has contributed to the slowdown in the secondary sector, particularly in construction industries, the additional closure of hotels and tourist establishments and a decline in foreign aid investment (PRED, 2013).

An IMF (2013b) assessment reported that despite government efforts, the situation at end-2012 was characterised by rising domestic and external arrears, liabilities to commercial banks and the burden of external and domestic debt. Overall liabilities at end-2012 amounted to 35 per cent of GDP (IMF, 2013b).

The crisis led to the slowing down of public policy reforms underway. As outlined earlier, only about half of the public expenditure management reform initiatives planned for 2013 were implemented (PRED, 2013; IMF, 2013b).

Despite protecting social expenditures, service provision suffered considerably from the conflict, mainly in the North. The destruction of healthcare centres, pharmacies and schools in the Northern regions led to substantial disruption in service provision and access to basic health care remains difficult (AfDB, 2013). In the area of tax administration, the crisis affected the operations of offices located in the Northern regions, whose tax receipts declined from 1.1 per cent in 2011 to 0.5 per cent in 2012 and first quarter 2013 (Fossat et al, 2013).

In other areas too, indicators point to a worsening of the situation in the aftermath of the crisis. For instance, the Doing Business 2014 report shows that all indicators worsened between 2012 and 2013 (including “getting electricity”, “getting credit” and “enforcing contracts”), with Mali dropping by 17 places in the ranking on “starting a business” and by 13 and 10 places respectively for “dealing with construction permits” and registering property (World Bank, 2013b).

Looking forward, projections are positive. The economy is forecast to come out of recession and growth is projected at 5.4 per cent in 2013 and 5.1 per cent in 2014, mainly as a result of a return to normalcy in the Southern part of the country and the gradual resumption of donor-funded projects (AfDB, 2013a; PRED, 2013). According to Mali’s recovery plan, outlined in the Government's 2013 PRED document, economic recovery will be achieved through initiatives aimed at: improving the employability of youth, strengthening businesses, settling the external debt payment, compensating crisis victims and rehabilitating basic infrastructure (PRED, 2013). Although planned initiatives to promote growth refer to the poverty reduction objective and make reference to the government’s PRSP, the document provides
limited details on how the issues raised by this study—including increases in investments with limited employment, high informality and geographical disparities - will be tackled.

Recent developments and declarations have directly concerned large investment projects in both land and mining. With regards to LSLAs, the new President has noted his concern about the seizures of land from smallholders and poor urban dwellers and damaging consequences for their livelihoods (Speech by President Keita on the anniversary of Mali’s Independence 22 September 2013, Bamako). In another recent statement, in September 2013, the new Minister for Mines announced that as part of the government task to restore economic growth and end corruption, the Malian government will perform a complete inventory of current mining contracts, with the objective of renegotiating any of those found to be too strongly oriented to the company’s interest. The inventory will include both mining and oil and, according to the statement, will look into existing contract and licences, to ensure they are in the interests of the Malian population. The results will be published and made available to the public (Reuters, September 2013).

Donors and international organisations renewed their support in connection with the promise of elections held in July 2013. An October 2013 IMF statement for instance, underlined the favourable security and political developments and their positive economic impact. It assessed Mali’s performance under the programme supported by the IMF’s 2013 Rapid Credit Facility as good and reports that most targets were observed and that the government continued to make progress with improving public financial management.

6.2 Social and humanitarian impacts

In addition to the direct impacts on the economy, the 2012 crisis had significant humanitarian and social repercussions. The violence in the North exacerbated the food crisis caused by the poor harvest of 2011. The suspension of almost all public development assistance except emergency aid following the March 2012 coup worsened the situation (AfDB, 2013a; Eozenou et al, 2013). These combined shocks have led to the further aggravation of the vulnerability of an additional number of Malians. The three regions of North Mali (Timbuktu, Gao, Kidal) and neighbouring Mopti are now in humanitarian crisis (Eozenou et al, 2013). According to recent official data, at least 4.6 million Malians are at risk of food insecurity.

The crisis has also led to the displacement of about 400,000 people (PRED, 2013; IMF, 2013), half of whom remain within Mali. The other half sought refuge in neighbouring countries with Mauritania, Burkina Faso and Niger hosting about 96,000, 39,000 and 53,000 refugees respectively (IMF, 2013). Most domestically displaced Malians have moved to the Southern regions but an important number have remained in the Mopti – Ségou area, a region that is immediately adjacent to the conflict area due to language and familial affinities (Eozenou et al, 2013).

This influx of displaced persons places economic pressure on both host and guest households. Food prices since then have increased even further and the increase in the number of food poor households is therefore expected to be even higher than the early figures presented above. Welfare loss for the Northern households is especially significant and is associated with loss of assets as well as current and future earning potential (Eozenou et al, 2013).

Health care is no longer available due to the destruction of care centres, lack of medication, and displacement of skilled health care workers and NGOs in the regions of Timbuktu, Gao, Kidal and some of the regions of Mopti and Ségou. According to some reports, this has led to the reappearance of cholera, with reported cases and deaths in the health districts of Gao and Ansongo in Northern Mali (PRED, 2013).
7. **POLICY RECOMMENDATIONS FOR THE EU AND EP**

In collaboration with other donors, the EU has a central role to play in supporting the Government of Mali in addressing the challenges identified above. Opportunities for support may be grouped around five sets of issues: the economy, employment and urbanisation, regional inequalities, governance and broader approach to challenges in the region.

7.1 **The economy**

Despite gradual increases in government revenue, especially through taxes, additional reforms are needed to enhance domestic resource mobilisation and equitable public spending. The EU could support reforms that aim to reduce tax exemptions and increase revenue collection, a step which may be taken in the area of mining, for instance, according to the recent statement by the Minister of Mines.

On the spending side, more efficient infrastructure spending through better public investment project selection and management could be pursued. These reforms could be accompanied by the implementation of more generous and inclusive social policies. Investments in health and education are critical to addressing the rapid increases in labour supply. As for policies targeting the poor, the expansion of a cash transfer scheme to low-income households could act as an important poverty reduction and redistributive tool.

An initiative currently underway in this area is the World Bank-funded Emergency Social Safety Nets or Jigisemejiri (“Tree of life”) project, which aims to provide a targeted cash transfer to chronic food poor households, initially in the rural areas of the five regions in the south of Mali and in the urban areas of the Bamako district. The proposed project will reach about 62,000 households in the first three years of implementation and expand to additional beneficiaries in following years. The project also plans to help strengthen institutions and build new instruments, such as a claimant registry, to support social protection development (World Bank, 2013c).

Mali has high investment potential in agriculture and other resources that remains largely underdeveloped. Productivity in the cotton sector has been stagnant and other agricultural sectors have experienced limited growth. At the same time, the economy’s reliance on agriculture and commodity exports makes Mali highly dependent on commodity prices and vulnerable to their fluctuation. These trends, along with very limited job creation associated with these sectors, points to the importance of diversifying the economy. Donors could support diversification initiatives designed to promote agriculture beyond cotton (fruit, vegetables, oil seeds) and to include food processing and manufacturing and tourism, particularly by small and medium-sized enterprises. This would promote economic stability and help ensure that gains from these sectors are distributed more fairly to local communities. Agriculture’s potential will also depend on how far it is possible to build “climate smart” agriculture which enables greater resilience to the growing impacts of climate change, including effective management and use of water for irrigation from the River Niger and its tributaries.

In addition to diversifying investments, there is scope for increasing the scale of investments. Although much has been done to increase the attractiveness of investments in Mali through incentives and favourable conditions for investors, doing business in Mali remains a challenge and one of the main obstacles to the expansion of investments is weak infrastructure. The EU could continue to support the government in improving infrastructure (above all energy and transport), particularly in areas where it is weakest, to benefit both companies and the broader population.

Beyond promoting the scale of investments, this study has highlighted a concern for the quality of investments. Weak regulation and a focus on attracting investments with limited concern for mid-to long-term sustainable development have led to investments that may generate government revenue in
the immediate instance but will bring limited contributions to the livelihoods and wellbeing of the population in the longer term.

In the area of land management and mining, the EU and other donors could help the government of Mali improve knowledge of its own resources and to audit company activity by strengthening its human and technical capacities. Donors could support reforms aimed at registering land claims, including collective property as well as farmland and carry out the FAO Voluntary Guidelines on land tenure. In the area of both land and mining, donors could support initiatives to open up existing deals for scrutiny and re-negotiation, introduce requirements for investors to conduct social and environmental impact assessments and to develop privatisation and investment plans with social and environmental safeguards and objectives. Such initiatives could both help generate additional government revenue which could be spent on promoting social development and help ensure that the benefits of Mali’s resources are more equitably distributed.

7.2 Employment and urbanisation

Demographic trends indicate that the Malian population will double in the next 20 years, with a threefold increase in the urban population. High population growth rates, coupled with GDP projections, suggest that per capita GDP will continue to grow slowly in the next few years. The number of new entrants to the labour market is set to increase considerably, in a situation in which unemployment is on the rise.

As documented above, the lack of job creation in the past has led to the further expansion of informal work. More recently, unemployment has also been on the rise. If the large and growing workforce continues to face unemployment and underemployment it risks becoming an ever-growing cause of social unrest.

Donors could support government in promoting growth that generates jobs and opportunities. Efforts should focus on opting for labour-intensive technologies and production methods, while developing partnerships and collaborations between the modern sectors of the economy and small and medium-sized enterprises. Government efforts to support those working in the very large informal sector have been weak and donors could help ensure that initiatives are put in place to address this group.

For example, in mining, recognition of small scale and artisanal mining could lead to safer working practices and rising incomes. At present, communication and knowledge gaps between government and large and small scale miners are an obstacle to opportunities for the small-scale sector. Bridging such gaps could promote collaboration between local and national level, small and large scale actors, and constitute an initial step towards greater recognition and integration of ASM.

Donors could also help Malian authorities in the implementation of programmes targeting the unemployed and low paid, particularly the young and the growing numbers of unemployed urban youth. Investments in the provision of jobs and training opportunities for this group could help ensure that youth are productively occupied and promote opportunities. Labour-intensive public works programmes could be particularly appropriate. Training programmes aimed at developing skills to match employment opportunities in urban settings could also be established and would directly address growing urban youth unemployment.

7.3 Regional inequalities

Mali’s growth has been described as “pro-poor”. Indeed, its steady per capita GDP growth was accompanied by a decline in national headcount poverty until 2011. However, this reduction took place entirely in the West of the country, while poverty in the Northern regions has remained largely unchanged over the decades indicating that these areas have not benefited from growth. This
persistent poverty was further aggravated by the 2011 food crisis leading up to the events of 2012, which hit households in these regions the hardest. The recent conflict and disruption of basic services in the Northern regions have additionally exacerbated disparities.

The EU, together with other donors, should help ensure that government development and investment plans include tackling regional disparities as a core objective. Malian authorities should be encouraged to establish government pledges on the use of resources to help ensure that regional fairness and equity objectives are addressed, by the adoption of targets against this goal.

The destruction and disruption arising from the recent conflict represent an opportunity for government to rebuild and expand public services in the North, for instance in health care provision. With the technical and financial support of donors, such investments would address regional discrepancies and promote employment.

The dam at Taoussa close to Gao has the potential to transform opportunities in the North, with massive energy resources, development of fisheries and re-settlement of people. The EU could engage with the dam building and planning process to ensure the promotion of local employment and other benefits. Another area for investment in the North is pastoral development. Water, veterinary services and market infrastructure could strengthen the pastoral economy. As in other areas, these investments need to be agreed within recognised governance systems, rights and access rules.

7.4 Good governance and transparency

Donors should promote good governance and transparency in the Malian government’s use of its own and donor money. This would help promote accountability and fairer outcomes while fighting mismanagement and corruption. This is especially critical in view of the large flows of aid planned over the next decade. The EU could play a central role in helping to build reliable structures with mechanisms in place to guarantee the oversight of the high influx of resources, including within parliament, media and civil society, by building on EU-funded initiatives already in place and on its role as co-chair of the international donor meeting in Brussels in May 2013.

The monitoring of aid and public resources is a crucial element of transparency and accountability. The regular tracking and assessment of how resources are used, coupled with the dissemination of data and monitoring and evaluation reports, should generate demand for information within institutions and the public, promoting processes of accountability. As earlier sections have documented, efforts to monitor aid have also helped to expose mismanagement and corruption. The EU and fellow donors could consider building capacity within Malian government institutions and civil society groups in monitoring and evaluation and data literacy to help hold government accountable.

Support in the area of data collection, quality and dissemination would be especially useful, given the limited existing data and its poor quality. Information on public spending, access, use and quality of service delivery and people’s well-being needs to be improved. The poor quality of both administrative and household survey data is an obstacle to informed economic and public policy decision-making. Although Mali has produced three household surveys in the past ten years from which poverty estimates have been generated, concerns regarding sample size and measurement problems have led to questions regarding the reliability of the figures obtained. Initiatives should also aim to strengthen the quality and use of administrative databases. In the area of social policy and social protection for example, better quality administrative records are a critical component to the design, implementation and monitoring of social development and poverty reduction policies. Donors could play a crucial role, in collaboration with the Institut National de la Statistique (INSTAT) and line ministries, to strengthen such data sources.
The excessive dominance of the executive branch, in particular of the presidency, over other branches of government is another constraint to development and democratic consolidation. It could be tackled by promoting initiatives to ensure that the legislature exercises greater oversight on policy and decision-making. There is also scope for developing a stronger dialogue between donors and other branches of government, such as parliament and local government structures. The concentration of aid and foreign assistance on the executive branch has contributed to this outcome, which potentially compounds mismanagement and abuse.

Furthermore, initiatives could be undertaken to address decentralisation efforts and help ensure that they are more effective. The limited transfer of power and resources to local authorities has contributed to persistent and growing regional disparities. Donors could support the Government of Mali by building on what has been achieved to date, to ensure: the active involvement of all citizens in the decentralisation process; the willingness and ability of newly elected local government bodies to apply principles of good governance and deliver appropriate and affordable services; the capacity of the central State to provide an institutional framework which empowers local-level decision-making and authority.

Governance reforms require a sufficiently long timeframe to permit institution-building. For this reason, the EU and the EP, in collaboration with partner donors, should commit to providing coordinated support in these areas over several years, to ensure that aid modalities allow for both response to humanitarian needs and reconstruction in the immediate instance and governance reforms that will lead to the establishment of transparent and accountable institutions.

7.5 A regional approach

Mali is a landlocked country at the heart of the wider West and North African region. Major flows of goods and people transit into and out of Mali to neighbouring countries. Major rivers such as the Niger and Senegal create a shared resource of great value to the economy, incomes and livelihoods, of Mali’s people, while grasslands provide a huge common space for grazing of pastoral herds from Mali into Mauritania, Senegal, Cote d’Ivoire, Burkina Faso and Niger. But the prosperity generated by these shared resources will only be maintained if management systems can be agreed between neighbouring countries. The EU has played a valuable role in strengthening regional bodies which bring together a shared concern for economic, environmental and security issues. Mali has been an active player in these different arenas (e.g. with AU, NEPAD, ECOWAS, UEMOA). The EU needs to continue to promote a regional approach to resolving the challenges faced, especially seeking ways to better link the economy of West Africa (Sahel and coastal countries) to north-west Africa and the Maghreb.
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### Annex 1: Timeline of Events in Mali since Independence: 1960-2013

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963</td>
<td>Common Organisation of Saharan Regions (OCRS) dissolved</td>
</tr>
<tr>
<td>1964</td>
<td>First post-independence Tuareg rebellion breaks out</td>
</tr>
<tr>
<td>1968</td>
<td>Modibo Keita is overthrown in a coup led by Lieutenant Moussa Traoré</td>
</tr>
<tr>
<td>1976</td>
<td>Traoré founds the UDPM becoming Mali’s only political party</td>
</tr>
<tr>
<td>1979</td>
<td>As the sole candidate Traoré is elected President in the first direct Presidential elections</td>
</tr>
<tr>
<td>1985</td>
<td>Traoré is elected for a second term</td>
</tr>
<tr>
<td>1990</td>
<td>Second post-independence Tuareg rebellion breaks out. Demonstrators call for a multiparty system in Bamako</td>
</tr>
<tr>
<td>1991</td>
<td>Tamanrasset peace accords mediated by Algeria and signed between Iyad ag Ghali (Popular Front for the Liberation of Azawad) and the Mali government. The peace agreement creates the Kidal region in northern Mali. Violence breaks out as police ban anti-government demonstrations. Traoré is overthrown in a coup led by Colonel Amadou Toumani Touré</td>
</tr>
<tr>
<td>1992</td>
<td>Amendment to the Constitution allows for a multiparty system. First democratic elections bring Alpha Konaré to power for ADEMA-PASJ. National Pact signed between the Malian government and MFUA.</td>
</tr>
<tr>
<td>1995</td>
<td>Tuareg uprising begun in 1990 ends as rebels join the peace movement established by the National Pact.</td>
</tr>
<tr>
<td>1996</td>
<td>Konaré wins Presidential elections as other political parties boycott the process</td>
</tr>
<tr>
<td>2002</td>
<td>Amandou Toumani Touré (ATT) wins presidential election against Konaré. Election marks first internationally accepted democratic elections.</td>
</tr>
<tr>
<td>2003</td>
<td>GSPC take responsibility for the kidnap of 32 European tourists in Algeria</td>
</tr>
<tr>
<td>2005</td>
<td>Malian government establish the Agency for the Development of the North</td>
</tr>
<tr>
<td>2006</td>
<td>ADC group disillusioned with peace process outlined in 1995 launches attacks in Kidal and Menaka. Iyad ag Ghali is a key figure.  ADC and Malian government sign the Algiers Accord, promising development in the north and integration of Tuareg soldiers into the Malian army.</td>
</tr>
<tr>
<td>2007</td>
<td>ATT wins Presidential election</td>
</tr>
<tr>
<td>2009</td>
<td>After renewed clashes, a ceremony is held to mark the surrender of weapons by 700 rebels ‘Air Cocaine’ plane wreckage is found in the desert near Tarkint</td>
</tr>
<tr>
<td>2010</td>
<td>Mali, Algeria, Mauritania and Niger set up a joint command for counterterrorism purposes. MNA founded by young Tuareg leaders in Timbuktu</td>
</tr>
<tr>
<td>2011</td>
<td>MNLA succeeds the MNA</td>
</tr>
<tr>
<td>2012</td>
<td>ATT overthrown in a military coup led by Cptn Amadou Sanogo. ECOWAS suspends Mali. MNLA and Ansar Dine capture northern cities as Malian soldiers flee the north. Dioncounda Traoré becomes interim President. AQIM, MUJAO and Ansar Dine oust the MNLA from positions of power in the north. UN approves Resolution which allows for a military intervention. Negotiations fail as Ansar Dine suspends ceasefire agreed in December.</td>
</tr>
<tr>
<td>2013</td>
<td>10 January Ansar Dine captures Konna</td>
</tr>
<tr>
<td>11 January</td>
<td>France announces military intervention</td>
</tr>
<tr>
<td>16 January</td>
<td>First French ground troops move to Diabaly. ICC launches investigation into crimes against IHL in Mali. In Amenas, four day hostage siege begins</td>
</tr>
<tr>
<td>24 January</td>
<td>MIA splits from Ansar Dine</td>
</tr>
<tr>
<td>30 January</td>
<td>French forces enter Kidal without the Malian army</td>
</tr>
<tr>
<td>8 February</td>
<td>MUJAO launch first suicide attacks in Gao</td>
</tr>
<tr>
<td>7 March</td>
<td>Commission for National Dialogue and Reconciliation established</td>
</tr>
<tr>
<td>23 March</td>
<td>France confirms death of Abu Zeid</td>
</tr>
<tr>
<td>25 April</td>
<td>UN passes resolution 2100 turning AFISMA into a peacekeeping mission MINUSMA</td>
</tr>
<tr>
<td>8 May</td>
<td>Haut Conseil de l’Azawad and Platforme Kel Tamashek established</td>
</tr>
<tr>
<td>15 May</td>
<td>Donors pledge more than $3 billion at the international donor conference in Brussels</td>
</tr>
<tr>
<td>June</td>
<td>Government signs a peace deal with MNLA and HCUA in Ouagadougou, mediated by Burkinabé</td>
</tr>
<tr>
<td>Month</td>
<td>Event</td>
</tr>
<tr>
<td>------------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>July – August</td>
<td>President Compaoré. Kidal is handed over to the Malian state authorities.</td>
</tr>
<tr>
<td>September</td>
<td>Ibrahim Boubacar Keita (IBK) wins democratic Presidential elections</td>
</tr>
<tr>
<td>September</td>
<td>Clashes between Tuareg rebels and Malian army breaking ceasefire established by Ouagadougou Accords</td>
</tr>
<tr>
<td>September</td>
<td>IBK announces government to include a Minister for National Reconciliation and Development of the North</td>
</tr>
<tr>
<td>October</td>
<td>Armed group attacks in Timbuktu</td>
</tr>
<tr>
<td>October</td>
<td>Armed groups launch shelling on the city of Gao</td>
</tr>
</tbody>
</table>

Annex 2  UEMOA convergence criteria 2010-2011

<table>
<thead>
<tr>
<th></th>
<th>Benin</th>
<th>Burkina Faso</th>
<th>Cote d’Ivoire</th>
<th>Guinea-Bissau</th>
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<tbody>
<tr>
<td>Level 1 criteria</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic fiscal balance/GDP</td>
<td>-0.1</td>
<td>-0.5</td>
<td>-2.9</td>
<td>-2.6</td>
</tr>
<tr>
<td>Average annual inflation rate</td>
<td>2.1</td>
<td>2.7</td>
<td>-0.6</td>
<td>2.8</td>
</tr>
<tr>
<td>Stock of public debt to nominal GDP</td>
<td>17.9</td>
<td>-</td>
<td>25.6</td>
<td>-</td>
</tr>
<tr>
<td>Change in domestic payment arrears (in billions of CFA francs)</td>
<td>-7.7</td>
<td>-19.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Change in external payment arrears (in billions of CFA francs)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Level 2 criteria</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage bill to tax revenue</td>
<td>45.4</td>
<td>47.6</td>
<td>43.5</td>
<td>40.5</td>
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<tr>
<td>Investment financed from domestic resources to tax revenue</td>
<td>19.2</td>
<td>20.2</td>
<td>49.0</td>
<td>41.4</td>
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<tr>
<td>External current account balance to GDP</td>
<td>-10.3</td>
<td>-11.8</td>
<td>-6.2</td>
<td>-5.3</td>
</tr>
<tr>
<td>Tax ratio</td>
<td>16.2</td>
<td>15.5</td>
<td>12.9</td>
<td>14.6</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>Mali</th>
<th>Niger</th>
<th>Senegal</th>
<th>Togo</th>
<th>UEMOA</th>
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<td>Level 1 criteria</td>
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<tr>
<td>Basic fiscal balance/GDP</td>
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<td>-2.2</td>
<td>-3.1</td>
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<tr>
<td>Average annual inflation rate</td>
<td>1.2</td>
<td>3.0</td>
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<td>Stock of public debt to nominal GDP</td>
<td>25.4</td>
<td>-</td>
<td>15.7</td>
<td>-</td>
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<tr>
<td>Change in domestic payment arrears (in billions of CFA francs)</td>
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<td>0.0</td>
<td>-12.4</td>
<td>-35.0</td>
<td>-13.0</td>
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<tr>
<td>Change in external payment arrears (in billions of CFA francs)</td>
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<tr>
<td>Level 2 criteria</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage bill to tax revenue</td>
<td>34.0</td>
<td>35.8</td>
<td>28.5</td>
<td>19.9</td>
<td>32.8</td>
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<tr>
<td>Investment financed from domestic resources to tax revenue</td>
<td>26.7</td>
<td>24.4</td>
<td>26.9</td>
<td>17.1</td>
<td>36.5</td>
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<tr>
<td>External current account balance (excl grants) to GDP</td>
<td>-14.8</td>
<td>-11.5</td>
<td>-25.4</td>
<td>-28.0</td>
<td>-4.9</td>
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<tr>
<td>Tax ratio</td>
<td>14.6</td>
<td>14.5</td>
<td>129</td>
<td>21.2</td>
<td>18.8</td>
</tr>
</tbody>
</table>

Source: BCEAO (2012), GPRSP (2011) and IMF (2013a)
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