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MALI

Expanding and Diversifying Trade for Growth and Poverty Reduction:

A Diagnostic Trade Integration Study

November 17, 2004

*A*CRONYMS

AFTP	Africa Poverty Reduction and Economic Management
AGOA	African Growth and Opportunity Act
AIPO	African Intellectual Property Organization
AMEPROC	Association Malienne des Exportateurs de Produits de Cueillette
ANAM	Association Nationale des Artistes du Mali
APCMM	Assemblée Permanente des Chambres de Métiers du Mali
APROFA	Agence de Promotion des Filières Agricoles (Agricultural Promotion Agency)
ASYCUDA	The Automated System for Customs Data
BCEAO	Banque Centrale des Etats de l'Afrique de L'Ouest
CAE	Centre Agro-Entreprise (Agro-Enterprise Center)
CCIM	Mali Chamber of Commerce and Industry
CEPS	Customs, Excise and Preventive Service
CFAF	Communauté Financière Africaine Francs
CFA	Communauté Financière Africaine
CILSS	Comité permanent Inter-Etats de Lutte contre la Sécheresse dans le Sahel
CMM	Chambre de Métiers du Mali
CNPA	Centre Nationale de la Promotion de l'Artisanat
CNPI	Centre National pour la Promotion des Investissements
COFAS	CoFinance Arrangement Facilities
CRMS	Computerized Risk Management System
DECRG	Development Economics Research Group
DGD	Direction Générale des Douanes
DIS	Destination Inspection Scheme
DNCC	Direction Nationale du Commerce et de la Concurrence
DNI	Direction Nationale des Industries
DNSI	Direction Nationale de la Statistique et de l'Informatique
DTIS	Diagnostic Trade Integration Study
EBA	Everything But Arms
ECOWAS	Economic Community of West African States
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
EXIM	Export Import Banking
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FNAM	Fédération nationale des artisans du Mali
FTA	Free Trade Area
GATS	General Agreement on Trade in Services

GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GREAT	Groupe de Recherche en Economie Appliquée et Théorique
HIPC	Heavily Indebted Poor Country
IF	Integrated Framework
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
MALIPEX	Malian Export Promotion Agency
MIC	Ministère de l'Industrie et du Commerce
MPIPME	Ministère de la Promotion des Investissements et des Petites et Moyennes Entreprises
MTS	Multilateral Trading System
MVA	Manufacturing Value Added
OEF	Observatoire pour l'Emploi et la Formation
OHADA	Organisation pour l' Harmonisation en Afrique du Droit des Affaires
OMA	Observatoire de Marche Agricole
PARI	Programme d'Appui Régional à l'Intégration
PDSF	Project du Développement du Secteur Financier
PRGF	Poverty Reduction and Growth Facility
PREMTR	Poverty Reduction and Economic Management, Trade Group
PRSF	Poverty Reduction Strategy Framework
PRSP	Poverty Reduction Strategy Paper
RIAS	Regional Integration Assistance Strategy
RIP	Regional Indicative Programme
ROSEAO	Réseau Organisations des Exportateurs du Secteur Agroalimentaire de l'Afrique de l'Ouest
SIM	Système d'Information de Marché
SME	Small and Medium sized Enterprises
SOTELMA	Société des Télécommunications du Mali
SSA	Sub-Saharan Africa
SSATP	Sub-Saharan Africa Transport Program
TRIE	Transport Routier Inter-Etat
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
USA	United States of America
USAID	United States Agency for International Development
UNSD	United Nations Statistics Division
WAEMU	West African Economic and Monetary Union
WARP	West African Regional Program
WAPP	West Africa Power Pool
WB	World Bank

WCO	World Customs Organization
WTO / OMT	World Tourism Organization / Organisation Mondiale du Tourisme
WTO	World Trade Organization

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ACKNOWLEDGEMENTS

The DTIS presents the findings of the IF mission held in Bamako in March-April 2003, which aimed to analyze, with key stakeholders, the constraints to Mali's integration into the global economy and to identify trade-related technical assistance needs.

The IF team was composed, in alphabetical order, of Mr. Paul Baker (Co-mission chief), Mr. Massa Coulibaly (Competitiveness, trade potential, and agriculture and agro-processing industries), Mr. Moussa Diakité (Investment environment), Mr. Aziz Dieng (Cultural industries), Mr. N'Diamé Diop (Trade and poverty), Mr. Serge Duhamel (Customs and trade facilitation, and transportation), Ms. Burcu Duygan (Trade and poverty), Mr. Karl Hoerning (Cultural industries), Mr. Francis Ng (Research and statistics), Ms. Sibylle Schlatter (Cultural industries), Mr. Dirck Stryker (Agriculture and agro-processing industries), Mr. Javier Suarez (Institutional framework), and Ms. Christina A. Wood (Co-mission chief). The IMF staff contributed the section on macro-economic policy.

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EXECUTIVE SUMMARY

CONTEXT

Mainstreaming trade in the poverty reduction strategy of less developed countries (LDCs) is increasingly seen as an important determinant in the fight against poverty. At the same time, reducing the vulnerability and marginalization of LDCs in global trade flows is viewed as key to creating sustainable economic growth over the medium to long term. To achieve these results, increasing emphasis is being placed on creating a sound policy environment, alleviating commodity dependence, and establishing an effective institutional framework to support private sector development. The Diagnostic Trade Integration Study (DTIS) of the Integrated Framework (IF)[1] is undertaken to analyze, jointly with key stakeholders, the constraints to LDC integration into the global economy, identify the trade-related technical assistance needs to enhance the country's prospects for increased integration into world trade and to integrate trade issues into the country's national development strategies including its poverty reduction strategy. This report contributes to Mali's strategy formulation process by identifying trade-related and sector-specific policy measures and technical assistance needs to enhance Mali's prospects for increased integration into world trade, and thereby increase the growth rate.

STRONG ECONOMIC PERFORMANCE, YET INSUFFICIENT

Mali's economic performance over the last ten years has been favorable. The average economic growth rate in Mali has averaged about 5 percent a year since the 1994 devaluation of the CFA franc, enabling real annual per capita GDP to rise by 2.5 percent. This compares very favorably with the Africa (sub-Sahara) average of 3.2 percent, and places Mali among the best three performers in the West Africa Franc zone (along with Benin and Senegal). Mali's trade performance during the same period was also favorable overall, despite the terms-of-trade and other exogenous shocks experienced. Exports (of largely cotton and gold) grew rapidly (at 11.2 percent) to significantly outpace the growth of imports, thereby improving the trade balance into the positive range for the foreseeable future. A contributing factor to the improving trade balance were the policy-induced flows of foreign direct investment (FDI), particularly into mining, which were high relative to Mali's GDP and natural resource base. As a consequence of the strong economic situation, the incidence of poverty is

[1] The participating multilateral agencies are the International Monetary Fund (IMF), the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the World Bank and the World Trade Organisation (WTO).

estimated to have decreased by about 7.5 percentage points between 1996 and 2000, driven largely by the improved performance of the tradable agriculture sub-sector (cotton production for example expanded by 100 percent over the crop years 1992-93 to 2001-02) where most of the poor derive their income.

Mali's macroeconomic performance can be attributed to reestablishment of political and social stability in the early 1990s.[2] It can also be attributed to the effective implementation of macroeconomic stabilization policies as well as to economic and trade liberalization policies applied across the economy since the 1994 devaluation of the CFA franc. These policies built upon the successful implementation of agricultural reforms during the 1980s including liberalization of product pricing mechanisms, which enabled the pass-through to farmers of a larger share of product sales prices. Together the reform components generated the foundations of a market-led economy, encouraged private sector development, and led to reductions in poverty.

Notwithstanding the progress made, much more remains to be done to increase the living standards of the population. Mali is one of the poorest countries in the world with a GDP per capita of $240[3] and a rank of 164 out of 173 countries in the 2002 UNDP Human Development Index. The 2001 household survey estimated that 63.8 percent of Mali's population lives below the national poverty line[4] and about 75 percent of the population lives in rural areas and are dependent on agriculture. Mali's social indicators remain among the poorest in the world, despite some progress particularly since 1998. Mali faces difficult social and economic conditions, due to the combined effect of a limited resource base, its land-locked status, vulnerability to exogenous shocks, under-developed infrastructure, low levels of human development and weak administrative capacity. Thus, the 5 percent average economic growth rate, while strong relative to Mali's past performance, will nonetheless be insufficient to make a dent in poverty. Building on and re-enforcing the progress achieved thus far, will be critical for Mali in its quest to increase average growth and reduce poverty.

THE TRADE-RELATED REFORM AGENDA

Mali's reform agenda comprises measures to liberalize trade, to integrate with the regional and global economy, and to enhance competitiveness. In addition to general trade integration, accelerated integration with the West Africa region holds significant potential for Mali. Given the 67 and 230 million consumers in WAEMU and ECOWAS,

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[2] This included transition to a pluralist political system (1991-92) and establishment of peace in the north of the country following a period of rebellion (1994).

[3] Based on GNI per capita (World Bank *World Development Indicators* 2003).

[4] As defined by the WHO-recommended level of daily calorie intake.

respectively, regional integration is certainly important to Mali in offering a larger and, in some ways, more accessible market for Mali's exports. Beyond that, regional integration is in fact critical to Mali as a land-locked nation requiring secure and dependable access to ports and to quality port services in neighboring countries. By integrating and collaborating more with its neighbors, Mali stands to gain from more efficient resource allocation stemming from economies of scale and sharper competition in the larger market, in addition to improved transit procedures for goods to and beyond the region.

Mali can enhance its export performance by capitalizing on its comparative advantage, which lies in gold, cotton, livestock and meat products, animal and vegetable oils, and hide and leather products. Due to the irrigation potential of the Niger River, other commodities such as cereals (particularly rice), sugar, and an array of fruit and vegetables, are promising, particularly for export to the West Africa regional market. Also promising is the agro-industrial sector (notably processed cotton fiber, fruit and vegetable products, and meat products), which is currently operating below its potential.

To expand exports in these product sub-sectors would require overcoming the challenges to increased private sector operations in agriculture, agro-industry and manufacturing. Mali's trade agenda should thus entail actions to: (i) enhance conditions for increased production and export according to comparative advantage; and (ii) enhance the conditions for processing and manufacturing local produce and materials prior to export. As Mali's development strategy places priority on private-sector-led economic expansion, expanding its trade flows would necessarily be market-driven.

Largely as a result of reforms in the latter half of the 1990s, which included the implementation of the WAEMU Common External Tariff in January 2000, Mali now has a relatively open and transparent trade regime. Thus, the current tariff regime does not appear to represent a significant barrier to trade. The constraints to expanding trade and production lie elsewhere, and pertain largely to cross-sectoral factors that have economy-wide impacts, as well as to sector-specific factors. Measures to address these factors would comprise the next phases on the regulatory, institutional and sectoral reform agenda to influence Mali's competitiveness, including measures on transport, energy, telecommunications, and market intelligence.

Cross-sectoral factors

Mali's competitiveness is hampered by the high cost of transportation and utilities; logistical constraints linked to weak trade facilitation and transportation services; inefficient customs processing; insufficient financial sector deepening leading to weak supply; and access to longer term financing. Additionally, while the tariff structure is adequate overall, relatively high tariffs for intermediate goods imports constrain industry development (including agro-processing and transport sector development) thereby constraining demand for and development of Mali's primary sector outputs.

As such, Mali should adopt policies to foster improvements in transportation infrastructure and services (road, rail, air), as well as in reliability and quality of utilities (power, water, telecommunications). Mali should also accelerate its customs modernization and trade facilitation programs, and implement measures to ensure the development of longer term financing resources. In as much as Mali's strategy extends to increasing the manufacturing share of GDP and of trade, as part of the objective of expanding and diversifying exports, the authorities will also need to focus on policy measures of relevance to fostering the growth of manufacturing.

In addition to pursuing reforms at the WAEMU level, Mali should advance the dialogue with selected WAEMU and ECOWAS members as needed, on key issues directly linked to Mali's economic and trade performance. This would include dialogue on trade and transit facilitation, customs modernization and harmonization, harmonization of regulatory and investment frameworks, and sector development programs having a regional dimension (such as energy and transport networks, and development of Mali's two international river basins-the Senegal and Niger).

At the national level, the efforts to strengthen inter-institutional coordination need to be fostered. The national Integrated Framework Steering Committee, could play an important role in that respect by bringing together different government ministries and agencies, as well as representatives of the private sector and civil society, thus providing a platform for analyzing trade issues and coordinating the development of a national policy, as well as identifying negotiating positions.

Sector-specific factors

Depending on the sub-sector, varying factors hamper the attainment of Mali's comparative advantage potential (in agriculture and agro-processing, cultural industries, and tourism)., . Challenges listed here are in addition to the cross-sectoral factors, particularly the unreliable transportation network.

For ***agriculture and agro-processing*** challenges include: low productivity and high costs of capital; weak quality control and expertise in exporting to developed markets; fragmented producers and traders; and absence of reliable market information on many products. Emphasis should be placed on improving market information by extending the coverage of products (from cereals to include horticultural goods), by establishing regional agricultural observatories, and by improving information sharing. A number of non-price factors also play a crucial role in promoting exports. These include enforcing norms, standards and phytosanitary conditions, as well as developing competence for all functions along the supply chain (from production to marketing). Additionally, measures should be identified to strengthen the public-private dialogue, private sector organization, and trade promotion through the chambers of commerce and business associations.

For ***cultural industries*** constraints in the ability to expand exports of traditional African musical instruments, pottery, textiles, jewelry, and wood or stone figurines, and music include: variations in the quality of raw materials; the lack of adequate tools, machines and equipment; and shortcomings in ability to adapt products to varying customer specifications. Support for the handicrafts sector, through handicraft associations and support institutions, is thus expected to focus on strengthening the economic environment for craftsmen; providing technical assistance to improve the range, marketability and quality of the sector; encouraging professional, technical and business education; and promoting investment in cultural industries. Support to the music industry should primarily be in the form of application and knowledge dissemination of the rights and duties pertaining to intellectual property protection for artists. the application of these rights and the payment of royalties is essential and requires public sector engagement, changes in customs procedures relating to imported pirated media, and a review of the functions and structure of Mali's royalty collecting society (Bureau malien du droit d'auteur, BuMDA).

For ***tourism***, impediments to further development relate to the limited availability of quality accommodations, the variable quality and service standards of accommodation facilities and restaurants; the dearth of qualified tourist guides; expensive travel to and within the country; and weak capacity in the tourism development agency (Office malien du tourisme et de l'hôtellerie, OMATHO). Support in this sector would include measures to: encourage improvements in quality and service standards of hotels, restaurants, tour agencies and tourist guides; and strengthen OMATHO based on a review of its organization structure and operations so as to rationalize and enhance its efficiency. Support would also include training in tourism development and planning; and strengthening of tourism statistical systems. Mechanisms should be introduced to ensure the rehabilitation, renovation and maintenance of tourism sites, including increased participation of municipalities and local communities, so as to improve the accessibility and image of those sites.

Poverty considerations

The measures outlined above are expected to have a positive impact on poverty, in addition to trade, given the importance of the tradables sector as a source of income for many of the poor. Of particular relevance are improvements in the domestic transportation system to foster a smooth movement of goods across regions, and thereby overcoming the disparities in distribution of food and other resources between surplus and deficit zones. Other measures to reduce poverty include: improving social safety nets and welfare programs to assist farmers in coping with the volatility caused by exogenous shocks; increasing yields and value-added of cotton products by facilitating access to equipment and inputs; implementing methods to maintain soil fertility; expanding irrigated development; and implementing a land tenure policy.

ACTION MATRIX

The list of actions presented in the action matrix represent recommendations emanating from the studies of individual consultants and previous studies contributed by other donors, as well as the outcome of the thematic workshops held July 19- 2004 in Bamako. While not exhaustive, the action matrix addresses the principal impediments to Mali's trade performance in the short to medium term.

Objectives	**Measures**	**Responsible agencies**	**Timeline**
I. Cross-Sectoral Measures			
I.1. Transportation and Utilities			
Improve transportation service quality and sector competition	Regional level: (i) Undertake a study of tariffs for commercial vehicles imports and, as needed, including proposed options for their amendment and an assessment of revenue impact of proposed options; (ii) Undertake a review of the study and adopt (as needed) a new tariff level for imported commercial vehicles; and (iii) Review and rule on phase-out of transport quota system on international tonnage within West Africa region (Section 3.3.1).; (iv) Evaluate transport costs of Mali's imports through Oran and Annaba ports in Algeria ; (v) Use the NEPAD initiative as a lever to link Northern Mali to the rest of the country; (vi)) Improve Mali's entrepot warehouse at the Conakry port.	WAEMU Secretariat, ECOWAS Secretariat	End 2004 (1 year)
	Country level: (i) Undertake a study of fiscal policy applicable to trucking companies, including proposed options for its amendment and an assessment of revenue impact of proposed options; (ii) Undertake a review of the study, and adopt a new domestic tax structure (as needed) for trucking companies; (iii) strengthen technical regulations for truck quality, and their enforcement; (iv) ensure adequate resources for routine road maintenance; and (v) operationalize the trade facilitation committee; and (vi) adopt and implement a solution to eliminating road blocks and informal surcharges (taux sauvage) along main transit	Ministry of Economy and Finance, Ministry of Transport and Equipment	End 2004 (1 year)

Objectives	Measures	Responsible agencies	Timeline
	corridors (Section 3.3.1).; (vii) Promote investment in small vessels for river transportation; (viii) Rehabilitate and create small ports in remote areas to facilitate market integration.		
Improve the services surrounding rail transportation	(i) Improve Mali's entrepot warehouse at the Dakar port. and (ii) Ensure adequate funding for the maintenance of road access to railway stations.	Ministry of Economy and Finance, Ministère pour la Promotion des Investissements et des Petites et Moyennes Entreprises; Ministry of Transport and Equipment	End 2005 (24 months)
Improve the availability of air cargo	(i) Provide adequate cargo security (to standards at level 1 of the US Federal Aviation Administration's International Aviation Security Assessment, and the US Transportation Security Administration of the main airports) so as to encourage flights that land in Bamako to carry more Malian cargo (TA should be underway in the context of the ongoing US FAA safe skies initiative in which Mali is a participant); (ii) Assess adequacy of the logistics supply chain (including for cold storage), and promote/sensitize producers to apply more stringent quality control measures throughout the supply chain; and (iii) Enhance the attractiveness for establishment of refrigeration facilities/warehousing near airport, per recommendations in the report "Centre de service en innovation Conditionnement et entreposage des denrées agricoles au Mali" prepared by Geomar Int'l and Agence pour la Promotion des Filière Agricole (APROFA) (Section 3.3.3).; (iv) assess the possibility of suppressing the special airport tax on the export of red meats and fruits and vegetables.	Ministry of Transport and Equipment, Airport Authority, Producer Associations, Private sector investors	End 2004 (12 months)
Improve reliability and quality of utilities	(i) Strengthen regulatory and coordination mechanisms with the	Ministry of Economy and	End 2004 (12 months)

Objectives	Measures	Responsible agencies	Timeline
(power, water, telecommunications)	private utility company EDM, to foster further improvements in power and water; (ii) Maintain steady progress in privatization of the state telecommunications company; (iii) implement measures to reduce cost of key factors (energy, water, telecommunications) in line with the respective sector reform programs.	Finance, Ministry of Mines, Energy and Water, Energy and Water Regulatory Commission	
I.2. Customs Modernization and Trade Facilitation			
Improve customs administration and the quality of foreign trade statistics	(i) Strengthen use of ASYCUDA++, including development of new procedures and staff training on the system and procedures (Section 3.3.4) ; and (ii) Promote the coordination and exchange of trade data between the Ministry of Finance and the Ministry of Industry and Commerce (Section 1.2.2).	Ministry of Finance and Economy, Direction General des Douanes, Ministry of Industry and Commerce, CCIM and other business associations.	Mid 2004 (6 months)
Streamline the use of economic regimes	(i) Review and assess the use of economic regimes; (ii) Promote more transparent practices with the use of economic regimes; (iii) Rationalize the list of exemptions; and (iv) Inform private sector on advantages of regimes (Section 1.3).	Ministry of Finance and Economy, Direction General des Douanes, Ministry of Industry and Commerce, CCIM and other business associations	End 2004 (12 months)
Improve transit and trade procedures	(i) Encourage harmonization of transit documentation and procedures with countries along Mali's principal trade routes (incl. select WAEMU/ECOWAS countries); (ii) Encourage greater communication and cooperation between customs authorities in Mali and Senegal to avoid unnecessary transit delays (Section 3.3.2); and (iii) Simplify and improve transparency of customs procedures (Section 3.3.3).	Ministry of Finance and Economy, Ministry of Foreign Affairs (Dept of African Integration), Direction General des Douanes and other customs authorities in WAEMU and ECOWAS	End 2005 (12-24 months)
Encourage the usage of certification of origin	(i) Encourage the usage of certification of origin; (ii) Inform exporters on the correct procedures to obtain certificates	Direction General des Douanes, CCIM and other	Mid 2004 (6 months)

Objectives	Measures	Responsible agencies	Timeline
	of origin; and (iii) Control the issuance of certificates (Section 3.3.1).	business associations	
I.3. Trade-Support Institutions, Trade Policy and Business Environment			
Strengthen institutional capacities	(i).Strengthen the capacities of the Comite National de Validation des Statistiques Nationales; (ii) Strengthen the capacities of the key support and trade promotion institutions; (iii) Streamline and coordinate the actions of promotion agencies; (iv) Strengthen the capacities (staff and materials) of sanitary and phyto-sanitary labs; (v) Strengthen the capabilities of the Committee charge with monitoring multi-lateral trade agreements, and the Committee charged with monitoring negotiation of the economic partnership agreement between ACP countries and the EU; (vi) Invigorate the Malian Association for Quality (AMAQ); (vii) Undertake feasibility study for establishment of industrial zones; (viii) enhance the program against fraud.	MIC-MA-MF; MPAT; MSPA; DGD-DNCC-APCAM-DGRC-APROFA	
Orient Trade Policy	(i) Launch a campaign to promote Malian products domestically and regionally; (ii) Elaborate a strategy for attracting foreign investment in specific promising sectors; (iii) Conduct studies on Mali's cross border trade; (iv) Improve the quality and use trade statistics so as to better promote investments and exports; (v) Facilitate access of Malian traders to the Algerian market, in line with the Mali-Algeria bilateral agreement.	MIC; MPIPME; Cellule CSLP; MEF; MPAT ; MAECI-MATCL.	
Promote Access to credit	(i) Facilitate access to credit through sector-targeted initiatives as identified under the WB-supported Financial Sector Development Project.	MEF-MIC-MPIPME	
II. Sector-Specific Measures			
II.1. Agriculture and Agro-industry			
Strengthen and broaden market information system	(i) Introduce mechanisms to strengthen the collection and dissemination of market information on a financially	Observatoire du Marché Agricole (OMA),	Mid 2004 (6 months)

Objectives	**Measures**	**Responsible agencies**	**Timeline**
	sustainable basis; (ii) Expand the market information system to fruits and vegetables and livestock products; and (iii) Identify and introduce mechanisms for exchanging market information between countries in the West Africa region (Section 4.1.3).	CONOESAM, APCAM, AMELEF, APEFEL, AMEPROC, APROFA, the Fédération de Groupements Inter-Professionels du Bétail et de la Viande (FEBEBVIM), Ministry of Agriculture, and ECOFIL	
Improve non-price competitiveness of Mali	(i) Introduce mechanisms to strengthen supply chain management (from production to marketing), including farmer organization and participation in the supply chain; and (ii) Identify and introduce measures to strengthen mechanisms for application of norms and standards by the private sector, national laboratories, and regulatory agencies (Section 4.1.4).; (iv) Promote private investment in selected agro-industrial activities.	Representatives of the principal exporter associations, CCIM, APCAM, APROFA, CONOESAM, DNI, DGRC, and other relevant parties.	End 2005 (12-24 months)
Strengthen private sector associations	(i) Enhance the capacity of private sector organizations to promote regional and external trade; and (ii) Strengthen private sector consultation in trade negotiations and implementation of trade agreements (Section 4.1.5).	CCIM, APCAM, APROFA, CNPI, MIC, DNCC, DNI, Ministry of Agriculture, Ministère pour la Promotion des Investissements et des Petites et Moyennes Entreprises	End 2004 (6-12 months)
Expanding production and marketing of <u>rice</u>	(i)Expand irrigation infrastructure development under framework of public-private- partnership, by establishing a viable institutional structure for private and public financing of irrigation investments; and (ii) Establish a system of secure title to irrigated land (Section 4.1.1.1).	Ministry of Agriculture, Ministère pour la Promotion des Investissements et des Petites et Moyennes Entreprises, Office du Niger,	End 2004 (12 months)

Objectives	Measures	Responsible agencies	Timeline
		IER, CCIM, APCAM, APROFA, CNPI	
Improve environment for downstream cotton sector production activities	(i) Continue the implementation of the cotton sector reform program supported by the World Bank and bilateral donors (France, the Netherlands), comprising: CMDT restructuring on core ginning functions; liberalization of sector activities; strengthening the market-orientation of the producer price mechanisms; reorganization of critical functions (input supply, producer credit mechanisms) for post liberalization environment. (ii) Continue provision of TA to producer associations, private sector, and government in support of implementation of the reform measures. (iii) Encourage investment in other activities of the cotton sector value chain (Section 4.1.1.2).	Ministry of Agriculture, Ministère pour la Promotion des Investissements et des Petites et Moyennes Entreprises, CCIM, APCAM, APROFA, CNPI, MIC, DNCC, DNI	2004 through 2008
Expand marketing and production of non-traditional sub-sectors: Groundnuts	(i) Introduce improved seeds and more fertilizer usage in the production zones, to increase yields and lower unit costs; (ii) Improve storage facilities to reduce high levels of aflatoxin; (iii) Mechanize labor-intensive processing activities through use of intermediate technology (such as animal traction); and (iv) Improve the transportation network in the production zones (Section 4.1.1.3).	IER, CCIM, APCAM, APROFA, CNPI, MIC, DNCC, DNI, DGRC, Ministry of Agriculture, Ministère pour la Promotion des Investissements et des Petites et Moyennes Entreprises	End 2005 (12-24 months)
Expand marketing and production of non-traditional sub-sectors: Shea nuts	(i) Formulate a sector development policy for shea nuts; (ii) Promote shea nut products, and facilitate the diversification of export markets; (iii) Strengthen the capabilities of women associations and NGOs to intensify information and awareness building programs for producers on the production of high quality shea butter; (iv) Increase the quality of shea nut trees and establish a systematic program of protecting existing trees and planting new ones, using grafting methods developed by research; (v) Encourage	IER, CCIM, APCAM, APROFA, CNPI, MIC, DNCC, DNI, DGRC, Ministry of Agriculture, Ministère pour la Promotion des Investissements et des Petites et Moyennes Entreprises	End 2005 (12 months)

Objectives	Measures	Responsible agencies	Timeline
	capacity building and equipment upgrades to improve the process and handle shea nuts during drying and storage (Section 4.1.1.3).; and (vi) support research on shea nut, shea butter and related products.		
Expand marketing and production of non-traditional sub-sectors: <u>Sugar</u>	Encourage private development of the sector through public-private partnerships, so as to ensure availability of complementary public services (e.g. extension services to farmer s) (Section 4.1.1.3).	Ministry of Agriculture, Ministère pour la Promotion des Investissements et des Petites et Moyennes Entreprises, Ministry of Trade and Industry, IER, CCIM, APCAM, APROFA	Mid 2004 (6 months)
Expand marketing and production of non-traditional sub-sectors: <u>Fruits and vegetables</u>	(i) Provide TA to strengthen all phases of the supply chain—production, harvest, handling, and internal and external transport, financing, access to inputs, quality control (including setting up norms), and marketing—in a private sector framework; (ii) Strengthen mechanisms to enhance professionalism of the exporting firms and foster greater cooperation and coordination with the upstream actors (Section 4.1.1.3).; (iii) Disseminate information to producers and exporters on norms, standards, quality and traceability; (iv) Support market diversification efforts undertaken by the private sector; (v) support the establishment of cold storage facilities by the private sector; (vi) Facilitate the production and acquisition of adequate packaging.	APCAM, APROFA, CNPI, IER, CCIM, DNCC, DNI, DGRC, Ministry of Agriculture, Ministry of Trade and Industry, Ministère pour la Promotion des Investissements et des Petites et Moyennes Entreprises, AMELEF-APEFEL-customs-MPIPME	End 2004 (12 months)
Expand marketing and production of non-traditional sub-sectors: <u>Livestock and Red meat</u>	<u>Commercial fattening operations</u>: (i) improving access to concentrate feeds; (ii) improving access and timely delivery of financing for seasonal fattening; (iii) better information on prices; (iv) training in new technologies; and (v) increasing dry-season forage. <u>Animal health standards</u>: (i) link health	IER, CCIM, APCAM, APROFA, CNPI, MIC, DNCC, DNI, DGRC, Ministry of Agriculture, Ministère pour la	End 2005 (12-24 months)

Objectives	Measures	Responsible agencies	Timeline
	problems discovered at the abattoir with their origin; (ii) reduce the corruption associated with the granting of animal health certificates at the border; and (iii) establish animal quarantine areas to enable exports of meat outside the West Africa region. Hides and skins: (i) encourage investment in machinery and equipment; and (ii) strengthen mechanisms for dissemination of information on price and quality (Section 4.1.1.3).. Red meat: (i) Create conditions conducive to the development of cold storage facilities; (ii) support the intensification of production; (iii) encourage investment in animal feed.	Promotion des Investissements et des Petites et Moyennes Entreprises	
Expand marketing and production of non-traditional sub-sectors: Gum arabic	(i) Foster investment in modern refining plants; (ii) improve product quality.	MIC MA MPIPME AMEPROC	
II.2. Cultural and Artisanal Industries			
Improve quality, marketability performance and equity of cultural industries	Arts/Crafts: (i) Strengthen the economic and work environment of craftsmen, artists and craft marketing specialists; (ii) Strengthen mechanisms for enhancing the technical, managerial, marketing skills of artists, and their knowledge of the fundamentals of financial matters and authors' rights; and (iii) Review the proposal of a synthetic tax on craftsmen's machinery which may have negative effect on quality and poverty reduction (Section 4.2.1, 4.2.2 and 4.2.3).; (iv) Promote the handicraft and tourism sectors through diplomatic missions abroad; (v) Foster the organization of marketing channels for handicraft products, including malian films.	FNAM, ANAM, CMM, APCMM, CNPA MAT-MAECI-MIC	End 2005 (6 -24 months)
Enhance fair practices and enforce copyright and IP protection, in order to improve the earnings of composers, producers and	Music: (i) Ensure that imported recorded media is registered by the customs administration; (ii) Review functions and impartiality of the BuMDA; and (iii) Ensure that an effective mechanism is put in place to	Ministry of culture, BuMDA	End 2004 (6-12 months)

Objectives	Measures	Responsible agencies	Timeline
musicians	regulate Intellectual Property Rights (IPRs) (Section 4.2.2 and 4.2.3).; (iv) Better protect audio property rights.		
Create value added in the gold sector	Mining: Provide incentives for the establishment of gold processing companies.	MPIPME MEF	
II.3. Tourism			
Diversifying and improving the quality of tourism	(i) Define renovation needs, promote consultations with local populations, find potential promoting agencies and investors, train guides and sensitize all professions linked to tourism (guides, restaurant operators, hotels, etc.), constitute associations for maintaining sites; (ii) Improve accessibility and image of sites through restoration; and (iii) Promote eco-tourism, and identification of new adventure or eco-tourism tours; (iv) Provide the technical assistance to OMATHO in applying ratings to tourism services (Section 4.3.3); (v) Foster investment in local airline companies; (vi) Foster the organization of cross border tours with neighboring countries.	Ministry of tourism and handicrafts, OMATHO MAT-MET	End 2004 (24 months)
Reinforcing the institutional framework	(i) Review the organizational structure and operations of OMATHO; (ii) Provide capacity building assistance to the statistical division of OMATHO; (iii) Provide technical assistance in devising a strategic tourism master plan, with particular focus on customer targeting and image building; and (iv) Decentralize tourism promotion by sensitizing the local municipalities in the importance of rehabilitating, renovating and maintaining tourism destinations (Section 4.3.3).	Ministry of tourism and handicrafts, OMATHO, local municipalities, representatives from tourism operators, hotels and restaurants	End 2004 (12 months)
Encourage tourism linkages to other sectors of the economy	Identify peripheral activities related to tourism (crafts, music, performance events, leisure activities), and incorporate them into a tourism master plan (Section 4.3.3).	Ministry of tourism and handicrafts, Ministry of culture, representatives from the private sector	End 2004 (12 months)
III. Poverty-Specific Measures			

Objectives	**Measures**	**Responsible agencies**	**Timeline**
Improve market connectivity	(i) Improve infrastructure and other bottlenecks which hinder domestic trade and price equalization; and (ii) Improve price information (Section 2.2).	Ministry of Transport, Ministry of Industry and Commerce, Ministry of Agriculture, CNPI	End 2005 (36 months)
Reduce vulnerability of farmers	(i) Improve access to equipment and inputs; (ii) Increase irrigation investments outside of the Niger delta; (iii) Improve social safety net to cope with external shocks; and (iv) Encourage production of value added crops (Section 2.3).	Ministry of Industry and Commerce, Ministry of Agriculture, Ministry of Economy and Finance	End 2005 (36 months)

CHAPTER 1
MALI'S TRADE PERFORMANCE

1.1 MACROECONOMIC DEVELOPMENTS

In the last decade, Mali has achieved great strides in macroeconomic stabilization and performance despite climatic and terms-of-trade shocks. Mali has also managed to withstand the difficult environment resulting from recurrent problems in the cotton sector and the political turmoil in neighboring countries (see Box 1.1).

BOX 1.1 THE IMPACT OF THE CRISIS IN CÔTE D'IVOIRE ON MALIAN EXPORTS AND COMPETITIVENESS

Côte d'Ivoire is Mali's main partner and the crisis, which began in December 1999, has not only triggered security and humanitarian problems but has also affected the supply routes to Mali, particularly for petrol and hydraulic cement products, and thereby raised the cost of trade. The re-routing of trade flows, from Bamako-Abidjan to Bamako-Tema and beyond (Lomé and Cotonou) has extended transportation distances from 1,225 to over 2,100 km.

In addition to the overpricing linked to transport, transit and guarantee funds, the market in the Côte d'Ivoire has been troubled by the crisis, revealing an estimated loss of 3.6 billion CFAF per month (around US$5 million) for the sale of Malian livestock to this market. Export of services, such as the export of transport services, has also been affected. Furthermore, since the condition of transportation vehicles is poor, only a quarter of Malian trucks is capable of circulating on the Bamako-Tema route, leading to a provisional loss of CFAF 1.1 billion per month (US$1.5 million).

The dysfunction of the Côte d'Ivoire market and the surcharges linked to Mali's commercial exchanges have a major impact on Mali's trade performance. The crisis makes it all the more urgent to redefine the economic and commercial strategies in Mali, keeping in mind the development of alternative transportation routes and the diversification of sources of supply and export markets. The chapter on trade facilitation responds to a large extent to this concern.

Real GDP growth averaged 4.3 percent over the period 1985-2002, with noticeable acceleration of growth after the devaluation of the CFA franc in 1994 (see Annex 2 Table A1). All key sectors of the economy, especially those that are export oriented, contributed to the acceleration of growth. In the agricultural sector, cotton production, which benefited from the restored competitiveness, favorable international prices, and relatively good rainfall increased by 12 percent per year on average. The production of rice also surged during the last two decades, and Mali has become a net exporter of rice to its West African Economic and Monetary Union (WAEMU) neighbors, thus contributing to an improvement in its trade balance. This favorable trend will be supported by the operations of the Manantali Dam, which started operations in late 2002.

The rapid development of the secondary sector, led by the mining industry, led to an increase in its share in the economy from about 15 percent before the devaluation to about 24 percent of GDP in 2002. Mining output accounted for almost one half of the value added of this sector with most of the rest originating mainly from public works and construction. Gold production and exports increased tenfold between 1995 and 2002, with a major impetus given by the opening of the SADIOLA mine in 1997. Hence, Mali has become Africa's third-largest gold producer and exporter, after South Africa and Ghana. The value of gold exports rose from CFAF 40 billion in 1996 to CFAF 137 billion in 1998 before ballooning to CFAF 439 billion in 2002. With successive reforms of the mining code in 1991 and 1999, Mali succeeded in attracting major investment in the sector.

The marked increase in cotton production has not yet been followed by commensurate improvement in the textiles industry, because the high costs of energy and labor, and the low quality of workers in the sector constrains the sector's competitiveness. Additionally, the large subsidies granted to cotton producers in industrial countries have resulted in lower international prices that especially hurt the cotton growers in West Africa. Recent steps taken by the government to improve efficiency of cotton ginning operations are likely to help Mali, as sub-Saharan Africa's largest cotton producer, to better withstand the impact of these exogenous shocks. On the demand side, the government sharply reduced its consumption after the CFA franc devaluation, thereby improving domestic saving. This, together with an improved ability to manage the impact of droughts, helped lower inflation to an average of 2.1 percent[1] per year over that period.

The positive developments in the real sector translated into a surge in Mali's main exported products (gold, cotton, and livestock), which represent 90 percent of Mali's total exports. Hence, the trade deficit narrowed from an average of 6.6 percent of GDP over the period 1985-93 to 1.5 percent during 1993-2002, despite the negative shocks that affected the price of cotton and gold during the period 1995-2002. The external current account deficit, excluding current official transfers, narrowed from 10.8 percent of GDP in 1999 to 6.3 percent of GDP in 2002.

The improvement in the fiscal position has been noticeable since the devaluation of the CFA franc, with the overall fiscal deficit, on a payment order basis and

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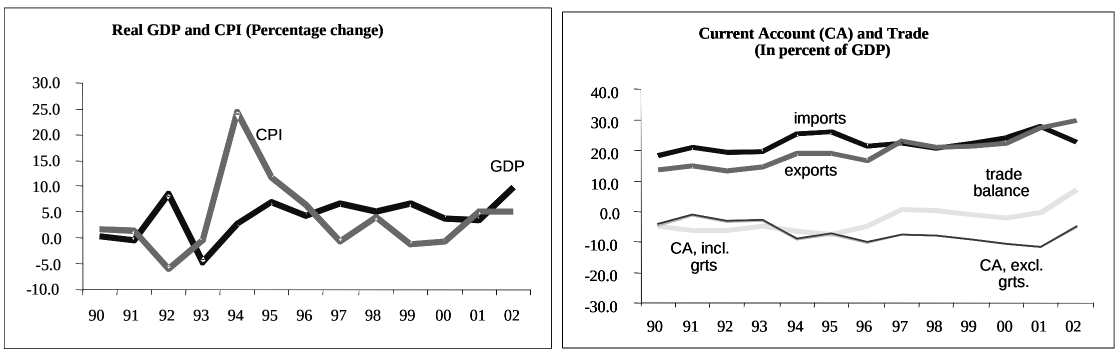
[1] Consumer price index.

excluding grants, narrowing from 14.0 percent of GDP in 1994 to 7.7 percent in 2002. This improvement occurred in spite of efforts made to increase social spending in the context of the Initiative for Heavily Indebted Poor Countries (HIPC Initiative) and Mali's strategy to combat poverty, as well as the negative impact of the Ivoirian crisis on tax collection performances. The improvement reflects a strengthening of standards regarding public resource management, with a streamlining of the tax system, the move toward a performance-based budgeting, and the tracking of poverty-related spending following the adoption of a new budget-coding scheme.

FIGURE 1.1 MALI: SELECTED ECONOMIC INDICATORS, 1990-2002



Sources: Malian authorities; and IMF staff estimates.

Despite the encouraging results obtained in terms of macroeconomic stabilization, improved competitiveness, and positive economic growth, the financial and economic situation remains fragile, and important structural measures remain to be completed, such as reforms in the cotton sector, transport sector, financial sector and the reform of public enterprises. The prospects for stronger growth are hampered by constraints related to, in particular: weaknesses in the legal and regulatory framework; cumbersome administrative procedures; a fragile and undiversified financial system; and inadequate infrastructure, including deficiencies in energy, telecommunications, and transport sectors. These constraints combine to keep business and transactions costs high relative to other countries. In addition, the social indicators remain weak, poverty is widespread, and the Malian economy, which is largely agricultural and not very diversified, remains vulnerable to adverse weather conditions and external shocks, particularly the terms of trade.

In order for Mali to achieve the Millennium Development Goals (MDGs), a continued broadening of the economic base is required in order to withstand the impact of potential droughts and external shocks. Meeting these challenges will require enhancing productivity and competitiveness by promoting the development of the private sector; improving governance and transparency; developing human resources; strengthening access to basic social services; as well as developing infrastructure.

The medium-term framework envisaged in the country's Poverty Reduction Strategy Paper (PRSP) and in the Debt Sustainability Analysis (DSA) conducted in the context of the HIPC Initiative assumes continuous implementation of sound macroeconomic policies and sustained economic growth. It is especially urgent to find new sources of growth and employment since cotton and gold, the two sectors that led the economy over the past decade, are unlikely to grow rapidly in the coming years.

Faced with such a challenge, it is critical for the authorities to ensure an enabling environment for private investment and for the diversification of the economy. Growth potential is high in the industrial sector, especially for textiles and agribusinesses, which can add value to domestically produced raw materials and agricultural products. Also, developments in the production and export of rice as well as in the telecommunications industry are expected to contribute to real GDP and export growth. However, such a strategy will require: (i) consolidating further the fiscal position and strengthening public resource management so as to maintain the economy's competitiveness; (ii) developing human capital through adequate social policies; (iii) accelerating regional integration; (iv) improving the legal, judicial, and regulatory environment; (v) completing the privatization program; (vi) lowering utility costs; and (vii) developing transportation and road networks, an essential element for a landlocked country. Implementing such a broad strategy will take time before it can have a noticeable effect on growth, and it will require the continued support of the international community. Hence, real GDP growth is projected to average 4.0 percent a year over the period 2003-05, compared with 5.0 percent a year over the period 1994-2002, and to rise progressively to 6 percent by 2012. At the same time, inflation is expected to remain low.

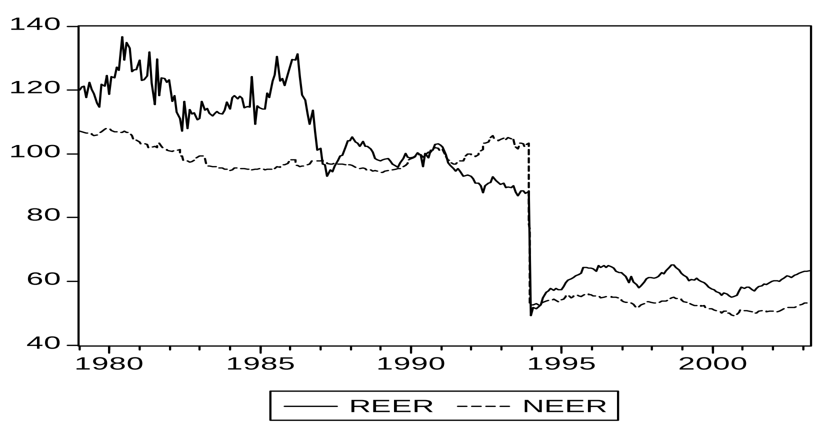
1.2 EXTERNAL SECTOR PERFORMANCE

1.2.1 Mali's International Competitiveness

The devaluation of the CFA franc in 1994 by 50 percent in foreign currency terms, helped to strengthen Mali's external position and attract foreign direct investment, especially in the gold sector. The external adjustment was reinforced by domestic adjustment efforts aimed at consolidating the fiscal situation, and by keeping a firm control over wage and labor policies, while strengthening revenue collection and improving public resources management.

The nominal effective rate has been fairly stable since the devaluation of the CFA franc in January 1994, increasing by 1.1 percent until April 2003 (Figure 1.2). This movement reflects the exchange rate peg with the European currency and the high proportion of Mali's trade with European and other WAEMU countries. The real effective exchange rate index, based on consumer price indices, appreciated in the two years following the devaluation, but subsequently depreciated by 2½ percent between June 1996 and April 2003. However, since then, the REER has appreciated in line with the appreciation of the euro against the dollar. Since WAEMU and the EU are Mali's principal trading partners, the appreciation of the CFAF via-à-vis the US Dollar has had little negative effect on Mali's trade balance. In April 2003, the index was about 28 percent below its pre-devaluation level, though no visible signs of competitive gains have been witnessed in the manufacturing sector. It is essential that price inflation in Mali is contained in order to ensure that the REER does not appreciate further and erode Mali's price competitiveness.

FIGURE 1.2 REAL AND NOMINAL EFFECTIVE EXCHANGE RATES (JANUARY 1979 - APRIL 2003)



Source: IMF staff estimates.

Mali's ability to compete in world markets is not only dependent on the natural resources which make up its economy (i.e. *comparative advantage*), but also on Mali's ability to adapt to supply and demand conditions by adopting the necessary technology to deliver products in an appropriate form to external markets (i.e. *competitive advantage*). Competitiveness can thus be seen as the achievement of a sustainable rise in the standards of living of a nation and a low level of involuntary unemployment.[2] Quantitatively, external competitiveness can be gauged through the standard unit labor cost-based measure of the real effective exchange rate.[3] More simply, competitiveness can be measured by the level of manufacturing output produced by each worker in employment and/or by capital intensity (i.e. *manufacturing productivity*).

The government aims to improve Mali's competitive advantage through an industrialization program spanning 2003-07 by creating 16,000 jobs in manufacturing activities and by increasing the share of manufacturing in GDP from 8 percent in 2003 to 12 percent in 2007 (MIC, 2003). In order to achieve this, investment will be needed to raise manufacturing productivity, generate new activities surrounding import-substitution and enhance human capital (see section 3.1 on policies to improve competitiveness).

TABLE 1.1 MANUFACTURING VALUE ADDED IN WEST AFRICA, 1980-1998

	MVA per capita (US$)			Annual growth (%)			MVA share in GDP (%)		
	1980	**1990**	**1998**	**1970-80**	**1980-90**	**1990-98**	**1970-80**	**1980-90**	**1990-98**
Benin	37	31	37	-2.6	-1.7	2.2	9.4	7.8	8.0
Burkina Faso	54	47	51	1.6	-0.7	0.3	19.2	15.3	15.0
Côte d'Ivoire	235	194	217	4.9	-0.5	1.1	19.2	20.9	22.2
Guinea Bissau	31	17	9	-2.2	-6.8	-4.8	15.1	7.1	4.5
Mali	17	23	26	1.7	4.1	2.2	5.8	8.1	8.7
Niger	13	21	18	-5.9	2.7	-1.5	2.7	6.6	6.1
Senegal	82	102	101	-1.0	1.7	-0.2	10.9	13.1	12.8
Togo	46	46	44	-3.8	-1.3	-0.7	8.2	9.9	10.6
Africa	76	83	80	0.7	1.3	-0.6	11.0	12.7	12.3
Total LDC*	161	203	291	4.5	3.1	5.2	19.5	21.2	24.0
DC**	3 712	4 430	4 880	2.1	2.1	1.5	22.9	22.0	21.4

Note: * Less developed countries including China
** Developed countries excluding economies in transition
Source: UNIDO. Country Industrial Statistics [online]. Vienna. Available from **www.unido.org**

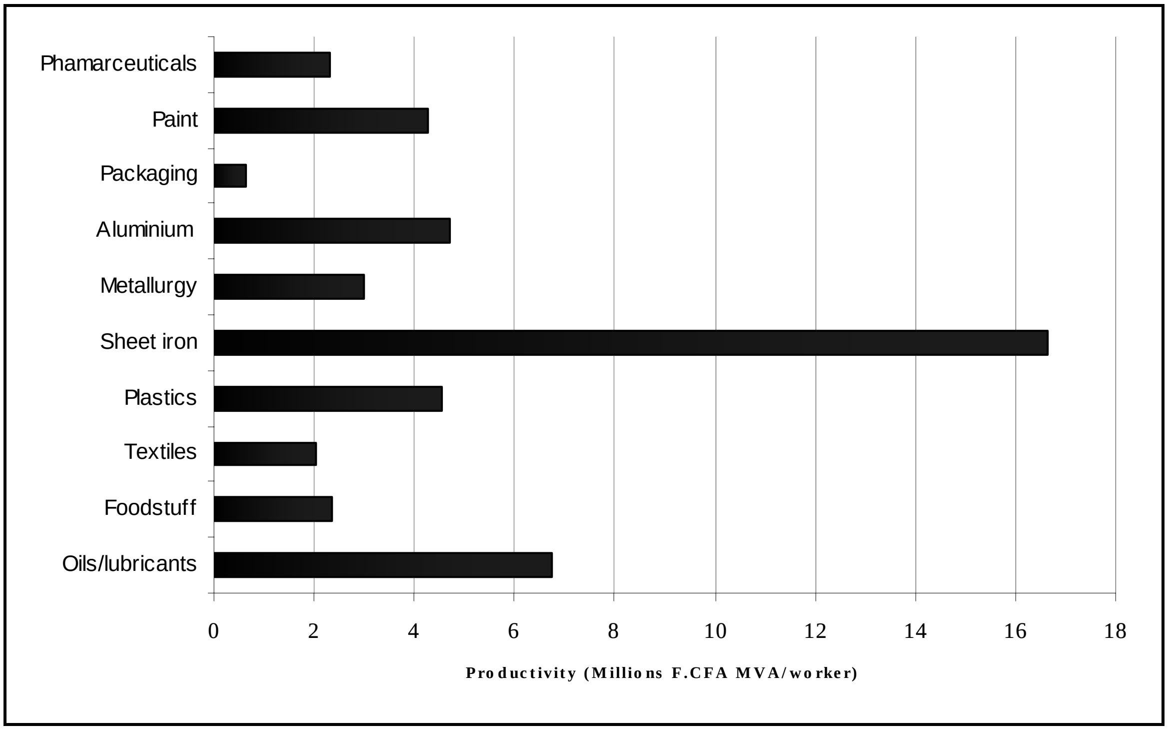
[2] As defined by the European Commission (2001).

[3] See for example Cerra and Soikkeli (2002). Such a measure does not take into account the cost of transportation and other costs associated with exporting.

Productivity in industry can be measured by the level of manufacturing value added (MVA) by worker[4] and the level of industrialization by the share of MVA in national economic output. Currently, the level of manufacturing value added in Mali is extremely small, even by the standards of the sub-region. Table 1.1 presents statistics on manufacturing value added in the sub-region and selected world indicators over twenty years.

Mali is one of the few countries in the subregion that has experienced an improvement in its MVA. However, the base upon which MVA has grown since 1980 was the second lowest in the region, being just above Niger. Mali now ranks as third lowest in the sub-region, above Guinea Bissau and Niger, in terms of MVA per capita. Its MVA per capita is four times lower than Senegal and eight times lower than Côte d'Ivoire, and eleven times lower than the average of LDCs. In terms of the contribution of manufacturing to economic output, Mali fares slightly better, with 9 percent of GDP accounted for by MVA.

FIGURE 1.3 MANUFACTURING PRODUCTIVITY IN MALI BY BRANCH, 2000



Source: USAID financed study by Coulibaly (2001).

[4] In the absence of MVA by worker, we use MVA per capita as a proxy.

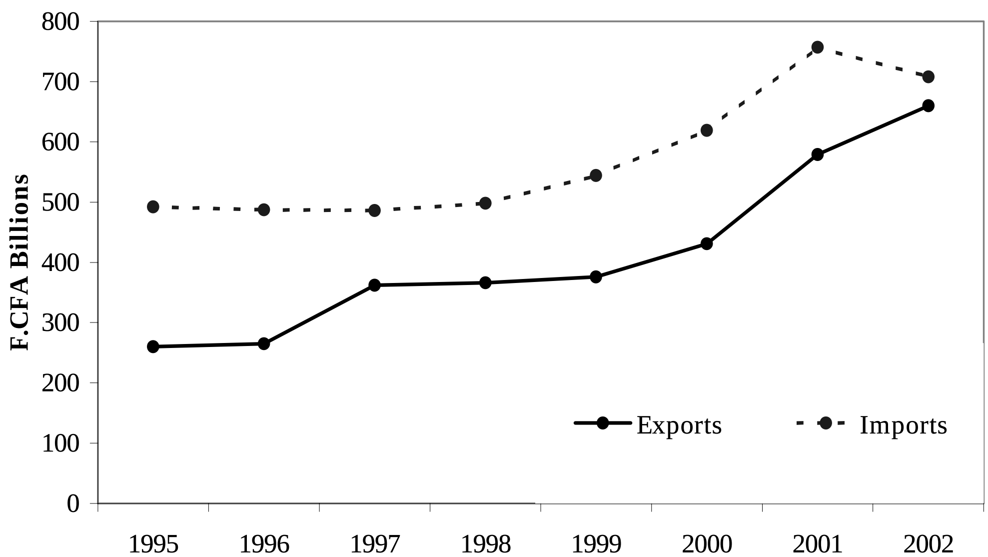
The level of productivity per worker in Mali reached 3 million CFAF in 2000, though the level varies greatly from one sector to another. The sector that has recorded the highest manufacturing productivity relates to sheet iron production, which recorded 16 million CFAF per worker, whereas the lowest level of productivity was reached by packaging at less than 1 million CFAF (See Figure 1.3). The low level of productivity in packaging has major implications for the agricultural industry, which relies on modern packaging materials for exporting.

Poor productivity stems from the low levels of investment in physical capital and in education. Beyond investment in new technologies and physical machinery, on the job training and formal education should be seen as import determinants in achieving productivity gains.

1.2.2 Trade Profile

Mali's outward orientation has become substantial over the last decade, with exports reaching nearly one third of GDP, and total trade reaching over three fifths of GDP.[5] The surge in exports, which grew by 14 percent per annum between 1995 and 2002 (compared to 5 percent for imports), has narrowed the trade deficit from 10 percent of GDP in 1995 to 2 percent in 2002 (see Figure 1.4).

FIGURE 1.4 MALI'S TRADE PROFILE, 1995-2002



Source: DNSI (2003) *Comptes économiques*, Bamako, April

[5] That is exports plus imports as a proportion of GDP.

Despite improvements made in the aggregates, Mali's trade profile has highlighted a tendency to be dependent on commodities and raw materials for exports and manufactured goods for imports, thereby leading to deterioration in the terms of trade, which fell by nearly 1 percent per annum between 1995 and 2002. An example of this has been the downward trend in cotton prices since the 1980s. Cotton exports, which represent around half of Mali's exports, have been affected by the fall in world cotton prices, which in turn has exacerbated the decline in terms of trade (see Box 1.2 for a analysis of the causes surrounding declining prices).

Mali exports essentially three commodities - gold, cotton and livestock - which account for over 90 percent of total merchandise export earnings (Table 1.2). Even by comparison with some of its neighbors, Mali's exports are highly concentrated.[6] Major destination markets are the European Union (over 37 percent of total recorded exports in 2002), Thailand (15 percent) and India (8 percent). In terms of regions Europe and Asia account for over 80 percent of the total, while exports to African countries reached 10 percent (Table A2.2).

While Mali's exports to its African partners are rather limited, about 40 percent of total imports come from African partners, mostly from WAEMU countries. The European Union remains the major supplier of products to Mali (Table A2.3).

These figures should be taken, however, with caution in view of the limited availability and reliability of Mali's trade data, which suffers from misreporting, errors and omissions. Mali's trade is, in particular, incorrectly recorded as being to or from Senegal or Cote d'Ivoire (the two main channels through which Mali's trade flows), whereas those goods in fact just transit through the two countries from or to third countries. Porous borders and informal trade also contribute to an underestimation of some trade flows as, for instance, in the case of livestock.

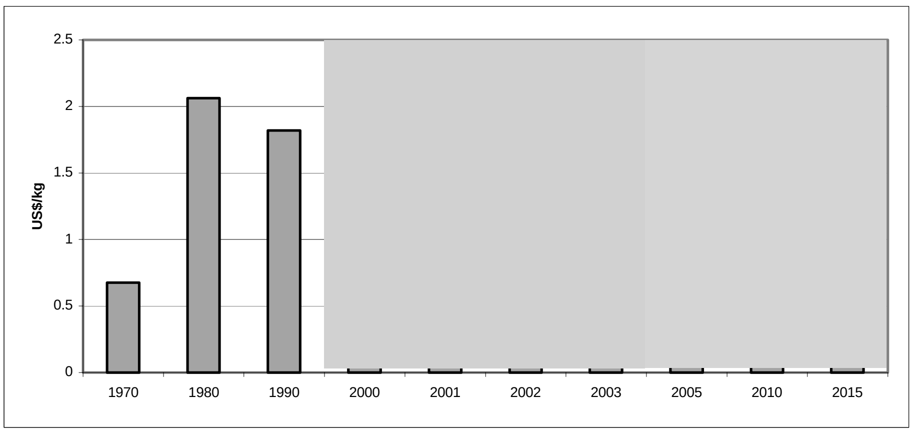
This situation undermines Mali's ability to appropriately analyze and monitor its external trade and calls for a strengthening of Mali's trade flows statistics collection and reporting practices, particularly at the level of the customs administration (see Chapter 3). Better coordination between the different government bodies, notably the Customs and the Ministry of Industry and Trade, would also contribute to providing more accurate trade data.

[6] The Hirschman-Herfindahl index of export concentration stands at about 0.7 for Mali, 0.4 for Côte d'Ivoire, and 0.3 for Senegal.

BOX 1.2 WORLD COTTON PRODUCTION AND PRICES

According to a recent study by Gorieux (2003), subsidies to cotton producers in developed countries amounted to US$5.2 billion in 2001-02, encourage the overproduction of cotton and thereby a downward pressure on cotton prices. The countries with the highest subsidies in 2001-02 were the United States ($4 billion), China ($1.2 billion) and the EU ($1 billion for Greece and Spain). Subsidies continue despite the call for their end in the Uruguay Round agreements. Figure 1.3 plots the world cotton price over four decades. Although the price fluctuated widely, a downward trend is evident since the 1980s, when the cotton price was more than double the price recorded in 2002. The downward trend is explained primarily by the oversupply of cotton from the US and China which account for 20 percent and 23 percent, respectively, of world production, in contrast with Mali's 3 percent share. As lower subsidies are expected after 2003, cotton prices are projected to recover somewhat , to about three quarters the level in the 1980s.

FIGURE 1.5 COTTON PRICES, 1970-2015



Note: Grey areas represent different time scales; 2004-2015 are projections.
Source: World Bank (2003)

The impact on Mali of the subsidy-induced price reduction is a loss in net export revenue of an estimated US$42 million, equivalent to a quarter of Mali's cotton exports (Goreux, 2003). Oxfam (2002) estimates these losses to be equivalent to 1.7 percent of GDP (or 8 percent of export earnings). The subsidies impact negatively on a substantial share of the Malian economy, and thereby on its poverty reduction objectives. The most affected are the rural poor, a third of whom are heavily dependent on cotton production. In addition, the potential of other activities in the supply chain are affected, notably spinning, textiles, and cottonseed oil derivatives (DNSI, 2003).

It is important to note that Mali enjoys a *comparative advantage* in cotton production, unlike either the US or the EU. Moreover, in the absence of subsidies, Mali also enjoys *competitive advantage* over US and EU producers. Mali together with Benin, Burkina Faso and Chad, co-authored the Cotton Initiative (submitted to the WTO in April 2003 and discussed at the WTO Ministerial Conference in Cancun in September 2003) which highlighted the deleterious impact of subsidies on their trade and economic prospects, and requested compensatory measures and a phase out of the subsidies. WTO proceedings against the subsidies were subsequently initiated by Brazil to seek compensation for losses believed to have been incurred due to the US subsidies.

TABLE 1.2 COMPOSITION OF MERCHANDISE TRADE (billions of CFA francs)

	1996	1997	1998	1999	2000	2001	2002
Total Exports	**221.4**	**327.7**	**331.1**	**351.6**	**388.1**	**531.2**	**631.4**
Gold	39.8	117.2	133.1	142.4	189.4	353.8	411.6
Cotton	134.9	161.2	150.5	153	112.1	83.2	141.3
Livestock	30.0	31.3	28.1	33.0	44.3	44.9	27.3
Hides and Leather	2.6	3.1	3.2	3.4	6.8	8.8	7.9
Shelled groundnuts	0.3	0.2	0.2	0.2	1.2	1.5	1.7
Fish	0.9	0.9	1.0	1.0	1.6	1.5	1.6
Other	12.9	13.9	15.0	18.6	32.7	37.4	40.0
Total Imports	**395.1**	**433.6**	**447.9**	**507.2**	**573.4**	**715.7**	**647.1**
Machines and vehicles	115.4	125.2	128.3	154.1	178.4	222.0	158.3
Chemical products	36.8	39.2	43.3	50.4	83.7	91.0	129.2
Petroleum products	52.2	61.1	52.0	71.0	120.4	138.3	113.1
Foodstuffs	58.0	64.7	72.8	68.9	56.3	87.9	83.8
Construction materials	39.8	47.1	50.7	51.9	53.5	95.0	79.7
Textiles and leather	23.3	23.7	26.6	22.4	16.5	21.9	19.3
Other	69.6	72.6	74.2	88.5	64.6	59.6	63.7
Memorandum items							
Share of 3 main exported products (%)	92.5	94.5	94.1	93.4	89.1	90.7	91.9
Exchange rate (FCFA per US$)	511.6	583.7	590.0	615.7	712.0	733.0	697.0

Source: Central Bank of West African States

1.3 TRADE POLICY

Mali has a relatively open and transparent trade regime that resulted from reforms in the latter half of the 1990s, which included the implementation of the WAEMU Common External Tariff (CET) in January 2000.[7] Mali's trade policy is

[7] Mali is also a member of ECOWAS, which comprises Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Niger, Nigeria, Senegal, Sierra Leone and Togo.

essentially based on duties and taxes.[8] Between 1998 - the last time when the WTO carried out a Trade Policy Review for Mali - and 2003, the average tariff rate fell from about 22 to 12 percent, with tariff rates ranging from 0 to 20 percent (3 to 35 percent in 1998). The customs union resulted in the dismantling of internal tariff barriers and the adoption of common rules for customs valuation of goods. Mali has dismantled internal tariffs and complies with the WAEMU tariff nomenclature and rate structure.[9]

1.3.1 External Tariffs and Other Import Taxes

The adoption of the WAEMU Common External Tariff (CET) in 2000 streamlined Mali's differentiated tariff structure and reduced tariffs on imports. The CET has four rates: (i) zero tariff on social, cultural, scientific goods, agriculture inputs, capital goods, computer and data equipment that are not available through local production; (ii) 5 percent tariff on raw materials, crude oil and cereals for industrial use; (iii) 10 percent tariff on intermediate goods, diesel and fuel oil, and other cereals; and (iv) 20 percent on consumer goods. The resulting simple tariff average is about 12 percent.

As depicted in Figure 1.6, this tariff structure results in a clear escalation pattern for most industrial sectors.

In addition, goods are subject to the following import duties:

- Community-wide solidarity taxes (Prélèvements Communautaire de Solidarité, PCS) for the financing of the WAEMU and ECOWAS secretariats (respectively 1 and 0.5 percent of the value of imported goods); and

- Statistical tax (Redevance statistique, RS) equal to 1 percent of the value of imported goods.

WAEMU provisions include various mechanisms intended to temporarily mitigate the impact of the adoption of the CET on specific industries, namely the Decreasing Protection Tax (Taxe Dégressive de Protection, TDP) and the Compensatory Import Levy (Taxe Conjoncturelle à l'Importation, TCI). Mali did not implement the TDP[10] and, in principle, suspended the application of the TCI

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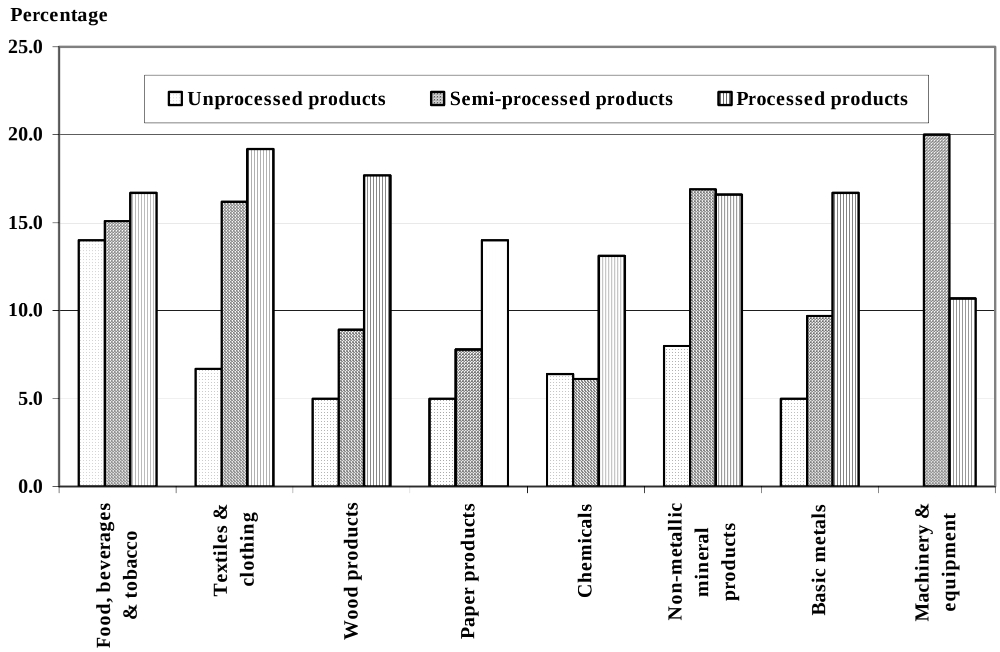
[8] A comprehensive review of Mali's trade policies was conducted by the WTO late 1998, the next one should in principle be scheduled in 2004.

[9] The only divergence from the CET is that ten lines have been classified under a different category (though the applied rate remains either 0, 5, 10 or 20 percent).

[10] The TDP was meant to be phased out by 2003, though two rates (2.5 percent and 5 percent) will still apply until 2007.

on sugar imports (at a rate of 55 percent) in August 2001. However, domestic production of sugar still benefits from additional protection since, reportedly, the suspension is effective only if importers buy domestically produced sugar. In March 2003, for each ton of domestic sugar bought, operators were allowed to import two tons exempted of TCI. The effectiveness of this measure, is however, largely undermined by the pervasive levels of sugar smuggling, notably through Mauritania, Senegal, Gambia, Guinea-Bissau, and Guinea-Conakry and possibly Burkina Faso and Côte d'Ivoire. The widespread smuggling of sugar could indeed jeopardize any further investment in Mali's production capacity (see Section 4.1.1.3).

FIGURE 1.6 TARIFF ESCALATION FOR MANUFACTURED PRODUCTS ISIC TWO-DIGIT, 2003



Source: WTO Secretariat on the basis of data provided by the World Bank.

In addition to the above mentioned import duties and taxes, imports are subject to a 5 percent anticipated tax (Acompte sur Divers Imports et Taxes, ADIT). This tax is deductible from companies' tax bills and is intended to discourage informal activities. An excise tax (Impôt Spécial sur Certains Produits, ISCP) is levied on several goods, mainly applied to alcoholic and soft drinks, cigarettes and cosmetics, at rates ranging from 1 to 45 percent. Finally an 18 percent VAT is levied on all goods. As import duties decreased significantly in recent years, the share of TVA in total customs receipts increased from 43 percent of total receipts in 1998 to 50 percent in 2002. The burden of taxes on petroleum products (Taxe Intérieure sur les Produits Pétroliers, TIPP) has become so extreme that customs receipts from the TIPP have increased by 76 percent between 2000 and 2002. Table 1.3 summarizes the principle taxes and duties applied to traded goods.

TABLE 1.3 SUMMARY OF PRINCIPAL TAXES ON TRADE IN 2002

	Range
Common external tariff	0-20%
Solidarity tax (WAEMU)	1%
Solidarity tax (ECOWAS)	0.50%
Statistical tax	1%
Protection tax	2.5-5%
Import sales tax	55%
Recoverable tax (ADIT)	5%
Special tax on specific products (ISCP)	1-45%
Value added tax	18%
Domestic tax on petroleum products (TIPP)	Variable

1.3.2 Non Tariff Barriers

The use of non-tariff barriers appears largely circumscribed. There are no licensing requirements, though importation and exportation of goods must be carried out on the basis of a document known as the "certificate of intention to import," issued automatically by the National Directorate of Trade and Competition (DNCC) without any restrictions on quantity and value.[11] The primary purpose of this requirement is to collect information on the intentions of the economic agents for trade flows forecast and analysis. However, the authorities noted that this mechanism suffers from difficulties to corroborate ex-ante data with actual trade data collected at the customs, as well as from the fact that some significant export products are not being handled through the DNCC. Indeed, the main justification of maintaining this system appears to be the collection of fees for the pre-shipment inspection of imports. Import and export restrictions are maintained mainly on health, security or national security grounds. However, imports of live cattle as well as bovine meat are prohibited. Similarly, exports of young male and non-sterilized females cattle are prohibited, to protect domestic production.[12]

[11] Decree No. 00-505 / P-RM of 16 October 2000.

[12] Order No.01-2699 / MICT-SG of 16 October 2001 and its Annex.

1.3.3 Tariff and Duty Exemptions

Tariff exemptions remain large in Mali, and more often than not, constitute a source of confusion between operators and the state. It is important that procedures related to duty exemptions become clearer and more transparent. At the same time, one should review whether the customs administration has the ability to police duty exemptions. The number of categories of exemptions permitted has been confined to 14 categories, though it should be possible to simplify these further.

Reducing the number of exemptions and simplifying procedures should be considered a priority for customs reforms since procedures differ according to the type of exemption applied and the application of rules gets lost in a multiplicity of systems, which generates confusion and distortions in treatment. This results in many potential beneficiaries abandoning their claims for exemptions. Certain categories could be regrouped such as those foreseen in the Investment Code and those that support economy-wide activities. Exemptions are particularly disregarded in the case of the Investment Code since enterprises prefer paying the 5 percent duty on equipment rather than deal with the paperwork involved in exemptions. Table 1.4 illustrates the importance of duty and tariff exemptions for Mali's trade regime.

Four duty exemptions are particularly significant:

- Exemptions related to supporting companies that invest in economic or employment generating activities, or import essential medical equipment or medicine (requiring permission from the related ministry).

- Exemptions related to major projects and agreements, that will benefit the overall economic conditions in Mali, for example by financing infrastructure, investing in education, health, water resources, energy, etc. These types of exemptions account for the bulk of total exemptions (representing 43 percent in 2002). A contentious issue with these exemptions relates to the possible distortionary competitive behavior arising from obtaining duty exempt goods. For example, a local Malian firm producing bicycles and motorbikes under license was unable to compete with duty free imported bicycles of the same kind, which entered the market under this type of exemption. The economic reasoning behind these types of exemptions is not contested though it remains to be determined whether the customs administration is able to manage these operations in order to avoid abuse or fraud. It is therefore recommended to undertake audits on the application of these exemptions.

- Exemptions related to mining vary considerably in importance depending on the initial phases of exploration and exploitation of mines. Owing to difficulties in assessing the timing of such activities, enforcing the correct rules is difficult for the customs administration. A supple approach therefore needs to be adopted in the mining sector.

TABLE 1.4 VALUE OF DUTY AND TARIFF EXEMPTIONS, 1998-2002

	1998	1999	2000	2001	2002	1998/02 (%)
Public enterprises	0.0	0.0	0.0	0.0	0.0	0
Supporting economic activity	0.0	2.011	2.918	4.446	2.619	+ 30*
Supporting health policies	0.0	0.431	0.722	0.346	1.299	+301*
Sociétés Conventionnées	0.218	0.521	0.894	0.410	0.542	+248
Projects granted	**8.213**	**10.329**	**14.404**	**24.581**	**11.214**	**+ 37**
Diplomatic franchises	0.822	0.621	1.136	1.641	1.304	+ 59
Code 709	0.477	1.115	3.663	2.404	1.698	+356
National policy	1.288	0.0	0.0	0.0	0.0	n.s.
N.G.O	0.216	0.236	0.079	0.103	0.801	+370
Investment Code	3.893	2.727	0.044	0.273	0.080	-100
Cogestion	0.061	0.0	0.0	0.018	0.001	n.s.
Exceptional exemptions	1.415	1.192	1.081	1.852	2.918	+206
Army and other	0.0	0.001	0.004	0.0	0.0	n.s.
Mining Code	0.766	1.887	3.933	12.129	3.562	+465
Total Exemptions (E)	**17.372**	**21.076**	**28.884**	**48.209**	**26.042**	**+ 50**
Recovered (R)	124.693	131.494	119.955	145.278	170.602	+ 37
Ratio E/R (%)	14	16	24	33	15	
Note: Total imports	498	544	619	757	708	+42

Note : * represents a variation between 1999 and 2002; n.s.: not significant

Source : DG D – Values in Billions of CFAF

Exceptional exemptions are plagued with ambiguity though it should normally relate to the exceptional development needs and imports used by NGOs (i.e. vehicles or equipment). This category has experienced a jump of 71 percent in 2001 and 57 percent in 2002. In order to become more transparent (and equitable), it would be opportune to limit the usage of this type of exemption.

It is important to note that the ratio of exemptions to recoverable duties and tariffs has remained stable between 1998 and 2002 (at between 15 and 20 percent), except in 2000-01 when the ratio went from 24 percent to 33 percent owing to the African football cup which was held in Mali. The gradual increase in exemptions (+50 percent) over the period, has rendered the operations of the customs authorities more difficult and unnecessarily burdened.

1.3.4 Regional Integration and International Agreements

1.3.4.1 West African Regional Integration

Mali's landlocked situation in the heart of West Africa, provide it with a unique set of opportunities and constraints in terms of export performance. The expected benefits of regional integration in terms of export growth would be achieved by gaining access to a larger market than that afforded by the domestic economy; greater opportunities for investments; more efficient resource allocation as a result of economies of scale and sharper competition in a larger market; and enhanced integration into the world economy. Notwithstanding the initial intentions of the two integration processes in West Africa, namely ECOWAS and WAEMU, a number of important integration initiatives have failed to be adopted, and are thus compromising the growth potential of Mali.

Mali is a founding member of ECOWAS,[13] whose revised Treaty proposes a central bank and West African parliament. Achievements of ECOWAS to date have been limited, but include a quasi establishment of a free-trade area at the end of 1999 and a gradual adoption of a CET. In principle, local products and traditional handicrafts may circulate freely within the ECOWAS, together with certain processed products approved under the preferential regime; but for the moment, many countries do not grant such preferential treatment. A major impediment to trade liberalization is the absence of a compensation mechanism to offset the loss in customs revenue by less developed member countries. According to a report by the EIU (2002), only Benin had removed barriers on industrial products as of 2002.

Internal tariff dismantling is not operational throughout the ECOWAS region, so that there is not an actual free trade area on an ECOWAS-wide scale. Completing that part of the trade liberalization plan is one of ECOWAS's short-term priorities and a fast-track approach has been initiated which involves

[13] ECOWAS was established in 1975 by 15 West African countries; Benin, Burkina Faso, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo. Cape Verde joined ECOWAS in 1977, and Mauritania withdrew in early 2000.

establishing a free trade area. The trade liberalization plan should be completed with the adoption of a Common External Tariff (CET) by the 15 members, thus transforming ECOWAS into a customs union (European Commission, 2002).

ECOWAS achievements in creating a common market have been limited owing to restrictive practices with regard to the movement of goods by numerous tariff and non-tariff barriers. Movement of capital is also very limited, primarily owing to the fact that there is little saving, financial services are expensive, and investment codes are still to be harmonized owing to the temptation of States to grant exemptions and special advantages to attract investors.

Mali is also a founding member of the WAEMU.[14] The treaty of WAEMU aims to extend the process of integration between the eight member states already tied to a common currency, the CFA franc, and a single monetary policy under the aegis of the Banque centrale des Etats de l'Afrique de l'ouest (BCEAO). The main objectives of the WAEMU are: (i) convergence of the economic performance and policies of member States through the institution of a multilateral monitoring procedure; (ii) establishment of a common market; (iii) coordination of sectoral policies; and (iv) harmonization of member States' legislation, particularly the taxation regime, to the extent necessary for the proper functioning of the common market (WTO, 2003).

The WAEMU has introduced a community mechanism for financial compensation to offset the loss of customs revenue in countries importing originating industrial products during the period 2000-05. A CET was introduced on 1 January 2000 on the basis of a common tariff and statistical nomenclature and a common customs valuation regime for goods (see Section 1.3.1 for more details on tariff rates under WAEMU). WAEMU has adopted common policies in the areas of agriculture, energy and industry. Harmonization of fiscal legislation in member States has made progress in converging value-added tax (VAT), excise duty, taxation of petroleum products, advance payment of tax on industrial and commercial profits, the legal framework, government finance accounts and statistics, accounting legislation (SYSCOA) and the regional financial market. The WAEMU recently introduced a community policy on competition, which came into effect on 1 January 2003, but is not yet being applied (WTO, 2003).

WAEMU has been far more successful in integrating its economic and monetary policies, as exemplified by the monetary union. Furthermore, the common market agenda of WAEMU includes the strengthening of the customs union and

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

eliminating non-tariff barriers to the movement of goods, particularly by implementing competition policy, standardization and quality control, harmonizing legislation on public procurement, intellectual property, taxation and consumer policy; the agenda also involves measures to facilitate trade. The WAEMU is also working toward harmonizing legislation to ensure free movement of people, services and capital.

Developing the WAEMU customs union has led to some improvement in the working of customs in the WAEMU; and the introduction of a FTA between the non-WAEMU ECOWAS countries has likewise stimulated reform of the customs sector. In the area of transportation, the organizations of WAEMU and ECOWAS have still not managed to persuade their members to apply the regional strategies and directives (European Commission, 2002). The overall consequence of the slow pace of integration in the area of trade facilitation has been to impede the flow of trade between Mali and its neighbors.

The international development community has been strongly supportive of the West African integration process. Most prominent are the European Commission's Regional Indicative Programme (RIP) for West Africa, the World Bank's Regional Integration Assistance Strategy (RIAS) and USAID's West African Regional Program (WARP). These efforts are clearly directed at ensuring that economic and regulatory issues pertaining to the region as a whole are tackled through further regional integration. In the area of trade, the European Commission has focused tremendous effort on private sector development, and trade facilitation and support, particularly in the area of transportation, where just over one third of its RIP resources are allocated. USAID has provided funding for the West African Power Pool (WAPP) and emphasizes regional integration and trade as central pillars in its regional assistance strategy.

The World Bank is collaborating in the areas of regional energy networks (West Africa Gas Pipeline and Power Pool projects), and on trade reform, by integrating the markets for infrastructure services and unifying a propitious environment for private sector investment. (World Bank, 2001). Work on trade reform would also include the adoption and implementation of an ECOWAS common external tariff (harmonized with the WAEMU CET) and the elimination of non-tariff impediments to trade (such as health standards, road blocks, customs inspections, transit mechanisms, etc.).

Mali's situation is such that it desperately needs the directives of ECOWAS and WAEMU to be completed and for trade facilitation measures to be implemented region-wide. A case in point is the continued problems facing land transportation of goods owing to insufficient coordination for the transit of goods (see section 3.2.2.1).

1.3.4.2 International Agreements

Mali is an ACP country, benefiting from a non-reciprocal tariff preference agreement that offers tariff- and quota-free entry to the EU for ACP countries.[15] It covers 100 percent of industrial products and 80 percent of agricultural products.[16] These preferences will be maintained until 31 December 2007. From 2008 a set of reciprocal Economic Partnership Agreements (EPAs), or alternative trade arrangements, will replace them. The countries not in a position to enter into EPAs could be transferred into the EU's GSP. The negotiations began as of September 2002. The EU also agreed to separate trading protocols on 5 products: sugar, beef and veal, bananas, and rum. Furthermore, on 5 March 2001, the Everything But Arms (EBA) agreement replaced the European Union's Generalized System of Preferences (GSP). The EBA gives duty and quota free access to all the products originating from LDCs, except arms and ammunitions. Only the three most sensitive products, bananas, rice and sugar are not immediately liberalized. In the case of rice, there will be a reduction of the tariff to zero between 1 September 2002 and 1 September 2009. In the meantime, LDC rice can enter duty free within the limits of the tariff quota.[17] In effect all Malian exports enjoy duty free access to the EU market.

Mali also benefits from preferential trade access to the US market through the African Growth Opportunity Act (AGOA). The Act offers beneficiary countries duty-free and quota-free US market access for basically all products through the GSP program. It also provides additional security for investors and traders in African countries. AGOA ensures GSP benefits for eight years, until 30 September 2008, seven years longer than in the rest of the world, and it also eliminates the GSP competitive needs limitation for African countries. In addition to the standard GSP list of approximately 4,600 items, on 21 December 2000, duty-free treatment was extended for more than 1,800 tariff-line items (for example footwear, luggage, handbags, watches and flatware). Nevertheless, as

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[15] The ACP-EU Partnership Agreement is an aid and trade agreement concluded between 76 of the 78 ACP (African Caribbean and Pacific) countries and the EU. It was signed in June 2000 in Cotonou (Benin), therefore called "Cotonou Agreement."

[16] On agricultural products, concessions can be separated into tropical products and temperate products. For the former, the ACP products that do not compete with European products, like coffee or cocoa, enter duty free. Products like cut flowers or tropical plants benefit from a sizeable preferential margin. However, such products enter at already low MFN tariffs.

[17] The initial quantities of the quota shall be based on the best LDC export levels to the EU in recent years, plus 15 percent. The quota will grow by 15 percent every year. In 2001/2002, the quota will be of 2,517 tons (husked-rice equivalent) and in 2008/2009 of 6,696 tons (marketing year from September to August).

discussed in Box 1.3, due to stringent rules, opportunities arising from this preferential access are very limited for Malian exporters.

BOX 1.3. THE APPAREL PROVISION UNDER AGOA

AGOA provides that the following five types of textile and apparel products imported from eligible sub-Saharan African countries can enter the United States duty-free and quota-free. This provision applies to Mali but not to all AGOA eligible countries. These five types of textile are:

- Apparel assembled in sub-Saharan Africa from fabrics wholly formed and cut in the United States, from yarns wholly formed in the United States.
- Apparel cut and assembled in sub-Saharan Africa, using US thread, from fabrics wholly formed in the US from yarns wholly formed in the US.
- Sweaters knit to shape from cashmere or certain wool. The sweaters must be in chief weight of cashmere or 50 percent or more by weight of merino wool measuring 18.5 microns in diameter. Fibers and yarn can come from any country, including countries outside sub-Saharan Africa.
- Apparel cut or knit to shape and assembled in sub-Saharan Africa from third-country yarn or fabric in short supply. The yarns and fabrics considered in "short supply" (silk, linen, fine-count cotton, circular knit fabrics for certain apparel, cotton velveteen, fine wale cotton, corduroy, Harris Tweed, batiste fabrics, and 9 types of lightweight high-thread count broadwoven fabrics for men's and boys shirts.
- Handloomed, handmade and folklore articles.

Furthermore, imports of apparel assembled in sub-Saharan Africa from fabric wholly formed in sub-Saharan Africa from US or sub-Saharan African yarn are subject to a limit ranging from 1.5 percent to 3.5 percent of the US apparel import market over an 8-year period. Over that cap, normal MFN duties will be levied. The limit is unlikely to affect Mali's export potential to the US market.

1.4 INSTITUTIONAL FRAMEWORK FOR TRADE POLICY

Since the introduction of political pluralism in March 1991, Mali has been working towards the establishment of dynamic and credible institutions capable of promoting overall national development and contributing effectively in the fight against poverty. Despite significant progress, weak institutional and administrative capacities remain a major constraint to development and poverty reduction and much effort is still needed, in order to consolidate the rule of law, combat corruption and promote social stability. Indeed, the first strategic pillar of Mali's PRSP aims at reinforcing institutional capabilities and improving governance and participation.

Not surprisingly, these general weaknesses also apply to Mali's institutional capacities for trade policy formulation and implementation. Indeed, the scope, complexity and variety of trade-related policies, which often involve various ministries or entities, are particularly demanding and require well functioning coordination mechanisms, which appear particularly weak in Mali. The institutions linked to trade and industrial policies are listed in Box 1.4.

BOX 1.4 MALI'S INSTITUTIONS INVOLVED IN TRADE AND INDUSTRIAL POLICIES

The Ministry of Industry and Trade, through the National Directorate for Trade and Competition (*Direction Nationale du Commerce et de la Concurrence* – DNCC) and the National Directorate of Industries (*Direction Nationale des Industries* – DNI), bears the main responsibility for formulating and implementing Mali's industrial and commercial policies. The Ministry of Economy and Finance (*Ministère de l'Economie et des Finances* – MEF) also plays an import role in trade policy, notably through its customs directorate (*Direction Générale des Douanes*) and its participation in the West African Economic and Monetary Union (WAEMU) ministerial meetings. The Ministry of Foreign Affairs and International Cooperation (*Ministère des Affaires Etrangères et de la Coopération Internationale* – MAE) represents Mali in international organizations; the MAE hosts the Secretariat of the National Commission for African Integration.

The DNCC, established in 1998 as the successor to the National Directorate for Economic Affairs (*Direction Nationale des Affaires Economiques* - DNAE), is explicitly responsible for formulation and implementation of Mali's trade and competition policies.[18] In addition, it has inherited the export promotion function, handled successively by the Malian External Trade Centre until its dissolution in 1991. The DNCC also serves as Secretariat for various commissions, including the National Commission for follow-up on WTO Agreements and relations with UNCTAD, and the Integrated Framework Steering Committee.

The Division for Normalization and Promotion of the Quality within the DNI, is the main entity responsible for coordinating the formulation and implementation of norms and standards, and promoting quality in Mali. The General Directorate for Regulations and Control (*Direction Générale de la Règlementation et du Contrôle* - DGRC), under the Ministry for Rural Development, is responsible for the development and oversight of sanitary and phytosanitary standards.

In recent years, Mali has benefited from the numerous trade-related technical assistance and capacity building activities provided by multilateral agencies and bilateral donors, notably in the context of the WTO Doha Development Agenda. In particular, with respect to Multilateral Trading System (MTS) issues, Malian officials, mainly from the Ministry of Industry and Commerce, have participated in regional seminars on: agriculture; customs valuation; dispute settlement mechanism; sanitary and phytosanitary measures and technical barriers to trade;

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[18] Cf. Ordinance No. 98-019/P-RM of 20 August 1998.

services; non-agricultural market access and tariff negotiations; trade and environment; trade and competition; trade and investment; transparency and government procurement; trade facilitation; and trade-related intellectual property rights. Activities have also been organized at the national level, including a training on trade negotiation techniques. Finally, a handful of officials have been trained in Geneva through the WTO Trade Policy Courses. [19]

These seminars and training courses have contributed a lot to making the WTO Agreements better known, especially within the Ministry of Industry and Commerce, though the Malian authorities consider that awareness levels continue to be insufficient. In particular, they consider it essential to hold national seminars to allow broader participation of officials from other ministries and units that have a direct interest in specific aspects of the MTS, as well as private sector operators.

Despite significant efforts and the establishment of a WTO unit within the DNCC, Mali continues to encounter difficulties in meeting its notification obligations. According to the authorities, the delay is mainly due to poor coordination between other relevant ministries and limited understanding of their obligations and the way in which notifications have to be prepared and communicated to the WTO. Further assistance from the WTO Secretariat in that area might be required.

The DNCC also hosts a trade reference center, installed by the WTO and intended to provide information on the MTS. However, the center does not appear to have been used extensively. The center would need to enhance its outreach capacity particularly towards other bodies or ministries dealing with MTS related matters as well as the private sector and academia.

As reflected in the recent WTO Ministerial conference in Cancun, African countries are determined to play a more prominent role in the work of the WTO and in trade negotiations. An important step in that direction for Mali was its co-authorship of the Cotton Initiative in April 2003 that was discussed at the Cancun meeting. Mali also established a resident mission in Geneva in 2002. The national Integrated Framework Steering Committee, could also play an important role in that respect by bringing together different government ministries and agencies, as well as representatives of the private sector and civil society, and by providing a platform for analyzing trade issues and coordinating the development of a national policy and negotiating positions.

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[19] Cf. Doha Development Agenda trade capacity building database (http://tcbdb.wto.org/).

In that area, Mali will benefit from the Second Joint Integrated Technical Assistance Program (JITAP II), a technical assistance program of the International Trade Center (ITC), the United Nations Conference for Trade and Development (UNCTAD) and the World Trade Organization (WTO). The objective of JITAP II is to build and strengthen African capacities to integrate into the Multilateral Trading System (MTS), focusing on the following three main target capacity-building areas: capacity for national implementation of the WTO Agreements, trade negotiations and related policy formulation; development of national knowledge base on the MTS; and capabilities of enterprises to export to new or existing markets. The Ministry of trade and notably the DNCC is likely to be one of the core recipients of JITAP II.

In the area of norms and standards, which is particularly important for the development of Mali's agricultural exports, the United Nations Industrial Development Organization (UNIDO) is implementing a program in WAEMU countries. An important component of this program is directly aimed at strengthening the national institutions on norms. The program also works towards the establishment of a Regional System for Accreditation and Certification. Mali might also consider requesting support from the Standards and Trade Development Facility, a global program on capacity building and technical assistance to developing countries.[20] The Facilities' three primary objectives are: (i) provision of small grants for pilot projects that build capacity in standards; (ii) assistance to the government and private sector in meeting international standards; and (iii) strengthening of inter-agency coordination and donor collaboration in the delivery of technical assistance in standards.

These programs will certainly provide important opportunities for enhancing Mali's institutional capacities for trade policies formulation and implementation, though the authorities, as well as the donors, would need to carefully coordinate their actions given the weak absorptive capacity of Mali's administration. In particular, increased coordination for meetings and procedures should prevent unnecessary multiplicity of tasks for civil servants. A straightforward measure in that sense would be to have a single committee dealing with the implementation of the IF and the JITAP instead of two different ones.

[20] The facility is a partnership, which builds upon the Heads of Agencies Communiqué issued by the World Bank, the World Animal Health Organization (OIE), the World Trade Organization, the World Health Organization, and the Food and Agriculture Organization.

BOX 1.5 LESSONS FROM INTERNATIONAL EXPERIENCES WITH TRADE PROMOTION ORGANIZATIONS (TPOS)

Though in most countries TPOs have not lived up to expectations, international lessons suggest that successful experiences have largely relied on the presence of the following elements:

An overall incentive framework favorable to exports. TPOs can overcome some anti-export bias of the incentive system, but there are limits, and the fact that many TPOs operate in an environment characterized by a strong anti-export bias in part explains their failure.

Autonomy of operations. The TPO must be able to influence policy, mobilize the resources and services needed to support an export drive, and deliver these services when and where required. This argues for a flexible and autonomous institution that operates with top-level political support, and maintains close formal and informal links with public and private sector actors. An autonomous TPO is more likely to enjoy the confidence and mutual trust that is required to engender and sustain a supportive relationship with the business community and overcome the suspicion or conflict that often dominates relations between the state and the private sector.

A demand-driven strategy. The private sector should play a dominant role in defining, implementing, and monitoring the TPO strategy. Although the government must set the ground rules of the export "game," it is the private sector that does the exporting. Although there is no single model for such a partnership, many recommend that TPO boards have a majority of recognized exporters and be headed by a well-respected business leader of acknowledged integrity.

Quality staffing. Staffing is crucial for the success of a TPO. A good TPO must be able to pay salaries that are similar to those paid by the private sector to talented staff with business experience. In most cases TPO staff operate under civil service rules that make discipline and accountability difficult and all too often imply unattractive pay and low motivation. Civil service staffing practices bring bureaucracy into the TPO, with the result that staffs often do not have the requisite commercial experience to interact efficiently and credibly with the private sector. A partial solution to this problem could be to give TPOs greater autonomy in setting recruitment and salary standards and to draw on the expertise of external consultants.

Adequate funding. A sustainable TPO should have adequate revenues, derived mainly from domestic sources. Donor support can play a useful role in starting up the TPO, demonstrating the returns to be gained from good TPO work, and bringing best practice to bear; but such support should be temporary and should be followed up with sufficient domestic resources.

Evaluation of the results. The effectiveness and efficiency of TPO activities must be periodically evaluated so that policymakers can learn from experience, refine strategies, and avoid self-perpetuating activities.

Source: P. English & al. (2002), "Export Development policies and Institutions", in *Development, Trade and the WTO: a Handbook*, edited by B. Hoekman & al.

Beyond the resource limitations, however, the difficulties faced by the DNCC in fulfilling some of its stated objectives might also arise from a structural inadequacy of the institution. Indeed, the organizational framework of the DNCC appears to have been largely designed to maintain the staff of the former DNAE, rather than to respond to the new attributions of the new Directorate.In particular, its current economic and commercial promotion functions, which imply activities such as market studies, advice to private operators, or product promotion abroad, appear likely to be carried out more successfully by an institution with increased autonomy and more entrepreneurial experience.

Malian authorities might consider a revision of DNCC's organizational framework, abandoning its trade promotion responsibilities and focusing on its core functions, namely - in coordination with other public entities - the formulation and implementation of trade and competition policies.

Indeed, various proposals have been advanced in that sense, including the transfer of these functions to professional organizations, such as the Chamber of Commerce and Industries, or the creation of a new institution, largely driven by the private sector but with a participation of Malian government, devoted specifically to the promotion of Malian products.[21] In light of international experience the latter option would indeed seem more suitable, though, as detailed in Box 1.5, the establishment of an effective and successful trade promotion agency is not an easy task.

1.4.1 Public-Public and Public-Private Coordination and Consultation Mechanisms

As noted, an important feature of trade policy formulation and implementation is that they are particularly demanding in terms of coordination mechanisms not only within public institutions, but also between public and private entities. For example, the public sector normally undertakes trade negotiations without involving the private sector and once agreements are reached, there is no mechanism for ensuring their implementation. This is exactly what happened when a trade agreement with Algeria was signed, but not accompanied by the establishment of areas in which animals could be held in quarantine.

Establishing such mechanisms in an environment characterized by weak administrative capacities is a real challenge, and particularly requires continued

[21] Centre d'Analyse et de Formulation de Politiques de Développement (2000), *Etude Bilan du Cadre Institutionnel et Normatif de la Gestion Macro-économique et de la Formulation des Stratégies de Développement*, Primature, Septembre 2000 ; and Ministère du Commerce (2002), *Rapport Géneral du l'Atelier de Validation de l'Etude sur la Mondialisation, la Libéralisation et le Développement Humain Durable*, Bamako, January 2002.

commitment and strong leadership at the highest levels of the administration. To achieve greater consultation, the private sector associations should be involved in trade negotiations, as well as in implementing trade agreements, identifying market opportunities, lobbying government to create an environment conducive to exploiting these opportunities, monitoring progress in creating this environment, and promoting Malian exports in regional and external markets.

At present, in the agricultural sector, there are a number of private sector organizations at the local, national, and regional levels that are involved with trade. These organizations differ in terms of their sources of funding and degree of autonomy from the government. Some, such as the Chamber of Commerce and Industry (CCIM) and the Permanent Assembly of Chambers of Agriculture of Mali (APCAM), are funded at least in part by the government and tend to be less aggressive than they could be in their lobbying and other efforts to influence government policy. Other organizations, such as the Agence pour la Promotion des Filières Agricoles (APROFA), are largely supported by donor funding, often as part of a project, leaving their long-term sustainability in question. Still others are private professional associations that are, in general, financially very weak and often depend on the use of office and other facilities offered by the president or executive secretary. The financial sustainability of these organizations that play a major role in promoting agricultural trade should be evaluated.

The two main mechanisms, through which the private sector is, in principle, directly involved in the formulation of policies, are the National Committee for Economic Coordination (Comité national de coordination économique – CNCE) and the Private Sector Development Committee (Comité de développement du secteur privé – CDSP) established in March 1997. These two committees, chaired respectively by the Prime Minister and the Minister in charge of the private sector, gather the Moderator of the private-public sectors and representatives of the government (including Ministers for the CNCE), professional organizations, and unions.

The CNCE gathers twice a year although its president can call a meeting, as appropriate. In principle the Committee can review all issues related to government economic policies, and thereby allow the incorporation of civil society views in the formulation and implementation of economic policies. However, neither the nature of the documents to be reviewed by the Committee, nor the mechanisms through which its recommendations should be taken into account are clearly defined. The authorities might consider defining the nature of the documents to be submitted to the CNCE, the modality of the consultation (facultative or mandatory), as well as the legal status of the recommendation. In order to further promote civil society involvement in the formulation and implementation of development and poverty reduction policies, the Government intends to establish, in the context of the PRSP, a program for capability building of the civil society. This program will be oriented along four main areas: (i) training of actors of the civil society; (ii) improving the organization of the civil society organizations; (iii) sharing information and experiences; and (iv) establishing or strengthening frameworks for dialogue.

Though Mali has established various coordination mechanisms between the different governmental services – including the National Committee for Economic Policy (*Comité National de Politiques Economiques* – CNPE) in charge of overseeing the implementation of the macroeconomic policies as established under WAEMU provisions or the Committee of Statistical Coordination (*Comité de Coordination Statistique*) – coordination mechanisms still appear inadequate.[22]

Beyond the scarcity of human and financial resources that characterize Mali's administration, the efforts to promote inter-institutional coordination might also have been seriously undermined by the frequent governmental reshuffles experienced in recent years. Indeed, partly resulting from the redefinition of the role of the State and the important structural changes implemented during the 1990s, these reshuffles have affected most ministerial sectors, including Trade. The most appealing illustration might be the Industry, successively collated: with the Hydraulic and Energy from 1988 to 1991; with the Ministry of Economy and Finances from 1991 to June 1992; then with Mining and Energy until April 1993; back with the Economy, Finances and Planning from April to November 1993; with Trade and Transport until February 1994; back with Mining and Energy until July 1996; then with Tourism and Handicrafts until September 1997; with Trade and Handicrafts until February 2000; with Trade and Transport until October 2002, when current configuration, gathering Trade and Industry (without Transport) was established. Indeed, these reshuffles do not only affect broad aggregates like "Trade", "Industry" or "Transport", but also some of their specific functions. For instance, in October, 2002, the National Directorate of Industries, lost part of its attributions in favor of the newly established Delegated Ministry in charge of Investment Promotion and Private Sector.

In addition to the resulting lack of predictability, these reshuffles are probably a strong hindrance to further inter-institutional collaboration. Indeed, in such a moving framework, administrative units are more likely to struggle to maintain or increase their attributions rather than be willing to share information and influence. These constant reshufflings might also result in a duplication of the structures.

[22] World Bank (2003), *Country Assistance Strategy for the Republic of Mali*, Report No.25663, July 7, 2003.

CHAPTER 2
TRADE RELATED POVERTY REDUCTION STRATEGIES

Trade has long been recognized as a driver for growth with a positive impact on incomes. However, distributional issues can undermine the potential benefits of trade on national development, which makes it essential to design a trade strategy that addresses both growth and poverty reduction to achieve overall development. With a per capita GNI of US$240, Mali is one of the poorest countries in the world and in Sub-Saharan Africa.[23] The UNDP ranks Mali 172nd out of 175 countries in the world in its 2003 Human Development Report based on the Human Development Index. Around three quarters (72.8 percent) of the total population live in poverty, on less than $1 per day.

TABLE 2.1 INCIDENCE AND DEPTH OF POVERTY IN MALI, BY REGION IN 1998

	Incidence of poverty (%)			Depth (Extent) of poverty (%)
	Very Poor	Poor	Total	
Mali	21.0	42.8	63.8	42.3
Urban	1.6	28.5	30.1	22.3
Rural	27.9	48.0	75.9	45.8
Kayes	24.7	37.7	62.4	43.9
Koulikoro	18.5	41.0	59.5	42.0
Sikasso	13.9	51.9	65.8	37.2
Ségou	25.9	42.3	68.2	45.2
Mopti	38.1	38.1	76.2	53.1
Timbuctu	26.4	50.4	76.8	47.4
Gao	11.1	67.6	78.7	36.7
Kidal	3.6	89.2	92.8	32.7
District of Bamako	0.2	28.4	28.6	14.8

Source: EMEP (DNSI) as shown in Republic of Mali (2002).

Note: While poverty is defined as lack of food, education, health, housing, and other basic needs, the depth of poverty shows the distance between the poor and the poverty line.

[23] World Bank (2003).

Table 2.1 highlights major differences in poverty between urban and rural areas. Three quarters of the poor live in rural areas, where the depth of poverty is also much higher at 45.8 percent compared to the 22.3 percent in urban areas. The district of Bamako reports the lowest poverty incidence rate at 28.6 percent, while the Kidal region has the highest poverty incidence, with around 9 out of 10 people living below the poverty line. The depth of poverty is also lowest in Bamako compared to other regions.

The regional differences indicate to a large extent the location of Mali's economic activity, which is concentrated in the south, where the vast majority of the population lives. The conditions in this area favor the production of food and cash crops, including cotton. The three poorest regions—Timbuktu, Gao, and Kidal are characterized by natural constraints, such as droughts, desertification, and isolation, as well as insecurity of food supplies, and the lack of basic infrastructure. Livestock herding is virtually the only productive activity in these areas. The district of Bamako is an "island of prosperity" compared with all these other regions, though it does suffer from problems such as rapid urbanization, unemployment, and poor sanitary conditions. Apart from cotton ginning, this area hosts most of the manufacturing activity of the country.

Employment numbers across sectors presented in Table 2.2 better highlight the role of trade for the poor in Mali. Agriculture, livestock, and other primary sector activities dominate employment, with a significant share of the tradables sector. The PRSP notes that the vast majority of the poor—nearly 90 percent, work in the primary sector. The cotton sector alone affects the livelihood of one-third of the population, while also contributing nearly half the export revenue, about 7 percent of GDP, and 6 percent of government's total tax revenue. Gold, Mali's second most important export commodity after cotton; provides employment for an estimated 15,000 seasonal workers, a significant number of whom are women.[24] The civil service with 42,000 jobs and the non-traditional private sector (primarily services and manufacturing) with 36,500 jobs are fairly insignificant. The informal sector has also been growing; it accounted for an estimated 1.2 million jobs out of a total of 5.2 million in 2001.

The Malian government targets an average annual growth rate of 6.7 percent over the 2002-06 period, with a corresponding reduction in poverty from 63.8 to 47.5 percent by 2006. As discussed in detail in the PRSP, the achievement of these targets will depend crucially on the steady recovery of cotton prices after

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[24] IMF (2002). Although the contribution of gold exports to GDP is high (between 20 and 25 percent), its contribution to employment is non-significant (less than 0.5 percent of GDP). Small-scale traditional mining is more labor-intensive (employment figures are unknown) though only accounts for 0.5-1 percent of GDP.

2002, the increase in cotton production as a result of an expansion of the area under cultivation, and the stabilization of gold prices between 2003 and 2006. Furthermore, increases in cereal production and especially rice are expected to underlie the growth in the primary sector over this period. The growth in the mining industry, together with textiles, agro-business and public works is implicit in these targets as well. The two other main underlying assumptions behind these targets is the increase in public and private investment, including foreign direct investment (FDI), and the continued trade surplus. Since the majority of the poor are deriving their income from the tradables sector, the achievement of the poverty targets, as outlined in the PRSP, will crucially depend on the performance of the tradables sector and investment. However, according to the IMF's recent assessment of economic policy, the macroeconomic targets seem unlikely to be met (see Section 1.1).

TABLE 2.2 GDP AND EMPLOYMENT SHARES BY SECTOR

	% GDP	% Employment
Rural		
Agriculture, Tradable	22	22.0
Agriculture, Non-tradable	25	33.5
Rural Non-farm	23	34.5
Sub total	70	90.0
Urban		
Formal	9	0.9
Foreign Aid	14	2.8
Non-Formal	7	60.3
Subtotal	30	10.0
Total	100	100.0

Source: Abt. Associates Inc. (2002)

2.1 TRADE POLICY, GROWTH, AND POVERTY

Changes in trade policy and liberalization have clear implications for poverty. Through their impact on overall growth and also on export growth and investment, they affect the prices paid and received by the poor, the returns to the factors of production that the poor have to offer, and the resources available to the government for welfare programs.

This impact is even more significant in Mali given the importance of the tradables sector as a source of income for many of the poor, as shown in Section 2.1. Trade in general, and especially in agriculture and livestock is very important for the welfare of the poor. The primary sector is the most labor intensive, contributing to about 45 percent of GDP and 75 percent of exports. Furthermore, nearly 90 percent of the poor live in rural areas and are active in the rural sector. Therefore, growth in agricultural exports has a disproportionately larger effect on poverty.

Cotton, for example, provides income to about 3 million people. Following the devaluation in 1994, cotton production exports grew significantly. Furthermore, producer income from cotton increased in absolute terms albeit disproportionately to the increase in the value of production (Table 2.3).[25]

TABLE 2.3 COTTON PRODUCTION IN MALI

	Value of production (billion CFA Franc)	Farmers' gross cotton income (billion FCA Franc)	Share of farmers' income in total value of production (%)	Share of input credit in total value of production (%)
1994 / 95	36.0	22.1	61.4	38.6
1995 / 96	60.5	37.2	61.5	38.5
1996 / 97	66.7	41.1	61.6	38.4
1997 / 98	84.0	49.2	58.6	41.4
1998 / 99	89.3	49.6	55.5	44.5
1999 / 00	67.5	29.5	43.7	56.3

Source: CMDT (2000).

On the other hand, high vulnerability of the cotton sector to world price fluctuations as well as other exogenous shocks including weather changes, have a potentially large negative effect. The changes in the world cotton prices, for example, can considerably affect poverty. In a recent paper, Minot and Daniels (2002) using household data from Benin show that the nearly 40 percent decrease in the world cotton prices over the last few years, *if fully passed on to farmers*, could reduce the welfare in rural areas by 6–7 percent. They also show that the welfare of cotton producers would decrease by about 19 percent, and poverty

[25] This is because an increasingly larger share of the latter was absorbed by CMDT expenses. However, restructuring the latter has reduced its share in cotton revenue over the last 2 years.

would increase by up to 8 percentage points. In the case of Mali, we believe that this impact, though still significant, is smaller. The conditionality of the statement—the full price transmission, does not hold in Mali. Changes in world commodity prices are not fully transmitted to the producers because the government absorbs these shocks and shields the producers.[26]

Recovery in livestock exports and increases in rice production also benefit the poor. As we've seen earlier, livestock production is the only productive activity in the north, the poorest part of the country. Smallholder farms dominate its production. Rice, on the other hand, is a major staple, especially for the poor. Growth in these sectors, therefore, has a disproportionately significant effect on the poor as well.

The impact of growth in gold production and exports, however, is less clear. Gold production provides income for about 15,000 workers.[27] Though its employment effect is insignificant, it contributes significantly to government revenues. The sector's tax contribution increased from 3.5 percent in 1995 to 8.5 percent in 2000.[28] Therefore the sector has a potential indirect effect on poverty by increasing resources available for poverty reduction and welfare programs.

In the aggregate, increases in exports and overall per capita GDP growth following the trade and markets liberalization seem to have had a significant impact on poverty. During the post-devaluation period, the incidence of poverty decreased by about 7.5 percentage points between 1996 and 2000.[29] This decrease was driven largely by the increase in the incomes of the poor given the increase in the performance of the tradable agriculture sector. Another major factor was the liberalization of domestic markets and the consequent increase in the share of producer prices. This increase in producer prices led to a more than 100 percent increase in cotton production,[30] doubling the producers' net income.[31]

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[26] The government is currently subsidizing production through a producer price higher than the world price but the sustainability of these policies remains questionable as witnessed during the 2000/01 crisis. A recent study by Republic of Mali (2003) has shown that most producers will abandon cotton if a producer price lower than 150 CFAF is adopted.

[27] EIU (2003) and IMF (2002).

[28] IMF (2002).

[29] IMF (2002).

[30] Excludes the 2000/01 cotton sector crisis.

[31] IMF (2002).

The impact of investment on poverty, though maybe less evident, is also important. There is very limited research on the impact of FDI on poverty. Most of the studies in this area focus on the wage effects in companies that are owned by multinationals. For example, Lipsey and Sjoholm (2002) show that blue-collar "wages in domestically-owned Indonesian manufacturing plants taken over by foreign firms increased sharply between the year before takeover and two years after takeover, relative to plants remaining in domestic ownership." In the case of Mali, the effect of FDI has not been significant, since the majority of the FDI in Mali goes into gold mining, where employment generation effects have been small. On the other hand, it may have been beneficial in empowering women through income generation since women comprise a significant proportion of the workforce in this sector.

Direct effects from FDI could only be increased by attracting investment into low-skilled labor-intensive industries, such as textiles and agro-business. This would not only create jobs and increase wages, but also help create consumption and investment linkages to generate growth in other sectors of the economy.

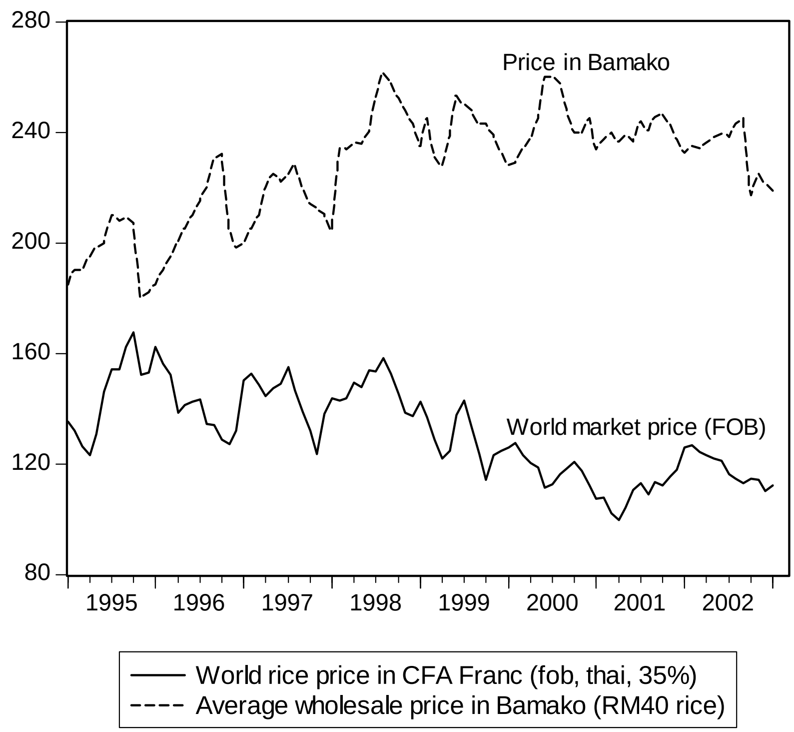
Trade allows producers to increase production beyond the constraints of the domestic market, while investment empowers producers with new technologies. Currently, Mali remains highly vulnerable to external shocks, such as weather conditions and falling commodity prices in world markets. It is therefore important for Mali to diversify its exports and tax base, an issue discussed further in Section 2.3.

2.2 Higher Domestic Trade and Poverty

To improve competitiveness and extend the benefits of trade to the poorer segments of the population and regions, improving domestic market integration is central. In Mali, as in many low-income countries, disparities in the geographical distribution of food surplus or deficit zones requires a smooth movement of goods across regions to maximize the welfare effect from trade or to avoid a food crisis (Barrett 1996, Baulch 1997). Moreover, world price and trade policy shocks affect spatially distributed producers and consumers differently depending on the degree of market integration (Badiane and Shively 1999). If two markets are integrated, all price shocks occurring in one market are transmitted to the other, due to the arbitrage-seeking activities of middlemen.

To examine market integration in Mali, we focus on rice, an important staple food. While Mali remains a net importer, rice production has increased dramatically over the 1990s and imports have declined significantly from 46,000 metric tons in 1990 to 30,000 tons in 2001. Mali now covers 94 percent of domestic rice consumption though domestic production. Rice is consumed in all regions but production is concentrated along the Niger river, especially in the regions of Sikasso and Ségou. We consider the following rice wholesale markets: Bamako, Sikasso, Kayes, Gao and Koulikoro. These markets are the only ones for which consistent and uninterrupted monthly price series exist between 1993 and 2003.[32] We conduct the analysis in two periods: 1993-97 and 1998-2003. This allows us to analyze the dynamics of market integration and detect any improvement or deterioration in the interconnectivity of markets.

FIGURE 2.1 PRICE OF RICE, WORLD MARKET VS. BAMAKO



We first examine whether and to what extent rice prices are interrelated between the world market and Bamako. Using average wholesale prices of RM40 rice (the most popular rice in Mali) and the 35 percent Thai broken rice as a proxy for world market prices, market integration tests are performed using the approach presented in Box 2.1. Our cointegration tests strongly reject the hypothesis that the Bamako wholesale rice market is integrated to the whole market. This econometric result is consistent with the observation of the respective trends of prices in Bamako and FOB prices of 35 percent broken rice in international markets (Figure 2.1). The disconnection between world prices and prices in Bamako reflects the fact that Malian consumers have a marked preference for

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[32] Price data are collected by OMA. For details regarding this organization, cf. Chapter 2.

local rice, owing to its freshness and taste. As a result, Malians consume imported rice only when their domestic rice is in very short supply. In other words, imported rice is an imperfect substitute for locally produced rice in Mali.

Analysis of market integration within Mali shows that market connectivity has improved over the last five years; but the regions of Kayes and Koulikoro remain isolated and quite disconnected from the other regions. During the period 1993-97, the axis Sikasso-Gao was the only cointegrated set of markets within our sample (Annex Table A2.4). Granger causality tests show evidence of unidirectional causality linkages, with prices in Sikasso "causing" those in Gao (Annex Table A2.5). This price adjustment mechanism dampens the effect of price collapses in Sikasso in good years, thereby maintaining producers' income, while reducing the risk of rice shortage in Gao and preserving the purchasing power of poor consumers. Rice market connectivity improved in the period 1998:1-2003:3, as Bamako joined the market integration space (Annex Table A2.7). Overall, rice markets display strong connectivity between Bamako, Sikasso and Gao, while Kayes and Koulikoro remain isolated. Causality tests show that prices in Bamako react strongly to price changes in Sikasso and Gao and there is no evidence of the reverse.

Implications of the weak infrastructure and market connectivity for poverty are considerable. Facilitation of trade between regions would at the very least solve the frequent food shortages in parts of the country. It would increase the producer prices in surplus areas and their incomes while also helping those who face food insecurity.

Another way to look at the cost of lack of connectivity is that it represents a tax. Transportation costs significantly raise the prices of transported goods: the share of transportation costs in the total cost of goods is around 30 percent in Mali.[33] These costs in turn act as a tax; reducing the price received by producers and increasing the price paid by the consumers. Since it is the poor households who live in the remotest areas, an improvement in connectivity between regions would especially be beneficial to them.

[33] Republic of Mali (2002).

BOX 2.1 MARKET INTEGRATION: METHODOLOGICAL APPROACH

Geographically separated markets are integrated if goods and information flow freely among them and, as a result, prices are linked. Due to arbitrage activities, prices of homogeneous products in separate locations will not differ by an amount greater than transfer costs. Similar characterization of market integration is found in Goodwin (1992), Benson et al. (1994), Asche et al. (1999), and Rachid (2002). We explore the relationship between prices in different geographical areas of Mali using a cointegration approach.

Formally, consider a commodity traded in *n* spatially separated locations with price in each market an element of the price vector $\{P_{1t}, P_{2t}, \ldots\ldots P_{nt}\}$. These markets are said to be spatially integrated if:

(i) $\{P_{1t}, P_{2t}, \ldots\ldots P_{nt}\}$ can be decomposed as $P_{it} = c_i f_t + \tilde{P}_{it}$, $i = 1\ldots\ldots n$, where f_t is the integrating vector that characterizes the permanent (long run) component and $\tilde{P}_{it}$ is the transitory (short run) component for each location.

(ii) For all *i*, $c_i \neq 0$, and

(iii) $P_i^{'}$s are cointegrated with exactly *n-1* cointegrating vectors.

We use the multivariate Johansen (1988) approach (extended by Johansen and Juselius 1990) to explore possible cointegration relationships in the data. From a VAR model generated by a vector of potential endogenous variables, taking first difference of all the variables of the model transforms the model into a vector error correction model (VECM). The hypothesis of cointegration is then formulated as a hypothesis of reduced rank of the long run impact matrix of the VECM. If there are exactly n-1 cointegrated vectors (n being the number of markets), it follows that all n markets are pairwise cointegrated, and that each price series has a common stochastic trend (Stock and Watson (1987). We determine the cointegrated space (markets that are effectively interconnected) by sequential testing for cointegration. The analysis is refined further by examining evaluate patterns of Granger causality between markets.[34] Compared with previous methods used in the market integration literature (such as bivariate cointegration techniques and parity bound models), this methodology acknowledges the fact that spatial markets do influence each other and thus it is important not to make a priori assumptions on endogenous and exogenous variables (Barrett and Li 2002, Gonzalez-Riviera and Hafland 2001).

The testing procedure consists of three steps. First, the order of integration (stationarity) of relevant variables is examined (Banerjee et. al., 1993; Muscatelli and Hurn, 1992). Second, Johansen's (1988) multivariate cointegration procedure is used to analyze long-run linkages among prices in a dynamic framework. Finally, Granger causality tests are performed to discover leader-follower relationships between markets.

[34] Cointegration indeed implies Granger causality since each cointegrated market uses information from the others when forming its own price expectations.

2.3 Concluding Remarks and Policy Recommendations

Trade is important for the poor in Mali, and can be used as a poverty reduction tool. As discussed above, a vast majority of the cotton and livestock producers are poor. In other words, livelihoods of a large number of poor households depend on the performance of the tradables sector. The post-devaluation and liberalization improvements in the overall economy and poverty show that policies aimed at increasing export growth and investment is also good for the poor. If the government wants to achieve the poverty goals established in the PRSP, it is crucial to improve the performance of the tradables sector. This improvement is also necessary to help the Malian government generate the resources needed to reduce its high external debt.

To exploit this potential of trade as a poverty reduction tool, the following policy recommendations are proposed:

2.3.1 General Recommendations

- Facilitation of domestic trade is vital. To reduce regional disparities and facilitate the supply of basic cereals to deficit zones, it is essential to link production zones to markets throughout the country.

- While helping Malian farmers diversify, it is also crucial to create social safety nets and welfare programs to help them cope with the volatility caused by external shocks. While government fixed prices help in this regard, financial problems of the government itself make this option less sustainable. It is therefore important to also focus on the development of rural credit institutions and other risk-sharing mechanisms. One example would be a more formal co-op system where villagers pool a share of their earnings in good years to be used in bad ones, a co-op through which economies of scale can also be realized.

2.3.2 Sectoral Recommendations

- Despite increases in producer prices and incomes, cotton farmers are still among the poorest segments of society. Increasing yields and value-added of products by facilitating access to equipment and inputs, and implementing methods to maintain soil fertility are among the primary issues that need to be addressed.

- Organic cotton, so far promoted and implemented in some areas of Mali, could also be a solution for smallholders facing falling commodity prices by creating a niche market. It increases incomes, as organic cotton receives a premium over regular cotton is about 30 percent in the world markets. Furthermore, it contributes to sustainable development by creating an ecologically sustainable and healthy environment. The program implemented by Helvetas also guarantees demand by linking producers with Swiss buyers. This experience suggests that market research for other organic products might also be useful. It could help generate income and increase economic activity. Besides, it would help maintain soil fertility by creating ways to make crop rotation feasible.

- Rice production has a significant potential for generating income for the poor. This is especially strong due to the strong preference of Malian households for local rice over imported rice. Rice production is concentrated largely in irrigation zones of Office du Niger (ON). Expanding irrigated areas in ON and elsewhere is crucial in increasing rice production to other areas with lower market connectivity across the country.

- An important area that needs to be addressed for increased diversification is land tenure. As highlighted in the PRSP, the implementation of a land tenure policy is necessary to ensure that the rice sector plays a significant role in economic growth and export diversification.

CHAPTER 3
BUSINESS ENVIRONMENT AND TRADE FACILITATION

3.1 INVESTMENT AND THE BUSINESS ENVIRONMENT

A major impediment to growth and competitiveness in Mali is the insufficient dynamism of the private sector. The private sector in Mali is dominated by trading activities in both the formal and informal sectors, with important consequences for employment but having low impact on industrial competitiveness. These activities contribute less to the economy than desired due to fragmented distribution and supply services and a bias towards import-oriented activities, as opposed to export-led activities. The industrial sector excluding cotton and mining contributes little to export revenues, since it's products are primarily targeted to the domestic market. The need for higher foreign investment in Mali's manufacturing activities is a priority for the government, and underpins Mali's industrialization strategy framework. Foreign investment is seen as an essential channel for physical capital accumulation, access to finance, transfer of skills and managerial know-how and access to foreign markets (as illustrated in Section 3.1.3).

Some of the major impediments to industry development in Mali include the high cost and weak reliability of key factors of production (i.e., energy, water, telecommunications), weak infrastructure network, low skilled workforce, significant costs associated with setting up a business, weak access to finance, and unfair competition associated with the informal sector. A study financed by the European Commission[35] highlights the principal constraints confronting the private sector, which includes a weak and inefficient banking system and financial intermediation, weak judicial and taxation system, insufficient dialogue between the private and public sector, insufficient or poorly equipped industrial zones, inadequate provision of energy, transport and telecommunication services, poor infrastructure and infrequent maintenance of roads, and the low education and skill levels of the workforce.

Owing to the relatively recent study undertaken in January 2002, the IF team proposed to avoid reassessing the same themes. However, through its discussions with the private sector and government entities, similar issues were brought to the fore. The IF therefore highlights some of the priority actions required for improving the business environment in Mali, in the areas of the cost

[35] Diagnos (2002).

and reliability of utilities, rehabilitating industrial zones, and financial intermediation. The recommendations and diagnostics are a mix of the IF mission findings and the actions proposed by the Diagnos (2002) study.

3.1.1 Utilities and Industrial Zones

The Malian authorities are engaged in measures to improve the supply and reliability of public utilities (water, power, telecommunications), including the restructuring and privatization of utilities providers, with the support of the World Bank and other international partners. Despite some successes however, a large agenda remains to respond to the common complaint of the business community of the high cost and unreliability of utilities.

Mali's electricity company, *Electricité du Mali* (EDM), was privatized in December 2000 with the Government retaining 40 percent of the company's shares. A regulator of electricity (*La Commission de régulation de l'électricité et de l'eau*) became operational at the end of 2001, and a National Directorate of Energy (*Direction national de l'énergie*, DNE) was established in the Ministry of Energy and Mining (*Ministère des l'énergie et des mines*) to coordinate and propose energy policies. Since privatization, there has been a visible reduction in energy shortages and fewer fluctuations in the power supply. Energy prices, though more expensive than some of its neighbors, are within the average of WAEMU.

More problematic is the long-term strategy for expanding energy supply, and extending coverage particularly of electricity to currently under-served areas. Difficulties stem from differing interpretations by EDM and the Government of sector regulations governing the source of financing of future development, and the implications for the price of electricity,[36] which have constrained further investments in the sector. Furthermore, several ministries are involved in the upstream activities linked to energy supply, such as the Ministry of Economy and Finance (for petroleum products), Ministry of Energy and Mining (for electricity, energy policies, and renewable energies), Ministry of Environment and DNE (for solar energy and alternative energy supplies). Greater coordination and coherence between the actions of the different ministries need to be achieved in order to define a long-term energy strategy for Mali.

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[36] Broadly, EDM's view is that continued high prices would underpin financing of future sector investments. The government believes that cost savings from commencing operations of the Manantali hydroelectric facility should be passed on to end users, and other mechanisms sought to finance accelerated development of power sources. Negotiations between EDM, the Government and the regulator (CREE) are ongoing.

Mali's energy developments should continue to be undertaken as feasible within the context of the emerging West Africa Power Pool (WAPP), as suggested in Diagnos (2002). The WAPP, supported by a number of multi- and bilateral donors, is a collective regional approach to developing an energy market for the West Africa region over the coming 15-20 year horizon. Since public funds for this endeavor are relatively limited, mechanisms for involving the private sector, such as build-operate transfer, need to be increasingly utilized.

Telecommunication infrastructure in Mali has improved substantially since the introduction of competition through issuance of a second telecommunications license. Mobile telephones are displacing fixed lines owing to the ease of obtaining a line, and competition has encouraged a limit on prices. Nevertheless, further investment in infrastructure is required. The quality of connections, even local, can be significantly improved; demand for fixed telephony outstrips supply; international communication costs are very high; and accessing Mali from abroad is not always easy. The Government is currently preparing the public telecommunications company SOTELMA for privatization, to occur over the next couple of years. These efforts should be sustained to ensure that telephone services continue to expand and improve in quality, that steady progress is made toward privatization of SOTELMA, and that the regulatory framework to oversee operations of the private sector providers is progressively strengthened.

In 1999, the Council of Ministers opted to create a public agency responsible for the inception of industrial zones (the *Agence pour l'Aménagement et la Gestion des Zones Industrielles*, AZI-SA). Notwithstanding the interest in establishing industrial zones as a means of drawing investors, Mali still has no functional industrial zone. A major constraint to the development of industrial zones is the agency AZI itself. The company is not operational owing to its miniscule budgetary and human resources.[37] It's unclear that the situation will improve given limited resources of the Government, and the merits of a publicly-run company in this sector are yet to be clarified given the country's privatization program and its policy of private-sector-led growth. While the Government may have a valid role in infrastructure development for private sector development, other support facilities for the private sector are best handled by private sector firms. The authorities are thus recommended to consider public-private partnerships (including private management of AZI) for encouraging investment in the country.

[37] At the time of the Diagnos study, only two employees worked there. The IF mission was unable to meet with AZI since nobody at AZI answered the phone over the three week period of the mission.

<u>3.1.2 Financial Intermediation</u>

A major reason for the low levels of investment in Mali is the fact that investments stem primarily from personal savings or reinvested earnings, as opposed to credit obtained from financial intermediaries. An insufficiently developed banking system limits the ability of firms to invest in productive activities and to trade.

According to the IMF, the banking sector has played an important role in supporting Mali's economic development, as evidenced by the increasing monetization of the economy and the deepening of financial intermediation. Relative to GDP, money supply increased steadily from 23 percent in the early 1990s to about 29 percent in 2002, while credit to the economy rose from 9.9 percent to 21.4 percent over the same period. Interest rates have generally followed the same trends as those in the euro-zone, and the BCEAO discount rate was recently reduced to 5.5 percent. Nevertheless, the spread between bank lending and borrowing rates remains very large mainly because of insufficient competition in spite of the creation of new banks; a high level of nonperforming loans; difficulties in recovering overdue loans; and high operating costs. Furthermore, despite the reforms in the financial sector since 2000, financial intermediation remains weak and bank services are concentrated in the urban areas. Lending is mostly limited to short-term trade finance as banks are cautious about extending long-term credits for investment because of the paucity of bankable projects, the high proportion of short-term deposits, and inadequate legal and judiciary protection against delinquent debtors.

Diagnos (2002) proposes a number of measures aimed at extending credit to the private sector. The first is to continue pursuing the privatization process to reduce monopolistic practices in banking. A second action is to provide training to banking staff in screening and rating borrowers. A third measure aims to develop an efficient banking association, inform the private sector of mechanisms for accessing finance, establish a better statistical system on clients, and create a fund to mitigate risk.

BOX 3.1 FINANCIAL INTERMEDIATION IN AGRICULTURAL DEVELOPMENT

Financial intermediation is inefficient in the agricultural sector. Although the largest economic operators are able to obtain working capital in the form of overdrafts and loans relatively easily, smaller sized producers often have to finance their trading operations from their own internal resources or from trade credit obtained from buyers and suppliers. The problem arises because commercial banks tend to be reluctant to take risks and employees are not trained in evaluating (and hedging) risks arising from small farmers.

To some extent, credit can be obtained from decentralized rural savings and credit funds, though this is more appropriate at the production and harvesting for the collection stage than for downstream marketing and trade. Over the longer run, financial intermediation will need to cover post-shipment and pre-shipment working capital loans, as well as medium-and long-term lending to build production capacity. It will also involve the use of various financial instruments, such as letters of credit, bills of exchange, insurance, and forward purchasing of foreign exchange.

One possible mechanism to address these problems is to extend the range of micro financial institutions (MFIs) to cover marketing and trading activities and / or apply some of the techniques used by the MFIs (step lending based on credit history, mutual guarantees, consideration of the household rather than the enterprise as the borrowing unit) to commercial bank lending to small and medium enterprises (SMEs). The commercial banks' capacity to offer specialized services to exporters could be strengthened to include letters of credit, bills of exchange, insurance, and forward purchasing of foreign exchange. Training commercial banks in risk assessment and extending their portfolio of financial products would encourage them to extend their lending to SMEs. Another approach is to strengthen exporters who are able to borrow from commercial banks, and who then can lend to their upstream suppliers through trade credit.

Another problem inhibiting trade within West Africa and overseas is the long delays experienced in receiving funds transferred by importers. Within the region, traders report delays of up to two or three months, which reflects inefficiencies in financial intermediation. As a result, most payments are in cash, which is both risky and costly. At a Bamako workshop in March 2001, which was organized as part of the World Bank's West Africa regional strategy, representatives expressed particular concern regarding the need to integrate the financial sector, including the development of a well functioning regional payments system among banks and a good clearing system among currencies, as well as harmonization of government policies regarding currency clearing arrangements, bank supervision, prudential regulation, and taxation of financial services. This topic was discussed further in 2002 at a meeting of the Private Sector Forum on Regional Integration (USAID financed study by Stryker, 2002). The World Bank is currently supporting financial sector reform through the Financial Sector Development Project (FSDP). In addition, the World Bank and IFC are developing the capabilities of Malian SMEs and helping them secure funds. The outcome of these activities is expected to enhance the efficiency of the financial sector.

3.1.3 Foreign Direct Investment

Sustainable poverty reduction, economic growth and competitiveness require a mix of capital accumulation, investment in education and technological progress. According to a recent study by the World Bank (2003a), technological progress plays a major role in achieving economic growth, a determinant that is expected to become more significant in the longer term. Technological advancement is achieved through a variety of measures including investment, policies favorable to adopting new technologies, a dynamic private sector and a stable economic environment. Improvements in competitiveness reflect qualitative and quantitative changes in production factors, as well as foreign investment, which not only augment the supply of capital to workers but also bring know-how and connections with other elements of transnational production networks (World Bank, 2003b).

Mali's achievements in productive investment have been relatively limited. Investment rates are low, estimated at less than 25 percent of GDP, of which only 60 percent stems from the private sector. Foreign direct investment (FDI) has come to bridge the deficit between domestic savings and investment, accounting for 24 percent of Mali's gross fixed capital formation (GFCF) in 2000.[38] Notwithstanding the positive inflows of FDI, much of this has been devoted to activities surrounding the extraction of gold as opposed to employment generating activities.

A major reason for the low level of (non-gold) FDI in Mali relates to one of image and high factor costs. These issues are dealt with in other sections of the report (notably Sections 3.1 and 3.3). With respect to low domestic investment, this primarily reflects lack of access to finance caused by the reticence of banks to lend to the private sector, which is considered to represent a high risk of defaulting on loans. Due to the commercial banks' conservatism in lending to the private sector, there is also a need to encourage guarantee mechanisms in targeted sectors, in order to mitigate some of the risk faced by banks. Ultimately, the financial sector will need to be strengthened to play its intermediation role between savings and investments. Reforms will also be needed to facilitate the emergence of longer tem financing instruments.

FDI in Mali has increased from an average US$22 million per annum in the early 1990s to US$ 70 million during the late 1990s. This compares favorably with other countries in the region, ranking Mali third in the WAEMU (see Table 3.1).

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[38] UNCTAD (2002).

TABLE 3.1 FDI INFLOWS IN WAEMU, 1990-2001 (US$ MILLIONS)

	1990-95 Average p.a.	1996	1997	1998	1999	2000	2001	1996-01 Average p.a.
Benin	47	25	26	35	61	97	131	63
Burkina-Faso	6	17	13	10	13	23	26	17
Côte d'Ivoire	116	302	450	416	381	255	258	344
Guinea Bissau	2	1	11	4	9	23	30	13
Mali	**22**	**47**	**74**	**36**	**51**	**106**	**103**	**70**
Niger	20	20	25	9	-	19	13	14
Senegal	29	7	176	71	136	88	125	101
Togo	10	27	23	42	70	57	67	48

Source: UNCTAD (2002)

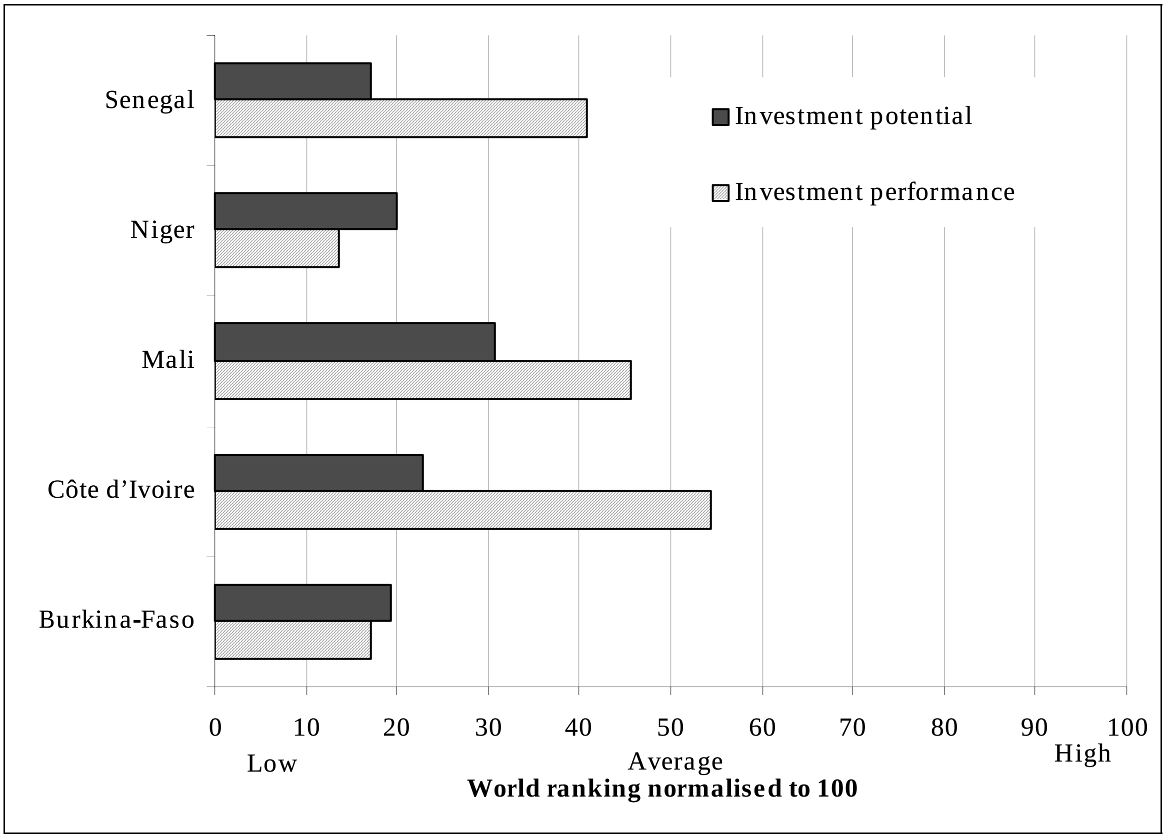
Based on a number of indicators relating to investment performance, UNCTAD has ranked countries in the sub-region according to their position worldwide.[39] According to these indicators (see Figure 3.1), Mali ranks just below the world average in terms of investment performance and in the bottom third for investment potential. Positive investment performance is primarily a result of the surge of investment related to gold extraction. Investment performance in other sectors of the economy has been more mediocre and below that which is indicated by its potential.

Constraints to investment promotion can be categorized into exogenous and endogenous factors, some of which can be tackled through government policy and private sector initiatives. Some of the endogenous constraints include high costs associated with factors of production, weak savings rates, crowding out of private investment by the public sector, weak financial intermediation, low R&D expenditures, low skilled labor force, difficult access to finance for fertilizers and seeds, regressive taxation levels borne by the formal sector, heavy administrative formalities for exporting, weak and variable enforcement of commercial law, and lack of institutional support to undertake market studies. Exogenous factors relate to the deterioration in Mali's terms of trade, inefficient and sometimes

[39] Investment performance refers to the ratio of a country's FDI in world FDI flows to a country's GDP in world GDP. Investment potential refers to the unweighted mean of eight explanatory variables for FDI, namely GDP growth, indicators of development (GDP per capita, telephone lines per 1,000 inhabitants, per capita energy consumption), share of students in population, share of exports in GDP, country risk ratings and the share of R&D in GDP.

conflicting financial aid provided by international donors, significant stock of public debt, and investors' perception regarding political instability and appropriation risks.

FIGURE 3.1 INVESTMENT POTENTIAL AND PERFORMANCE IN THE WAEMU, 2001



Note: ranking out of 140 countries, normalized to 100. 0 represents the lowest ranking (i.e. lowest performance or potential) and 100 represents the highest ranking (i.e. best performer in the world).
Source: UNCTAD (2002)

Mali has liberalized a number of sectors of the economy (e.g. mining, agriculture, and public procurement), taken measures to simplify investment procedures (using a single channel for investment), is a member of various international agencies and has signed conventions (i.e. African Intellectual Property Organization-AIPO, WTO, MIGA) and adopted national and regional laws conducive to FDI (i.e. in customs, investment and commercial law). A proposed regional investment code for WAEMU is under consideration though no agreement has yet been reached among member states.

3.1.3.1 Investment Opportunities in Export Related Activities

The Ministry of Industry and Commerce has undertaken a major study on the potential for developing a number of agricultural and industrial sectors. The study identifies the sectors with the highest growth potential, provides a strategy for upstream or downstream activities surrounding each sector, and estimates the investment necessary to develop each sector. In 2001, the Council of Ministers approved the 22 growth-oriented sectors, and proposed to prioritize 13 of these in investment strategies. The 13 sectors relate to:

- Fruit and vegetables (shallots, onions, garlic, tomatoes, sweet peas, hibiscus, potatoes, green beans and mangoes)
- Oils (shea nut, sesame, groundnut, soya)
- Cereals (millet, rice, sorghum, corn and wheat)
- Animal husbandry (livestock, meat, skins and leather, milk)
- Cotton
- Fish
- Poultry farming

Each ministry is responsible for the development of each sector that falls under its own domain of competence. However, it is the investment promotion agency (Centre National pour le Promotion de l'Investissement, CNPI) that promotes each of the priority sectors with a view to drawing in investment. The CNPI has undertaken the coordination and commissioning of pre-feasibility studies, though these remain limited to 13 studies.[40] For this reason it is recommended that further resources be released for the commissioning of further studies deemed to present an interest to foreign investors and which might show a growth potential. These include the sectors of mining (gold, bauxite, phosphates), metallurgy (iron and steel development), chemicals (plastics, chemical fertilizers, insecticides, agricultural inputs), agriculture (sugar), services (tourism, hotels, construction, telecommunications and medical clinics), and cultural industries (music and handicrafts). It is estimated that the cost of undertaking detailed pre-feasibility studies of these sectors would reach around 300 million CFAF (less than US$0.5 million). Together with studies on potential sectors for investment, a major study on the reliability and cost of infrastructure existing in Mali (i.e. for transportation, telecommunication, energy and water

[40] The studies have been undertaken with the financial support of USAID.

costs), if not already available, should be a priority in order to inform investors of the benefits of investing in Mali. Such guides should be made available in English and French, and uploaded to the CNPI's website.

Beyond investment in domestic industries for import-substitution purposes or for satisfying local demand, opportunities exist for investment in export related activities, based on Mali's preferential trade agreements (Box 3.2 highlights some opportunities arising from regional and multilateral trade agreements). As already mentioned, Mali is a signatory of various bilateral and multilateral investment agreements covering such areas as the fair treatment of foreign investment, double taxation rules, capital transfers and expropriation measures. Among the most important bilateral investment agreements, Mali has signed bilateral treaties with France, Switzerland, Germany, Tunisia, South Africa, the USA and China.

BOX 3.2 INVESTMENT OPPORTUNITIES IN MALI ARISING FROM PREFERENTIAL TRADE AGREEMENTS

According to a study prepared by ITC & MIGA (2002), recent trade agreements with the EU and USA relating to "Everything But Arms" and "AGOA" offer few additional benefits in market access to Mali's exporters over that enjoyed prior to such agreements. This is due to the fact that traditional exports from Mali already entered these markets duty free prior to the agreements. Nevertheless, these new agreements now enable Mali to export non-traditional exports, which were hitherto difficult to export. The list of potential products includes fruit and vegetables, clothing and garments, flowers and frozen vegetables, and meats.

The level of fresh fruits and vegetables exported by Mali is insignificant whereas the potential to export is high. Rather than exporting cut meats or fresh and frozen meats, Mali sells livestock at a much lower price premium. Organic products, which enjoy a major mark-up in price could benefit from entering the EU market duty free if production, packaging and transportation conditions were met.

In the area of textiles, Mali shows major potential as a platform for exporting to the WAEMU, the EU and to a lesser extent, to the USA (through AGOA). Mali already exports cotton yarn to Mauritius in order to be manufactured into clothing for the US market. Other sectors enjoying a high export potential include shirts, underwear and pullovers and traditional cloth (bogolans) and clothing for the EU market.

In order for Mali to benefit from its trade agreements, it needs to upgrade its current industrial and commercial capabilities. In a country with limited financial resources and where financial intermediation is weak, foreign direct investment is necessary to develop the areas of production, packaging and transportation.

Source : ITC-MIGA (2002)

Bilateral treaties provide a transparent framework in which foreign investors can establish operations in Mali and avoid double taxation or controls on income earned from foreign investment. Mali has also signed a number of multilateral and regional agreements related to trade promotion (see Section 1.3.4).

3.1.3.2 Institutional Framework Governing Investment

Investment promotion in Mali is guided by vertical, horizontal and cross-cutting considerations. At the sectoral level, investment promotion comes from the respective industries, namely the Ministry of Tourism and Handicrafts, the Ministry of Housing and State Property, the Ministry of Industry and Commerce, the Ministry of Agriculture and Fisheries, the Ministry of Transport, and the Ministry of Mining, Energy and Water. Within these ministries around 15 departments are devoted to promoting these sectors.

At the horizontal level, three ministries are in charge of promoting investment, namely:

- Ministry of Economy and Finance (MEF), which provides the macroeconomic setting for investment, ensures the coordination between the private sector and the different ministries, and has the objective of strengthening financial intermediation in Mali;

- Ministry for the Promotion of Investment and Small and Medium Enterprises, whose functions include the preparation of sectoral reports to promote investment, simplifying investment procedures, connecting with investors and modernizing the private sector; and

- Ministry of Foreign Affairs and International Cooperation, which plays a coordinating role with international entities outside Mali.

Achievements so far by MEF in coordinating with different ministries, in consulting the private sector and in strengthening financial intermediation have at best been very limited. The coordination between the MIC and MEF is practically non-existent leading to inconsistencies and inefficiencies in trade policy. Despite the setting up of a moderator between the private and the public sector, dialogue is weak and ineffective. There is an urgent need to strengthen the moderator's role or to replace it with a steering committee that would be established under government decree.

The investment promotion organization of Mali (CNPI) was established in 1996 under the auspices of the MIC, and has been recently moved under the functions of the Ministry for Promotion of Investment and Small and Medium Enterprises. With a staff of 30, of which 14 are in managerial posts, the CNPI is exclusively devoted to investment promotion and is the focal point for domestic and foreign investors wishing to invest in Mali. The organizational structure is monolithic in shape, with no breakdown of operations by department. Hence, an organizational audit is recommended to establish individual departments with responsibilities for the different functions related to investment promotion.

A four-year strategic program spanning 2003-07 has been proposed,[41] with three overriding objectives:

1. pre-investment targeting by enhancing Mali's image to foreign investors, targeting priority sectors and promoting investment networks;

2. improving administrative procedures and the speed of processing investment applications;

3. following-up activities of disbursed investments by building a database of investment and questionnaires.

As it stands, the program is missing an estimate of costs, lacks precision regarding actions, and thus requires a greater analytical evaluation of needs. The CNPI clearly has insufficient specialists in investment, lacks training in investment promotion, owns few computers and is not sufficiently integrated into the activities of the different ministries.

Beyond the limited human and technical resources of the CNPI, another limitation in investment promotion is that the CNPI does not have a physical presence outside of Mali. As such, an evaluation should be made into the possibility of setting up investment points in the embassies or consulates in major cities worldwide.

3.2 CUSTOMS

Streamlining customs operations and reducing the burden of customs procedures on economic agents has an important role to play in reducing an anti-trade bias and in creating a more fluid environment in which international trade transactions may take place. Increasingly important for customs procedures is the prevailing regional dimension and the application of a common external tariff (CET) and the various regulations to be substituted in the place of national regulations.

[41] The program was drawn up in consultation with the International Finance Corporation (IFC).

3.2.1 Mali's Implementation of Customs Agreements

Mali has been a member of the World Customs Organization since 1987 and a signatory to a number of agreements,[42] though it has opted out of some others.[43] In three essential areas of the WAEMU customs union, Mali has adopted and has fully implemented its commitment to the nomenclature of merchandize, the rules of origin and customs valuation. Mali's customs authorities successfully apply the CET to almost all goods, except for ten tariff lines that differ from the WAEMU's CET, though such differences do not present any major distortions to trade. In the area of customs agreements, two areas of interest to increasing trade are explored by the DTIS, those of the rules of origin and customs valuation.

The purpose of obtaining certificates of origin is threefold: to identify products originating within the region and that are therefore exempt of customs duties; to identify products within the region which are eligible to benefit from preferential trade agreements in third markets; and to promote a brand image of products produced within the region. In order to simplify customs procedures, the WAEMU authority decided to exempt agricultural produce, livestock and handicrafts from producing a certificate of origin requirement. Though this is helpful in reducing burdensome administrative paperwork, it does not help Mali to build a brand image.[44] It is therefore recommended that exporters do produce certificates of origin and that these certificates be in line with the requirements of the various trade agreements (i.e. Cotonou, AGOA, Everything But Arms). In achieving this, there is a need to inform exporters of the correct procedures and to control the issuance of certificates.

Customs valuation is a concept used by the customs authorities to value the duties to be paid on imported goods. Customs valuation is defined by the WTO as the transactional value of merchandise trade. The WAEMU adopted the customs valuation definition as the WTO defined it. However, rather than using the transactional value, many traders and customs officials continue to use the reference value. Therefore, it is important to inform and train users to apply the transactional value for customs valuation. At the regional level, it would be helpful to establish a database on the price of imports for major product groups

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[42] Such as the convention on the adoption of the harmonized system (HS) of nomenclature of trade; the customs convention relating to facilitating the importation of goods for exhibitions or congresses; and the customs convention on the temporary importation of scientific materials.

[43] Kyoto convention and Kyoto revised convention and Nairobi convention.

[44] A common example of the lack of branding by Malian exporters relates to the export of mangoes, which are often labelled as mangoes originating from the Cote d'Ivoire.

as a risk management tool. The customs authorities also need to be more motivated in collecting this information and exploiting it.

3.2.2 Customs Procedures

3.2.2.1 Transit Procedures

All customs clearance procedures in Mali begin with transit declarations.[45] Within the WAEMU there is no single transit regime, but instead two systems coexist: the TIE (Transport Inter Etats) established in 1970 by the Conseil de l'Entente and the TRIE (Transport Routier Inter Etats) established in 1975 by ECOWAS. Thus, Mali's Code des Douanes has adopted all the regulations defined under the aegis of WAEMU and ECOWAS. However, as for many of its neighbors, Mali has significant difficulties in implementing such regulations.

As such, formalities, delays and costs differ across the region, causing permanent uncertainty and incomprehension amongst importers and exporters. This is particularly damaging to the trading capacity of a landlocked country. There is an urgent need to ensure that transit regulations are applied uniformly across countries in WAEMU and ECOWAS, to facilitate Mali's trade, or at a minimum that procedures along Mali's main trading routes are harmonized. It is also deemed important to build joint border posts (bureaux à contrôles nationaux juxtaposés, BCNJ) in order to simplify and accelerate customs clearance procedures. The proposal to establish BCNJs is already foreseen in the WAEMU and is also proposed for ECOWAS. For a number of years, the European Commission has committed funds for the construction of the BCNJ under the PARI II (Programme d'Appui Régional à l'Intégration) for the WAEMU, with border posts along different routes from Mali to Senegal and Mali to the Côte d'Ivoire. These projects never materialized owing to a lack of follow-up.

3.2.2.2 Critical Assessment of Customs Procedures

Customs clearance procedures in Mali are complicated, unpredictable and at times costly. The complexity and unpredictability of procedures suggests that no standard *modus operandi* is adopted (i.e. norms, definitions, models). It is therefore recommended to undertake a detailed evaluation of customs procedures and to find a standardized and transparent approach to dealing with customs clearance procedures. The IF mission found that procedures involve

[45] Transit declarations allow goods transported from a country of origin to a country of destination, to pass through intermediary countries without being burdened by the customs procedures of those intermediary countries.

official and unofficial costs and delays owing perhaps to a lack of information sharing across customs officials and third parties.

Though the customs authorities deal with trade facilitation, the latter is not a priority in customs procedures. This reflects the dual objectives of customs authorities in Mali: collecting duties and taxes, and fighting fraud. The role of customs in facilitating trade has been given some thought[46] but little has been achieved in implementing simplified measures.

3.2.2.3 The Use of Economic Regimes

Some countries in WAEMU have successfully developed an industrial base through economic and customs policies that favored intermediary inputs and machinery. The Côte d'Ivoire and to a lesser extent, Senegal, promoted the use of economic regimes and free zones to provide incentives to the manufacturing sector. Though free zones can initially distort competition and provoke loses to the national budget, these can also successfully generate employment and economic activity. The main economic regimes in existence in Mali relate to the storage of goods without transformation (i.e. raw materials), temporary admission of goods (i.e. for machinery, mining tools, etc.), bonded warehousing (i.e. inputs transformed or not to be used in manufacturing production), and imports for production of exported goods.

Mali should assess the feasibility of using economic regimes capable of promoting local industries.[47] Rather than multiplying regimes or free zones, the authorities should use a pragmatic approach to the manufacturing sector's needs, including small and medium enterprises. Of particular importance are policies to foster development of the transport services and leasing sectors, which currently do not enjoy import tariff advantages that other firms do. The case of transport services is discussed in section 3.3. For the leasing sector, a review and decision can be made at the national level regarding tariffs on imports of equipment, without which the dynamism of the private sector (particularly smaller enterprises) is hampered. The authorities should also inform, through business association, of the advantages of using such economic regimes.

3.2.3 Institutional Structure of the Customs Authorities

Fines do not represent an important customs revenue, but they do provide an indication of the efficiency of customs authorities, especially in fighting smuggling. The share of fines in total receipts fluctuates considerably from one

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[46] See article 99 in the Code des Douanes du Mali (DGD, 2001).

[47] Economic regimes do exist in Mali and are used by some firms though this remains marginal.

year to the next depending on whether a major seizure took place. Nevertheless, over the last five years, this share never exceeded 1 percent, which is considered relatively low.[48]

Different reasons are put forward to explain the relatively low level of performance in Mali: (i) inadequately qualified staff; (ii) low motivation levels; (iii) a lack of training on screening methods; and (iv) a lack of internal controls. The issue of human and material means is explored further in this section.

3.2.3.1 Human Resources

The administrative structure of the customs authorities is biased towards managerial positions as opposed to technical ones. Thus, 44 percent of personnel are in supervisory or managerial roles, when more human resources are needed in the field offices to control and monitor trade flows. There is currently no career development plan in the DGD with obvious negative effects on motivation. The training of personnel is not particularly encouraging either. Personnel of “A” category (from mangers to directors) are trained abroad, usually in France or Morocco, personnel of “B” category (professional staff) have little formal training and category “C” personnel (technical and administrative staff) do not have any possibilities of training.

A major impediment to the efficient running of the DGD is the need to encourage training throughout the echelons, as opposed to limiting it to expensive overseas training for senior managers. Furthermore, without a career development plan, the incentives for personnel to perform well are mitigated. Moreover, internal communication methods are poor and managerial skills are limited. A rethinking of personnel policies is essential in order to increase performance.

3.2.3.2 Management Information Systems

Mali implemented in 1985 the first version of ASYCUDA, but failed to ever make the best usage of the program. Mali found it difficult to collect, analyze and diffuse information, as well as update these through the means of a modern information technology network. UNCTAD is currently implementing ASYCUDA++, a far more powerful tool than the current program in place and it presents a real opportunity for the customs authorities to train users in all the functionalities of the program and also in the interpretation of results. Although the first choice of functionalities should reside with the customs administration, they should consider associating the stakeholders in these choices. Indeed, the

[48] This is in comparison to the benchmark of 3 percent, which is considered to be a very good performance.

introduction and implementation of ASYCUDA++ (at an estimated cost of CFAF 1.8 billion) will provide an important opportunity to review and streamline customs procedures and organization.

3.3 TRANSPORTATION

Mali is a vast landlocked county (1.24 million km^2) with a relatively small population (about 11 million in 2002) thinly spread along the Senegal and Niger river valleys. These characteristics, together with the relatively low level of urbanization (less than 31 percent of the population in 2002)[49], point to the need for a large transport infrastructure network that a country as poor as Mali cannot afford through its own resources. Yet without a well-developed transportation network, Mali's ability to trade efficiently and thereby reduce poverty, particularly in the rural areas, would be seriously undermined. Mali's capacity to trade depends both on its own internal transport network as on that of its neighbors. This fact, highlighted by the recent crisis in the Côte d'Ivoire,[50] has spurred the authorities to accelerate the development of alternative transportation routes and arrangements.

Since river transportation is limited,[51] the focus of the DTIS has been on road, rail and air transportation. It should be noted, however, that 2,717 km of waterways can be navigated and that rivers provide an important means of transporting agricultural produce in remote areas. Nonetheless, the potential to expand river transportation is limited owing to technical difficulties and high costs.

3.3.1 Performance and Challenges Facing Road Transport

At present, Mali is twice landlocked, outside its borders and also within its own borders. Considering all existing primary roads (paved roads, earth roads, and tracks), only 1,922 km are considered to be in good condition, 1,371 km in fair condition, and 5,493 km in poor condition. As a result, many regions are not readily connected to national or sub-regional markets, particularly during the rainy season when many roads are impassable. The rehabilitation and maintenance of roads is costly owing largely to deferred maintenance, but also to

[49] This compares with urbanization rates of 17 percent in Burkina Faso, 21 percent in Niger, 43 percent in Benin, and 47 percent in Senegal.

[50] Prior to the crisis, about 76 percent of Mali's trade (imports and exports) passed through the port of Abidjan. By 2003, this figure had dropped to less than 18 percent, with Lomé (Togo), Dakar (Senegal) and Tema (Ghana) each representing about a quarter of that same total.

[51] In 2001, a mere 98,000 tons were transported along Mali's rivers versus 3.8 million tons on Mali's roads.

the impact of excessive axle loadings by trucking companies. Although historically the rehabilitation and maintenance budget has represented about 50 percent of all road expenditures (or CFAF 16 billion in 2002), it has proven insufficient for meeting the routine and periodic maintenance needs of the existing network, which are estimated at CFAF 25 billion a year. In tandem with securing additional investment resources to rehabilitate the existing road network and completing the paving of Mali's strategic road transit corridors, there is an urgent need to allocate adequate resources in the national budget for routine maintenance of existing roads, especially rural roads which play a critical role in Mali's fight against poverty.

Beyond road infrastructure, the condition of the vehicle fleet in Mali is particularly poor. As of February 2003, Mali's vehicle fleet (all vehicles) reached 100,500 for a population of 11 million inhabitants. Of these, nearly two thirds exceeded fifteen years of age, contributing to lower operating efficiencies and thereby increasing the costs of transportation. According to the Direction Nationale des Transports (DNT), in 2000, 83 percent of trucks and 70 percent of tractors were over 15 years old.

A cited constraint to renewing the vehicle stock is the high tariff level, notwithstanding the effect of WAEMU's Common External Tariff (CET) in lowering the tariff on imported vehicles from over 100 percent to between 30 and 40 percent. The impact of even lower tariffs on vehicle imports to enable the updating of the fleet is likely to be significant for Mali, given that its transportation costs are currently highest in the region, as illustrated in Figure 3.2. Relative to the cost of imported goods, Mali's transportation costs are over twice the level of Senegal's and just under double the level of the WAEMU average. Such elevated costs in Mali are a major impediment to competitiveness.

In actual fact, three other factors also underlie the high age of the Malian vehicle fleet, and undermine competition and efficiency gains in Mali's transport sector. The first is the domestic tax structure for vehicles, which translates into different fiscal treatment for trucking companies depending on the number of trucks operated being less than or more than three. In the first case, a standard flat tax is applied while in the second case a turnover based tax is utilized. This policy encourages a multitude of small firms often under same management if not same owner,[52] and prevents scale economies from being captured. The second factor is the combined result of weak enforcement of technical regulations governing truck quality as well as lax technical regulations, which encourage companies to continue using poor quality trucks beyond their economic lifespan. The third

[52] Expansion of operations is often through creation of new companies under relatives' names, thereby maintaining small size and benefiting from the more favorable tax rules.

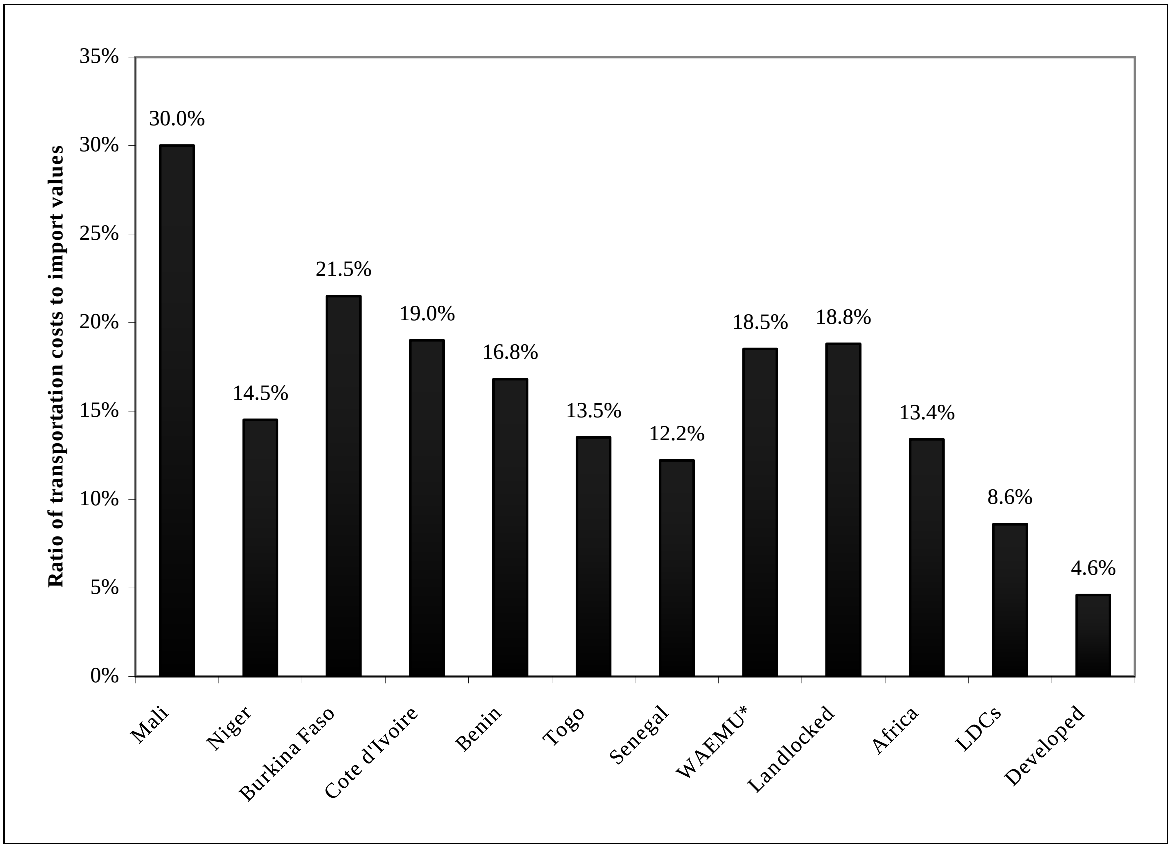
factor is the quota system on international tonnage carried, which is sanctioned by bilateral agreements between countries in West Africa. Under these agreements, a specified percentage of a market share for transporting a country's trade must be handled by its own transporters. In the case of Mali, this means 40 percent of non-petroleum goods and 100 percent of petroleum products. This practice has perverse consequences, such as the transfer of imported goods onto domestic-owned trucks, prior to entry across the border or the use of cartel rules by trucking companies to manage at a fixed tariff a secured volume of international trade.

It should be noted that transport costs have risen for Malian traders in the wake of the Côte d'Ivoire crisis, due to re-routing of trade to other ports farther away from Bamako. Prior to the crisis, the average price for transporting a 20' container from Bamako to Abidjan was CFAF 1.3 million.[53] With the re-routing of traffic to Tema (Ghana), for example, a surcharge of CFAF 0.5 million (i.e. over one third more) is incurred, reflecting not only the longer distance (from 1,250 km between Bamako and Abidjan, to 1,910 km between Bamako and Tema) but also the impact of the transportation quota system discussed above. A concern of the Government arising from these new routes is that nearly half of Mali's aged truck fleet is in no condition to travel the longer distances, and must thus yield services to truckers of other countries. Without the opportunity to renew their truck fleet, Malian truckers might not be able to meet the quota system requirements and thus, might no longer have access to business on the lucrative international routes. This possibility, could impact truck company revenues and employment creation negatively, at least in the medium term.

As other WAEMU countries face a similar problem of antiquated vehicles, a regional decision is desired on the tariffs level for truck imports, and also on the quota system. In the absence so far of such a region-wide policy, Burkina Faso acted unilaterally to suspend import tariffs for vehicles, thereby significantly increasing imports of vehicles. The initiative in Burkina Faso was very successful but raises competitiveness issues, since Burkina Faso gained an unfair advantage over other WAEMU countries, from its now lower transportation costs. For this reason, the WAEMU must review and rule on the policy governing commercial vehicle imports. WAEMU must do so, however, in the context of ensuring increased transport sector competition at the regional level, by reviewing on the transport quota system and taking a decision to phase it out, in conjunction with ECOWAS.

[53] Above the official surcharge, are informal impediments along the way, which reached as much as CFAF 0.3 million from Bamako to Abidjan.

FIGURE 3.2 TRANSPORTATION COSTS IN WAEMU AND COMPARATORS, 1998



Note: WAEMU is weighted average of WAEMU countries; landlocked is the weighted average of landlocked countries worldwide
Source: N'Guessan (2003) based on IMF/UNCTAD data

A further constraint for Mali's transportation services is the persistent dominance of informal sector operators, which has important consequences on the sector's competitiveness, for a couple of reasons: first, operating in the informal sector constrains access to finance from the banking sector, which is essential for investing and maintaining a fleet of vehicles; second, operating informally also constrains access to trade insurance (see Box 3.3). As already noted, operators are often small and with fragmented operations (due to the domestic tax structure), despite similar management among many operators. As such, the unitary cost of transportation is high. Addressing the domestic tax structure would go a long way toward increasing the size and minimizing the number of trucking operators.

BOX 3.3 TRADE INSURANCE AND THE INFORMAL SECTOR

Owing to the uncertainties associated with transporting goods from one point to another, especially when more than one mode of transport is used, it is in the interest of traders to insure their merchandise. However, since a number of importers or exporters are in the informal sector, they find it difficult to obtain insurance. A law was passed in 1981 to oblige importers (not exporters) to take out insurance on their merchandise, and the customs authorities are responsible for ensuring that the rule of law is respected.

Subsequent to passing of the law, a number of false declarations were used, though now few checks are made. The reason behind the low rate of insurance is that importers are often uneducated and have a low purchasing power, but it reflects the public's general mistrust of insurance companies, which are known to have failed in compensating claims in the past.

One of the most important constraints to developing regional trade is the informal surcharges imposed by the police and local authorities, especially with regard to road transportation and also to the movement of people. Not only does this result in substantial cash expenditures, but it also leads to long delays in receiving shipped goods and reduced ability to take rapid advantage of market opportunities. Because of the high amounts of these surcharges and the frustrations experienced by traders and transporters, WAEMU and ECOWAS, have proposed establishing an Observatory of Abnormal Practices in Cross-Border Trade under the joint Regional Transport and Transit Facilitation Program. The observatory would collect and disseminate detailed information regarding illegal delays and payments, which it is hoped would help discourage such activities. Beyond information collection, addressing the issue of illegal charges will require its recognition as a broad economy-wide governance issue rather than continuing to see it as a purely transport sector issue (World Bank, 2004).

3.3.2 Performance and Challenges Facing Rail Transport

Up until recently, the railway line running from Bamako to Dakar, the only such railway line connecting the country to its neighbors, was run inefficiently by the Société Nationale des Chemins de Fer du Sénégal and the Régie des Chemins de Fer du Mali. Managerial disagreements between the two companies coupled with technical problems, led to the near demise of the railway line. Delays, derailments and increased informal costs led to a contraction in cargo shipments by rail, of around 40 percent over five years (1997-2001). This occurred despite the fact that rail transportation was and remains one of the most efficient modes of transportation for Mali's bulk cargo.

The railway line linking Bamako to Dakar offers numerous advantages over road or air transportation, if managed efficiently. These include:

- reduced travel times, higher security for containers, fewer delays (since informal stop-points are by-passed), and reduced product losses (since rail avoids the bumpiness prevalent in road travel due to poorly maintained roads and trucks);
- lower unit price per distance traveled owing to the size of convoys, as well as more predictability of costs (since intermediary costs disappear, such as those occurring in the case of informal barriers);
- simpler and thus faster customs processing due to the TIF (Transit International Ferroviaire), which covers the cargo's entire journey;
- possibility of applying, with relative ease, multimodal transportation techniques (see Box 3.4); and
- reducing road degradation and congestion by transferring the transportation of heavy merchandise (i.e. cement or petroleum products) to the railway line.

After ten years of continual degradation of the service, the two countries reached an agreement in March 2003 to transfer the management of the railway line to a private company (a Franco-Canadian group, Canac-Getma) effective from October 2003 for an initial duration of 25 years. According to a study financed by the Agence Française de Développement (AFD *et al*, 2002), the principal problems associated with the railway line include (i) insufficient equipment, carriages, etc.; (ii) dire condition of infrastructure; (iii) high probability of breakdowns and derailments; and (iv) variable speed and reliability of service. The new venture will also need to address the growing level of informal taxes and corruption associated with obtaining cargo space.

The principal challenges facing the new venture include the financing of investments in new infrastructure (of the order of CFAF 26 billion); the need to market a credible image to traders who have lost faith in the service; and the training of personnel to former levels of experience and standards. Other areas of concern include the need to improve warehousing facilities in the port of Dakar, warehousing facilities for intermediate storage outside of Bamako, quality of road access to rail stations, and communication between the Senegal and Mali customs authorities on shipments to each country so as to avoid unnecessary delays and duplication of tasks.

BOX 3.4 FACILITATING TRADE THROUGH MULTIMODAL TRANSPORTATION

A major obstacle to Mali's trade performance is the multitude of customs controls along transit routes. Multimodal transportation can be an answer to this problem. Multimodal transportation is defined as the movement of goods through different modes of transportation (i.e. air, rail, road or sea) without additional customs controls to the flow of trade during the transition from one mode to another. It offers the advantage of facilitating customs procedures (since only one document is required from the point of origin to the point of destination) and therefore prevents containers from being delayed.

Multimodal transportation is difficult to achieve in WAEMU under current conditions, since there is not a common transit agreement within the region, although some bilateral agreements exist that cover multimodal transportation. Mali has such an agreement with Cote d'Ivoire, which enabled piloting of mango exports from Mali to Europe under multimodal transport procedures under a project managed by the Agence pour la promotion des filières agricoles (APROFA). Ongoing negotiations between the authorities of Mali, selected neighboring countries, and transport companies are expected to lead to additional agreements.

3.3.3 Performance and Challenges Facing Air Transport

The bankruptcy or rationalization of a number of airline companies in recent years has disrupted air traffic to Bamako.[54] Furthermore, small freight quantities and higher security measures introduced after September 11, 2001 have also driven airline companies, such as Air France, to become reticent in accepting cargo shipments. Despite the lower supply of air cargo space and higher costs, air transport can still remain an import channel for transporting certain types of merchandise such as gold, luxury goods (textiles, leathers, decorative art, etc.) or out of season horticultural products (i.e. beans, tomatoes, mangoes). The transport of horticultural products does necessitate the availability of cold storage facilities at the airport (which is costly for seasonal exports) and good handling procedures. In other words, for air transportation to be a profitable mode of transporting cargo, Mali's importers and exporters need to efficiently manage the entire supply chain from production to delivery to foreign markets.

Four recommendations surround the promotion of air transportation in Mali. The first is the need for the authorities to encourage flights that land (even the refuel stops) in Bamako to load some of Mali's cargo, by providing adequate cargo security standards. The second relates to the need for better organization of producers in order to increase the volume of cargo to make it profitable for airline companies to stop over in Bamako. The third recommendation is for

[54] In particular, Air Afrique, Air Mali and Sabena have ceased operating.

Mali’s producers to apply more stringent quality control measures throughout the supply chain in order to ensure that goods arriving at the destination will not be rejected. The final recommendation concerns the need to liberalize and encourage private sector participation in cargo transport, ground handling and access to the airport.

CHAPTER 4
SECTOR SPECIFIC OPPORTUNITIES FOR TRADE PROMOTION

4.1 AGRICULTURE AND AGRO-INDUSTRY

4.1.1 Agriculture: Structure, Performance and Sub-Sector Trade Promotion

Agriculture plays an essential role in economic growth, employment and poverty reduction. The share of agriculture in GDP is around 45 percent, of which 15 percent is attributed to food crops, 10 percent to livestock, 9 percent to industrial crops (i.e. cotton and peanuts), 5 percent to forestry and 1 percent to fishery. Mali has been slow to vertically integrate agricultural production into agro-processing industries (processed foods and beverages), thereby failing to capitalize on its comparative advantage. Agro-processing industries account for less than 3 percent of GDP. As Mali is confronted with a small domestic market given the limited purchasing power of the average consumer, targeting export markets would be one way to realize economies of scale in food processing and overcome the limited size of the domestic market.

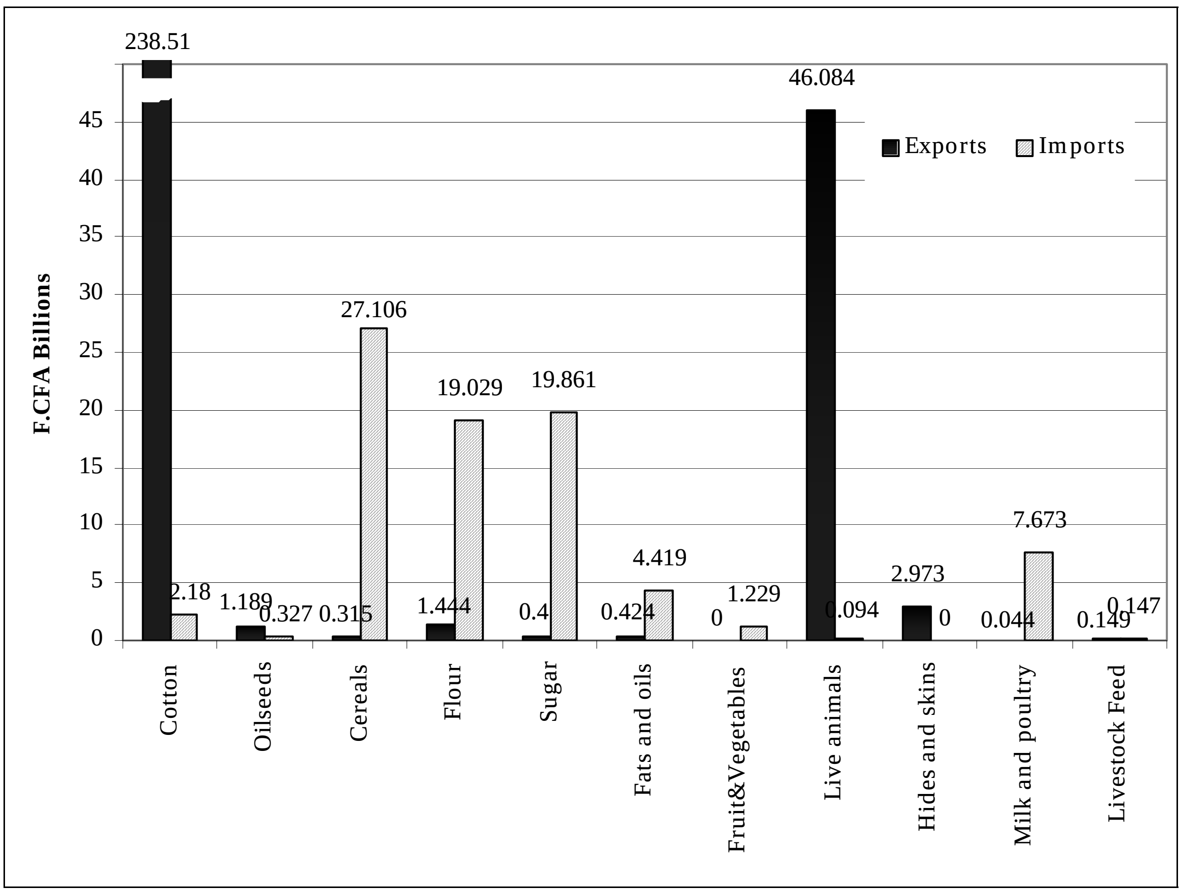
Figure 4.1 presents the trade profile for major agricultural and agro-industrial products in 2002. Mali enjoys a clear surplus in cotton and livestock, whereas it holds the largest deficits in cereals, sugar and flour. Since the mid 1990s, the greatest increases in exports have been registered for flour products, cotton, fats and oils, and live animals. Within the sub-region, Mali shows a high potential for increasing exports of rice, particularly in Côte d'Ivoire and Ghana where the middle class is favoring rice as a staple food. Close proximity to Burkina Faso and Guinea also make these high potential markets for Malian rice. These findings are corroborated in a study carried out during the 1990s (USAID financed study by Barry, Diarra and Diarra, 1998).

4.1.1.1 Coarse Grains

Major improvements have been noted in production levels and yields for cereals. Rice yields in particular rose from 1.2 tons/ha in 1980s to 1.8 tons/ha in the 1990s and those in the Office du Niger rose from 1.6 tons/ha to 6.1 tons/ha. The potential for expanding irrigated cultivation in the Office du Niger is considerable with production of milled rice potentially attaining 1 million tons a year. Such an expansion in production could be absorbed by the West African market, which is estimated to consume 1.5 million tons (USAID financed study by CAE & Chemonics, 2001). A key requirement for expanding rice production and marketing includes establishing a viable institutional structure for financing long-term private investment in irrigation infrastructure; establishing a system of secure title to irrigated land; improving the quality of rice processing; and developing a policy regarding marketing, trade, and storage that will deal effectively with the highly seasonal nature of production.

Maize also enjoyed a major increase in its yield, from 0.9 tons/ha in the 1980s to 1.4 tons/ha in the 1990s. Rising yields have been accompanied by increases in land utilization, leading to a major expansion in production. Nevertheless it appears that the expansion of the area under cultivation may be resulting in diminishing returns as the land brought under cultivation is increasingly lower in quality. Incentives to increase maize production is very low owing to the limited returns to family labor (i.e., low productivity rates).

FIGURE 4.1 TRADE IN AGRICULTURAL AND AGRO-INDUSTRIAL PRODUCTS IN 2002



Note: Trade in live animal refers to 2001.
Source: Direction nationale d'appui au monde rural; DNSI.

The development of trade in the coarse grains sub-sector requires the upgrading and standardizing of the quality of these grains in order to ensure their usage as inputs into animal feed and processed food. In addition, the variability in coarse grain prices is such that a policy needs to be developed regarding alternative ways of stabilizing prices by ensuring less erratic supply levels (i.e. through storage, better conditions of transportation, etc.)

4.1.1.2 Cotton

There is no doubt that Mali has a strong comparative advantage in the production and export of cotton. Even though cotton prices have fallen significantly since 1997/98, Mali's comparative advantage is still very strong, especially in view of the fact that the world price today is artificially lowered by the subsidies granted to cotton producers within the industrial world (see Box 1.2). Mali's comparative advantage is evident, too, from the fact that its output is close to two-thirds of the total of 800,000 metric tons of cotton produced in West Africa. In fact, Mali is the fourth largest cotton exporter in the world.

Mali's ability to maintain its place in the world market depends on its ability to resolve the problems of the national ginning company CMDT (see Box 4.1). Although liberalization of the sector is agreed to in principle, this may pose problems for cotton farmers who are heavily dependent on CMDT for as a source of credit, inputs, and technical assistance, as well as for purchasing the cotton crop. Access to credit and inputs is critical to maintaining, much less increasing, cotton yields.

Given the uncertainties associated with the world cotton market and the continuing subsidies to cotton producers in the industrial countries, it may not be in Mali's interest to try to expand cotton production. A first priority would be to reduce the sector's vulnerability to international price shocks by strengthening the performance of CMDT and the market-oriented management of the company. To this end, a cotton sector reform program was adopted by the Mali Government (in May 2001, and an updated version in November 2003) and is supported by the World Bank and other donors.

In addition to strengthening cotton sector performance and management, it would be advantageous to add value to cotton fiber. However, Mali's comparative advantage in downstream spinning and weaving is much weaker than in the production of cotton fiber. A study indicates that Mali is unlikely to have a comparative advantage in the export of cotton-based commodities such as yarn and fabric since (i) Mali is land-locked and transportation to potential customers is costly and uncertain, (ii) although Mali's labor is relatively cheap, its productivity is such that it cannot compete on prices with other producer nations; (iii) although labor is quite an important component of total cost in garment production, it is much less so in spinning and weaving. Consequently,

BOX 4.1 COTTON SECTOR CRISIS AND REFORM PROGRAM

Cotton production in Mali has doubled during the last decade, from 293,021 tons of seed cotton in 1994/1995 to 590,000 tons in 2003/2004, to make Mali a key exporter of cotton lint in Sub-Saharan Africa. At the same time, world cotton prices kept declining due in part to a number of competitive market factors—such as the introduction of new technologies, the expansion of production into new areas, increased market share of non-cotton fibres. However, subsidies to agricultural producers in the United States and the European Union are the single biggest force driving down world prices and Sub-Saharan African countries such as Mali are most deeply affected.

From 1999 to 2001, Mali's cotton sector experienced a severe financial crisis, due in part to the fall in world cotton prices but also to weak management and high cost structure of CMDT, the national cotton parastatal company (owned 60 percent by the government and 40 percent by Dagris, a French parastatal company). The crisis took a dramatic turn in June 2000 with the decision of a large number of farmers to boycott cotton cultivation for the 2000/2001 cropping season, in direct response to the relatively low producer price offered by CMDT in the wake of its financial difficulties. As a result, cotton production for 2000/2001 decreased to 241,000 tons, i.e. barely more than half the production of the previous year. The following year, CMDT agreed to a higher producer price, which led to a strong increase in production, but the continued decline in world market prices accentuated the company's financial problems.

With the support of the World Bank, the Mali Government prepared and adopted a comprehensive reform program for the cotton sector. This program, approved in October 2001 and updated in November 2003, details the long-term vision of a competitive model for the sector in addition to reform measures needed to facilitate the transition from the existing monopsony structure and restore the sector's profitability, sustainability and competitiveness. The program called for the State to progressively disengage from the sector to hold no more than 20 percent of the sector's equity capital, while the private sector and producer organizations increased their responsibilities in the sector. The first phase of reforms included the implementation of a financial recovery plan for the CMDT. A portion of the cotton growing operations was to be privatized, as was HUICOMA (the cottonseed oil company). At the same time, marketing and pricing of cottonseed, cottonseed oil and cottonseed cake were to be liberalized. Implementation has been slow due in part to market constraints stemming from the regional crisis in Cote d'Ivoire.

The next phase of reforms is to include the full privatization of CMDT by 2008, the progressive transfer of several key functions (such as provision of input credit, and supply of inputs) to the private sector and farmers organizations, and enhanced support to institutional and capacity-building activities. The producer price mechanism is being revised to strengthen its market-orientation features (for application in May 2005), and the privatization process for HUICOMA has been re-launched in September 2004.

any cost advantage that Mali might have because of low labor costs is likely to be offset by the higher cost of capital (USAID financed study by Salinger, Sylla, Crook, and Perrings, 1999). These disadvantages to further transformation of cotton, will be reduced as transport infrastructure and services improve in the course of implementation of the transport sector reform program.

In anticipation of improving transport and economic conditions, Mali has encouraged investments in cotton transformation activities, and at least two spinning factories are due to begin operations soon. At least one of these will be exporting thread and yarn to Mauritius, where it will be woven into fabric used to produce garments that will be exported to the United States under AGOA. Mali is a preferred source of cotton because it is an eligible African country under AGOA, and purchase of raw materials and intermediate inputs from an eligible country, or from the US, is required for Mauritius to be able to benefit from AGOA. The firm expects to save costs by spinning the cotton in Mali before shipping it to Mauritius. Assuming that cotton spinning will be profitable without subsidies, current plans call for expanding the spinning sub-sector to process up to 10 percent of Mali's cotton over the next three to five years.

The Cotton Initiative co-authored with Benin, Burkina Faso and Chad, called for the recognition of the strategic nature of cotton for development and poverty reduction (and thereby Development Assistance aspects), and a complete phase-out of support for the production and export of cotton (Trade Policy aspects). To address the Development Assistance aspects, the African Regional Workshop on Cotton in Cotonou, Benin (in March 2004), concluded that action must be taken within existing development mechanism such as national development plans, using the instruments of the IF and JITAP. This conclusion is consistent with measures already underway in Mali under its cotton sector reform program (see Box 4.1), closely supported by the World Bank and other donors (primarily France and the Netherlands) through financial and technical assistance activities. Assistance has comprised the financing of various studies to underpin the formulation of the reform program measures, and technical assistance to guide the decision making process. [55]

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[55] Studies undertaken during 2000-04 on Mali's cotton reforms included the following topics: phasing and options for liberalization of the cotton sector; options for revising the price setting mechanism; credit provision mechanism targeted at cotton producers; technical audit of industrial and commercial operations of CMDT (comprising five sub-topics); review of CMDT operations with view to restructuring around core cotton sector functions (including social plan to manage downsizing of personnel); review of issues regarding progressive withdrawal of CMDT from provision of public services; review / assessment of CMDT operational accounts; options for organizing cotton extension services in future liberalized sector environment; issues regarding the establishment of private sector ginning companies; options for capacity building for producer organizations; options for extending CMDT share ownership to producers and staff; options for establishing a calamity fund; environmental audit of the ginneries; accounting and financial audit of HUICOMA; operational audit of HUICOMA and

Mali's cotton sector reform program is currently under review by the authorities in view of the President's decision to delay privatization from 2006 to 2008. As formulation of Mali's cotton reforms is being pursued under a separate ongoing process of dialogue with the World Bank and other donors, the DTIS does not include specific financial and technical assistance needs. In the course of updating Mali's cotton reform program, assistance through IF and JITAP II can be incorporated to complement ongoing assistance of the donors already providing support to the sector.

In tandem with its cotton sector reform program, and as already noted in section 1.4, Mali is pursuing discussions at the WTO toward actions to ease the deleterious effects of developed country subsidies. African country efforts on trade policy aspects of cotton have been reinforced by the favorable WTO ruling (in April 2004) for Brazil on its case against US cotton subsidies.

4.1.1.3 Products Other Than Cotton

A study financed by USAID (Stryker, 2003) identifies major opportunities for trade expansion in a number of non-traditional sectors. These include:

- *Nuts and oilseeds*. Two thirds of the shea trees in the world are in Mali and export demand for good quality shea nuts is strong (shea nuts are used in chocolate and cosmetics[56]). Intermediate processed shea butter has a higher value added than shea nuts and should be developed in parallel. Mali appears to have a major comparative advantage in cottonseed oil and cake for animal feed, which has a high export potential (see Box 4.1 for the measures needed to achieve the comparative advantage).

- *Sugar*. Nearly one quarter of Mali's domestic requirements for sugar are satisfied by domestic production. With sugar imports reaching CFAF 20 billion in 2002 (around $30 million) sugar production is therefore an import-substitution strategy in the long term. Mali should have a strong comparative advantage domestically and regionally in the production of sugar, owing to a combination of good soils and good irrigation. A feasibility study of a proposed sugar mill estimates that Mali could be self-sufficient in the

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the cottonseed oil sub-sector; CMDT and HUICOMA privatization strategies. Studies have also be financed on: the cotton sectors in African countries; lessons from cotton reforms already undertaken in African countries; impact of developed country subsidies on African countries (including Mali). **Technical assistance** has or is being extended to producers (for their assessment of the various sector studies) and the government (for its assessment of the various studies and formulation of the reform program measures).

[56] A recent change in EU rules permits the use of up to 5 percent shea butter in the production of chocolate.

medium term. The initiative would generate an expected 2,000 full time jobs and 3,000 part-time jobs (Schaffer and Associates International, 2001).

- *Fruit and vegetables.* Mali exports only around 1,000 tons of mangoes a year even though there is a major market potential for mangoes. Variable quality, post harvest handling and high transportation costs hamper the scope for trade expansion. A recent mango export pilot project demonstrated how these constraints can be overcome. Green beans are highly prized internationally, though tight phytosanitary barriers effectively limit the scope for expansion. Tiger nuts represent the highest potential, with Spain already purchasing 80 percent of Mali's supply, which has increased from 250 tons in 1993/94 to 6,200 tons in 1999 (USAID financed study by CAE/Chemonics, 2001). Mali has the highest yields for potatoes in West Africa and there is potential for trade expansion. Shallots are exported primarily to West Africa but the potential for expansion is limited without moving into value added products. Finally, Mali's production of tomatoes is very variable though it has successfully exported fresh tomatoes to West Africa and the EU.

- *Livestock.* The data suggests that livestock accounts for up to one fifth of GDP, and mainly comprises cattle. Together with livestock exports to neighboring countries, substantial quantities of hides and skins have been exported in recent years. Furthermore, there has been growth in poultry and dairy production and the potential for continued expansion as a form of import substitution remains significant.

Recommendations for expanding production and promoting trade include:

- *Oilseeds.* For the groundnut subsector, there is a need to (i) introduce improved seeds in the production zones, to increase yields and lower unit costs; (ii) increase the level of fertilizer usage in the production zones; (iii) improve storage facilities to reduce high levels of aflatoxin; (iv) mechanize labor-intensive processing activities; and (v) improve the transportation network in the production zones. Owing to the high level of competition from other neighboring countries (particularly in the Gambia and Senegal), alternative cash crops should be envisaged. In the subsector of shea nuts, incentives must be given to (i) increase quality and provide a systematic program of protecting existing trees and planting new ones, using grafting methods developed by research; (ii) provide training and the infrastructure to process and handle shea nuts during drying and storage; and (iii) provide financial incentives during harvest for the collection and processing of nuts, which is carried out by village women during a period where labor demand is already high.

- *Sugar*. A critical issue in the success of sugar production is pricing. Under WAEMU, the common external tariff of about 25 percent (customs duty plus other import taxes) is applied to a reference price calculated as an average of the guaranteed prices in the EU and US as well as the world market price. In addition, importers are also required to pay any difference between the price of sugar delivered to the frontier and the reference price (Schaffer and Associates International, 2001). A further tax applied to imported sugar is the taxe conjonturelle à l'importation (TCI) of 55 percent (see Section 1.3 on conditions when the TCI enters into force). At present, investing in domestic sugar production yields a high economic and financial rate of return on investment; but this rate is very sensitive to price, which implies that the import duties and other artificial corrective measures cannot change very substantially without jeopardizing the investment. A pre-feasibility study commissioned by the Ministry of Industry and Commerce, raises the possibility that Mali could export sugar within the region to Burkina Faso and Côte d'Ivoire, but no quantitative analysis of this is undertaken and the sensitivity of the results to price changes suggests that, with adjustment for transportation costs, the profitability of exports is not a foregone conclusion. Moreover, there is a large amount of sugar that enters as contraband into the country, which may undermine the profitability of such a venture. For this reason, further analysis should be undertaken before a major investment is made.

- *Fruit and vegetables.* Considerable barriers exist to boosting export competitiveness in fruit and vegetables, including inefficiencies in production, harvest, handling, and internal and external transport. The supply of produce to exporting firms is unreliable and is often characterized by high losses and degradation. Problems with financing, access to inputs, quality control, and marketing have a negative impact on quality and yields. Lack of professionalism among the exporting firms inhibits greater cooperation and coordination with the upstream actors and impedes the development of long-term relationships with foreign buyers. Technical assistance should be provided through associations to deal with these problems. Adapting growing techniques to the types of seeds required by the EU market in order to increase yields would greatly enhance the competitiveness of certain horticultural products. In addition, there is a marked lack of marketing specialists for some specific horticultural products. The greatest value-added potential in the sector can come from improvements in harvest and post-harvest selection, handing, storage, and preservation, as well as refrigerated transport. Other challenges include the small size of potato fields, multiple handling through the post-harvest chain, and highly variable application of quality control standards.

- *Livestock*. Studies confirm Mali's comparative advantage in exporting live animals to West Africa (Metzel *et al*, 1998). However, based on forecasts of domestic consumption, domestic demand could outstrip supply by 2010. For this reason, greater intensification of livestock activities is required. An important issue is whether more value added can be captured within Mali by moving the place of slaughter from neighboring countries to Mali. While there have been several attempts over the years to export chilled beef by air, rail, and road, both within West Africa and to other African markets (Gabon, North Africa), these efforts have generally proved unprofitable. Major constraints to meat exports are the higher value placed on by-products in coastal markets, which makes it more profitable to export live animals; and the high-cost and unreliability of refrigerated transport. Developing meat exports would also require rehabilitation of the Bamako abattoir, which is currently in a poor state of repair. There may be significant opportunities to export boxed, high quality cuts of meat outside the regional market, such as to the Middle East or Gabon, but this will require substantial improvements in animal health standards and certification. Finally, Mali should consider increasing poultry farming for its own domestic demand and for sub-regional exports. An alternative strategy can be to expand fattening operations in order to raise the value of livestock. This will require (i) improving access to concentrate feeds; (ii) improving access and timely delivery of financing for seasonal fattening; (iii) better information on prices; (iv) training in new technologies; (v) increasing dry-season forage. A major problem in Mali is the lack of animal health standards that are adequately enforced. This leaves Mali very vulnerable to animal diseases and prevents Malian exporters from shipping livestock to markets such as Algeria, where higher animal health standards are in force. For this reason, there is a major need to (i) link health problems discovered at the abattoir with their origin; (ii) reduce the corruption associated with the granting of animal health certificates at the border; and (iii) establish animal quarantine areas for exporting meat outside of WAEMU. Finally, Mali has, for a number of years, exported hides and skins that have been partially tanned to the "wet blue" stage. Today one of the tanneries is going further to produce semi-finished leather from domestic skins. With further investment in the tanneries, finished leather articles could be used to supply the domestic leather products industry, which today depends largely on leather that is tanned using traditional methods. This would result in an industry that is totally vertically integrated. Ultimately, Mali could produce leather products for export, which could have very significant employment benefits. Mali has a strong tradition in leather products, with its craftsmen considered to be very skilled. The major constraints are obtaining hides and skins of good quality and gaining access to finances to invest in equipment.

4.1.2 Developing Market Information Systems

It is essential for exporters to have access to reliable market information on prices, quality, supply and demand conditions, and other variables in order to take advantage of trading opportunities. A more region-wide systematic mechanism for gathering and disseminating market data is needed. One such mechanism is the *Système d'Information du Marché* (SIM), which was initially established in Mali but subsequently expanded to neighboring countries. Despite its proven usefulness, by the end of the 1990s, the SIMs were experiencing financial difficulties as a result of lower funding from international donors and despite efforts by local governments to pay some of their recurrent costs.

In 2000, an agreement was reached to link individual countries to a West African network of SIMs. The *Observatoire du Marché Agricole* (OMA), the SIM in Mali, was to take the lead. In addition to assembling and distributing data on regional market prices, the network would also distribute information to private operators on regulatory changes, availability of products and inputs, world market prices, sources of finance, freight charges, conditions of transportation routes, availability of transport, contacts, meetings and trade fairs. Financing was to be achieved by inserting a line item in each participating member's public budget; by charging fees for special studies, surveys, and certain other types of information; by contributions from the private sector; and by appeals to donors.

The effort to build trade capacity is deserving of donor support, but this must be offered in such a way as to be conducive to long-term sustainability in the absence of that support. A recommendation is thus to strengthen and broaden the collection and dissemination of market information. This will require joint agreement by governments, private sector organizations, civil society, and donors. Choices need to be made as to what products, markets, and other information to cover and how the SIMs will be financed both in the short term and on a sustainable basis over the longer term. A careful evaluation of the mechanisms for exchanging information between countries is also needed.

4.1.3 Enhancing Non-Price Competitiveness

Export competitiveness depends not only on price but also on a series of non-price dimensions, in which Mali at present does not perform well. These include product quality, timeliness, packaging, health and phytosanitary standards, and meeting product specifications. Sub-sectors in which these are particularly important are livestock products; fruits and vegetables; agribusiness; and textiles, clothing, and handicrafts. Improvements here will involve the introduction of better information flows via improved information and communications technology (ICT) and better managerial skills.

In more advanced countries, where information flows are smooth, the scale of operations is substantial, transactions costs are low, and competition is high, providing scope for specialization of functions along the value chain. Thus there may be many layers of activity between the producer and the exporter involving design, advertising, marketing, collection, warehousing, inspection, brokerage, insurance, freight forwarding, and other operations. In Mali, because information flows are poor, the scale of operations is small, transactions costs are high, and competition is low, specialization is less likely to take place. Unless exporters are willing to take on some of these functions, at least until the value chain becomes well established, there are likely to be important gaps that will prevent Malian exports from being competitive.

An important issue related to non-price competitiveness is the role that the public and private sectors should play in establishing and enforcing norms and standards, and the need to obtain sanitary and phytosanitary (SPS) certification. With the growing importance of the global market, these norms have become increasingly standardized at the global level. At present, the two government agencies responsible for norms and standards are the *Direction National des Industries* (DNI), in the Ministry of Industry and Commerce, which is supposed to ensure quality control and accurate labeling, and the *Direction Générale de la Réglementation et du Contrôle* (DGRC), in the Ministry of Rural Development, which is responsible for enforcing sanitary and phytosanitary standards.

At present the Central Veterinary Laboratory does some ad hoc food sampling, but only in Bamako and mainly for dairy products and some imported foods. Few alternative laboratories are equipped for this purpose. There is therefore a clear need to increase the capacity for micro-biological surveillance of food quality and technical assistance needs to be identified within the private sector, national laboratories, and regulatory agencies such as the DNI and DGRC so that existing legislation can be effectively complied with and enforced.

Although the necessary legislation has been enacted, it is not being enforced. The major problem is that while these government agencies have some very qualified people, they do not have adequate operating funds to fulfill their responsibilities. They also need to be assisted by private sector associations that can serve a vital role in helping to enforce norms and standards that are specific to an industry and to ensure that norms do not become a non-tariff barrier.

Finally, attention needs to be paid to the harmonization of norms and standards within WAEMU, and eventually within ECOWAS, as well as the relationship between these and the norms and standards that are internationally accepted.

4.2 HANDICRAFTS AND MUSIC

4.2.1 Handicrafts

The poverty reducing impact of developing handicrafts can be significant. Three quarters of Mali's population live in rural areas, relying on agriculture and handicraft for subsistence. Some estimates put forward by the handicraft promotion center (Centre National de la Promotion de l'Artisanat, CNPA) suggest that as much as 40 percent of the active population is registered as full-time craftsmen, a figure which rises to 80 percent in rural areas. With the exception of plastic and aluminum based articles, the vast majority of articles are manufactured by individual craftsmen or small enterprises, which tend to have a larger propensity to employ than the larger manufacturing operations. To a large extent, activities surrounding the handicrafts are part of the informal sector, thereby not contributing to the national budgets.

The handicrafts sector has been confronted by more stringent demands by consumers for quality and price competitiveness, often requiring investment in machinery to assist craftsmen and provide training. Thus, support for the handicrafts sector is expected to come in the form of strengthening the economic situation of craftsmen (through grants for example), providing technical assistance to improve the range, marketability and quality of the sector, and finally to encourage professional, technical and business education. A prime aspect in the formulation of support activities is to ensure that the dependency on external markets for the supply of materials or machinery is limited as far as possible in order to avoid adverse effects on the trade balance. Another important dimension, which needs to be focused on, is investment targeting, especially in rural areas, which is considered essential in order to avoid further migration to the suburbs of Bamako.

Most of the findings in the DTIS regarding the potential of the handicraft sector rely on personal interviews owing to the absence of descriptive statistics (see Box 4.2).

BOX 4.2 DATA ON THE HANDICRAFT SECTOR

Undertaking a diagnostic evaluation of the handicraft industries in Mali is problematic since data collected by the government are practically not available, with no statistics on the labor force. There is an acute shortage of information on the number of craftsmen, the size, geographical and professional distribution of craft enterprises, incomes earned, revenues, production parameters, etc.

From the national office of statistics (Direction Nationale de la Statistique et de l'Informatique, DNSI), only scarce information exists from surveys dated 1976/1978 and 1987/1989. Incomplete data on numbers of businesses and some qualitative information may be acquired at the chambers of handcrafts (Chambres de Métiers du Mali, CMM) and at their permanent assembly, the Assemblée Permanente des Chambres de Métiers du Mali (APCMM). An update of the national statistics is in preparation, but the data will not be more exhaustive or reliable, according to officials of the DNSI. Some information is also available at the Office Nationale de Main d'Oeuvre et de l'Emploi (ONMOE), but this is practically limited to the district of Bamako and the formal sector, as opposed to the large informal sector.

Whilst data concerning the population's geographical distribution, its age and sex partitioning, its habitat, and the split between formal and informal sectors, are very detailed, those on the professions are at the very least incomplete, sometimes insufficiently defined, and often questionable, contradictory or even useless. Available data on sideline occupations (i.e. second jobs), which certainly play a much more important role in Mali than in industrialized countries, are not differentiated enough, are partially confusing, and therefore altogether of reduced indicative value. It also seems that there is no data on the income of craftsmen and artists, on their costs of living and on the variation between the cost of living in urban and rural areas.

A strong recommendation is therefore to collect reliable and more detailed data, since such data will be the basis for formulating strategies and for monitoring progress. To perform a census every ten to twenty years is not sufficient and should be replaced with intervals of about three to four years. A micro-census should be performed to include details of the employment sector, categorized by groups of professions and include the extent of sideline employment and the contribution this makes to a craftsman's overall income. Furthermore, costs of living should be calculated by means of specific consumption of typical goods and services, distinguished by major regions of the country. In addition, information on the degree of self-sufficiency is very important for countries like Mali. Such a micro-census might be carried out with the support of institutions like the CMM, the craftsmen's associations, civic action groups and unemployed academics. However, two conditions are of utmost importance for the success of the data collection. There are: clear and easily comprehensible definition of terms and questions, and good training for the inquirers.

The highest potential for exporting handicrafts, with a proven record of marketability in international markets, relates to:

- *Traditional African musical instruments*, with demand rising in line with the increasing interest in African music.

- *Pottery*, with every region in Mali having its own distinctive shapes and colorings.

- *Textiles*, with every region once again having their own design and using cotton (in Southern areas) or wool (in Northern areas). The most renowned Malian textile is the bogolan, based on cotton material and decorated with traditional patterns using natural dyes.

- *Jewelry*, with a marked increase in the demand for African jewelry.

- *Sculptures made from wood and stone*, depicting human and animal forms, which have enjoyed growing worldwide popularity.

A number of obstacles exist to reaching the full potential of the handicraft sector. Prime obstacles for immediate improvements are, on the one side, the shortcomings in professional and business education and, on the other side, the lack of access to funds to improve equipment and facilities, to acquire better and safer production methods, and to finance larger orders and stocks.

Based on visits from the IF team to production sites, major problems appear to exist in the large variations in the quality of the raw materials used, the rudimentary manufacturing techniques and processes used, the inadequate health protection safeguards, the lack of adequate tools, machines and equipment, the strenuous working conditions, and the shortcomings in the alignment of products and product range with customer needs and expectations concerning design and quality.

A number of associations and institutions attempt to assist the industry, though no major support programs are currently underway. These institutions include:

- *Centre National de la Promotion de l'Artisanat (CNPA)*, a government institution for the promotion of the craft professions, with around 30 employees. It is entirely financed by the government, which nominates its top officials. Its functions are to collect related socio-economic data for monitoring purposes and to evaluate public affairs related to crafts, from ensuring the application of all related public regulations to coordination of related support activities, especially of all investments, and from preparation of measures for quality improvement to measures aimed at reorganizing economic structures and optimizing production methods.

- *Fédération Nationale des Artisans du Mali (FNAM*) is a non-governmental organization with only around 28,000 members registered nationwide (in comparison to district V of Bamako's Chambre de métiers maliens (CMM) which alone has over 20,000 members). Its activities comprise consultancy in cases of legal or fiscal problems, professional information, advice and education, participation in fairs and expositions, special support services for women and general lobbying.

- *Chambre de métiers du Mali (CMM)*, started in 2001, has been established at a regional level, in eleven major cities throughout the country plus one in each of the six communes of Bamako. By law, to be publicly recognized as a member of the craft profession, each craftsman or crafts shop has to be enrolled in the CMM, although many opt out to avoid taxation. Apart from administrative, promotional and lobbying tasks, the responsibilities of the CMM are not only to organize the training of apprentices and to support the vocational training of craftsmen and laborers, but also to take care of improving the quality of products and to contribute to perfecting manufacturing processes and technologies. Many of its activities overlap with other institutions.

- *Assemblée permanente des chambers de métiers du Mali (APCMM)*, is a public establishment with financial autonomy. The government, upon suggestions from the professional representatives, nominates management. To all appearances, the cooperation between both sides seems to be good. Prime responsibilities are to coordinate the work and to compile the results of the CMM's/regional conferences, as well as to interface with the public and the government. However, because of its proximity to the actual professional proceedings and its intimate knowledge of the difficulties faced on the ground, with adequate funding and staffing it has the largest potential to be the brain and motor for the sector's development.

4.2.2 Music

Building on over many centuries of a vivid music culture, Mali has accumulated a rich musical heritage, offering a vast economic potential. The development of the music industry can have important implications on the country's balance of payments, both for exports and investment. It must also be seen in the context of social and ethnic identification. Music has a motivating and consolidating effect on society and contributes to social coherence, while at the same time supports self-recognition of minority ethnic groups.

With the advent of new technologies in telecommunication and recording media, musical performance has turned into a tradable article, which can easily transcend borders. At the same time, Mali's music has become more creative and diverse owing to its exposure to European, Latin American, African and Arab music.

As in the case of handicrafts, the music industry operates mainly in the informal sector. However, in contrast to the handicraft sector, music has a disproportionate impact on the urban sector, since musical recordings and performances tend to concentrate in urban centers. Moreover, developing music does not have the wider poverty-reduction impact that can be expected from developing handicrafts. The number of professional musicians is limited, especially when compared to the importance of this sector in Mali's social life. However, music can be compared to a public good, with positive externalities on Mali's image as a tourism destination, as well as on foreign direct investment, taxation revenues, royalties, and social development and well-being.

The music industry in Mali has several factors impinging on its development, most of which are linked. The industry is plagued by pirated media and by a lack of enforcement of copyright laws. Broadcasting stations do not pay the due amount of royalties for the music used in broadcasts and it is estimated that 90 percent of cassettes and CDs on the market are pirated. This leads to extremely low wages for performers and makes it difficult to earn a living from just practicing music. The effect of being forced to work on other activities than music is that the creativity and talent is not always focused on its prime objective. In the fields of composing and production, the situation seems to be similar to the one in Senegal: a small number of famous musicians and successful businessmen have divided amongst themselves the Malian and export markets; other musicians may make a modest living from selling their compositions to large record labels, as they themselves are unable to afford recording and production facilities, and because of the lack of respective personal and technical education and of public intellectual property protection enforcement means.

A major constraint to promoting music relates to the enforceability of payments for royalties. The customs administration needs to be more aware of this problem and find ways in which to curb the rise in imported piracy materials. The national market for cassettes amounts to an estimated 7 to 8 million units a year, of which a significant proportion is imported. However, it is estimated that less than one tenth of imported cassettes, CD's and videos are being officially registered by the customs authorities. This is one of the reasons why the incidence of pirated products is extremely high. There is a need to ensure that the customs administration have the resources available to correctly register all recorded media and enforce the correct payment of the license fees for the mechanical rights. Without such an action, Malian producers remain vulnerable to unfair competition and the Malian music market will be encouraged to circumvent copyright royalty rules.

According to Mali's copyright law and the derived regulations, the country's collecting society, the Bureau Malien du Droit d'Auteur (BuMDA), should be in the position to ensure a much more equitable and protective environment for owner's rights. One of the prime reasons for its failure to fully achieve its objectives is the fact that the society forms a subsection of, and is controlled by, the Ministry of Culture (see Box 4.3).

BOX 4.3 A POSSIBLE CONFLICT OF INTEREST IN THE COLLECTION OF ROYALTIES AND LICENCES

The national collecting society, Bureau Malien du Droit d'Auteur (BuMDA), is a government run organization with inherent conflicts of interests with the Ministry of Culture, from which it depends. This arises from the fact that as a representative of artists' private rights, BuMDA is obliged to collect money from public broadcasting stations, which often fall under the umbrella of the Ministry of Culture. This makes it difficult to enforce payments from the stations though this is very much required in Mali because neither public nor private stations fulfill their related obligations.

Instead of collecting the internationally agreed contributions from all radio stations, discos, performance organizations and other users, BuMDA simply accepts a lump sum from the government plus a small contribution from the public TV, in order to avoid "endangering the exertion of the right of freedom of expression." From this lump sum, which represents, according to several independent sources, only a fraction of the collecting potential, the government deducts 35 percent, of which 15 percent is said to be compensation for administrative costs incurred by BuMDA. Another 15 percent is forwarded to the ministry of finance to represent income tax –representing an income tax prior to the salaries being received by the musicians, and finally a contribution of 5 percent of the sum is made to a social fund for members in need. The modalities of distribution of this social fund and the remaining budget are not transparent and greater transparency is urged. Furthermore, from the information obtained, it appears that there exists no control over BuMDA's work. The yearly statements of account are said to be transmitted every year by radio stations, but are not published and distributed to the members in printed form. The overall situation of deficiencies in transparency and efficiency leads to a widespread reluctance of artists to become members as they are skeptical where correct collection and fair redistribution without undue deductions are concerned. In other words, they are not convinced that their private pecuniary interests are well represented.

4.2.3 Technical Assistance Needs in Cultural Industries

The definition of objective requirements and tasks of forthcoming development programs, as well as surveillance during their performance, should be achieved through the representatives and organizations of the related professions in cooperation with experts from the government and international institutions as appropriate. Likewise, these representatives and institutions should generally remain responsible for promotional activities, especially those of organizing participation in trade fairs and festivals at the West African and global levels, including the selection of exhibitors; and promoting cultural exchanges with neighboring countries, e.g. encouraging cooperation between radio and TV stations.

During the initial definition of the project, due attention should be paid to the following major areas of shortcomings:

- Craftsmen and artists usually have no, or only very limited, access to funds for improving their working environment, such as for the purchase of tools, machines, instruments, recording facilities or materials for an increased production lot, or for improving their facilities and market chances, and so on. It is noted that initial steps have been taken by installing a system to improve the financial support functions, but it appears that this is still on a very small scale and that currently too few professionals can profit from it.

- Since the educational level of craftsmen and artists is generally very low, most have difficulties in business planning, fund raising, market strategy, product improvement, production and product quality control, book keeping, industrial engineering, and improving working conditions. Basic instructions should be given as a compulsory part of the apprenticeship training and in the schools of the different types of artistic professions. An in-depth education should be a pre-condition for starting an enterprise.

- Knowledge of rights and duties related to intellectual property (IP) protection is of essence for all creative artists. IP specialists should be available for the enforcement of these rights in several public administration institutions such as the police, customs and ministries of economy and finance, industry and commerce, justice and culture, as well as in the judiciary. Instructions might be given, in educational lessons and training courses, for some specialized judges, attorneys and lawyers in dedicated postgraduate courses, seminars and sabbaticals. In addition, a radio and newspaper campaign for sensitizing the public might also be very helpful in fighting the high level of piracy.

- Special attention should be given to the question of combining, or not, the existing professional representations. Concentrating representational forces might bring higher efficiency and lower costs, though a certain degree of competition may be lost. Such a study would be especially important in the sector of artistry, where there is a large number of organizations but low level of membership.

- The law foresees a special fiscal regime for the cultural industries. As a result, a so-called “synthetic tax” has been drafted, but apparently not yet decreed, which will be determined by the number of machines in workshops. Such a synthetic tax may have a disadvantageous impact on all efforts to modernize and rationalize manufacturing processes. This would come at a stage of development when the entire branch of the crafts industry needs to be provided with financial support and modernization.

- In the areas of regulation, a general recommendation is that all laws and regulations be made available in information notices to the public, and structured and formulated in an uncomplicated way for the comprehension of an ordinary craftsman or artist. The draft of the new copyright act has excellent starting points, but should be reviewed and amended in some areas. For example, the license contracts must not only indicate the contents and the kind of transferred rights and geographical definitions of distribution, but also the period of license granting. In the regulations for special contracts, there are presently no provisions regarding software creation and distribution.

- An independent system such as an arbitration board has to be installed for disputes between the collecting society on the one side and right holders (musicians etc.) and work users (publishers etc.) on the other. Respective articles must be provided for in the copyright act. Members of this board will be, besides the ones of the affected parties, intellectual property specialist(s) from, or nominated by, the ministries of justice and culture as representative(s) of the government.

- In the area of trade promotion, a study should be made on the identification of products demanded in the different parts of the world. Material, shape, design, quality and price must be determined according to the requirements of the countries. Widespread high quality presentation of products in external exhibitions and in internet trading facilities, particularly for foreign markets, must be achieved. International trade specialists, handicraft specialists and artists should devise a marketing strategy for cultural industries.

4.3 TOURISM

4.3.1 Tourism in Mali

As in other sectors, available statistics on the tourism sector are notoriously limited and unreliable. Estimates from the World Tourism Organization (WTO / OMT), suggest that tourism receipts reached between US$70 million and US$90 million over the period 1998-2000. This would imply that tourism accounts for less than 3 percent of GDP.

The impact of tourism on rural development and employment is non-negligible. It is estimated that tourism employs 4,000 people[57] directly, and a further 12,000

[57] Such data refer to employment in hotels and travel agencies, but excludes related tourism activities such as restaurant staff, airline companies, etc.

indirectly (WTO / OMT & UNDP, 2003). The World Travel and Tourism Council (WTTC) is more bullish in its estimates stating that tourism represents 2.2 percent of Mali's employment (65,000 jobs). The WTTC estimates that the real impact of tourism (once other activities affected by tourism are taken into account) is to create directly or indirectly 145,000 jobs and raise $199 million in income (WTTC, 2003). Furthermore, tourism takes place in mainly rural areas where there can be a substantial poverty reducing effect on the local population.

According to Table 4.1, tourism receipts in Mali are relatively modest vis-à-vis its neighboring countries. In 2000, Mali's tourists numbered around 90,000, far lower than the Côte d'Ivoire or Senegal and much more in line with Gambia. However, it is interesting to note that tourist arrivals to Mali have doubled between 1990 and 2000, with only Ghana performing better. In terms of receipts per tourists, Mali performs relatively well, holding second place in West Africa.

TABLE 4.1 STATISTICS ON TOURISM FOR WEST AFRICAN COUNTRIES

Country	**International inbound tourists**		**International tourism receipts**				
	Thousands 1990	Thousands 2000	$ millions 1990	$ millions 2000	% of exports 1990	% of exports 2000	$ Gross average receipts per tourist 2000
Benin	110	152	28	33	7.7	5.9	217
Cameroon	89	135	53	40	2.4	1.7	296
Côte d'lvoire	196	301	51	108	1.5	2.1	359
Gabon	109	155	3	7	0.1	0.2	45
Gambia	100	96	26	49	15.5	18.6	510
Ghana	146	373	81	304	8.2	12.3	815
Mali	44	91	47	50	11.2	7.1	549
Senegal	246	369	167	166	11.5	11.5	450
Togo	103	60	58	6	8.7	1.3	100
Developing	149,346	263,586	53,380	139,533	6.3	7.1	529
Sub-Saharan	7,075	17,455	3,079	6,597	3.8	8.4	378

Source: World Bank. 2002. World Development Indicators.

In June 2003, the Ministry of Tourism, UNDP and World Tourism Organization released a detailed study on the tourism potential in Mali, together with a detailed action plan (Ministry of Tourism *et al*, 2003). In order to avoid any overlap between the donors, the IF mission decided to avoid duplicating studies and instead uses the principal findings of the strategy document as the basis for the DTIS.

4.3.2 Opportunities for Tourism Development

The study carried out by the Ministry of Tourism *et al* identified a number of locations with the potential of turning Mali into a diversified destination. In particular, it noted possibilities in developing existing or potential cultural and historical sites (i.e. Dogon country, Djenné, Mopti, Gao, Ségou, Sikasso and Timbuktu), of which a number are classified as UNESCO World Heritage sites; the countryside (i.e. Niger river and the desert); and wildlife reserves (i.e. Bafing, Boucle du Baoulé and Gourma). Effects of tourism development on the environment and long-term economic sustainability must be examined (see Box 4.4).

Notwithstanding the rich potential existing in turning these sites into major tourism destinations, in their present state, it would not be possible to exploit these, owing to the prevailing poor infrastructure (i.e. roads and hotel units) and lack of access (transportation). More generally, the following barriers to development were highlighted:

- Accommodation is not graded according to a rating system and is often in poor shape.
- Service in hotels and restaurants is often poor, the result of poor management skills and lack of training.
- Guides are badly organized and are not adequately controlled for quality.
- Expensive air travel.

Tourism policy is led by the ANT, of which the Office malien du Tourisme et de l'Hôtellerie (OMATHO) is to implement measures to promote tourism. Surrounding the institutional framework, it was found that the OMATHO has relatively few specialized tourism professionals and a dysfunctional work program owing to the multiplicity of its functions. A long-term objective would be to review its personnel training scheme and organizational structure.

BOX 4.4 PROMOTING SUSTAINABLE TOURISM

Promoting the tourism industry can lead to vulnerability in environmental degradation or social instability. In particular, developing tourism around wildlife parks and cultural or historical sites will require substantial enforcement of regulations and surveillance. Tourism can also bring with it social instability (i.e. a two tier economic system, prostitution, crime, etc). A careful balance must be reached in developing tourism in susceptible areas. With these dangers in mind, exploiting Mali's potential must be achieved by taking into account the following concerns:

- Growth in tourism activities should be controlled and manageable.
- Preference should be given to projects with a sustainable impact on the environment and populations.
- The ANT should monitor professionals in the tourism sector. This includes guides, hotels and restaurants, tour guides and transportation companies.
- Linkages with the domestic economy should be encouraged, by offering incentives for purchasing equipment and products from local suppliers.
- Training should be provided for all levels and all sectors of tourism.

Source: Ministry of Tourism *et al* (2003)

4.3.3 Strategic Action Plan to Promote Tourism

The study,[58] led by the Ministry of tourism *el al* (2003), recommends a number of actions aimed at promoting tourism in Mali. The financing of the range of activities is relatively high, at an estimated cost of $2.5 million over a period of two years. The DTIS will list some of the most important and essential actions highlighted by the study, to be adopted in the short to medium term.

However, a major area of concern for the IF mission, are conclusions from the study which support the recruitment of extra personnel in the OMATHO and the proliferation of working groups, steering committees and ministerial departments to reflect the need for greater consultation and communication between ministries, and between the public and private sectors. Similar actions in other sectors of the government have usually been counter-productive owing to a duplication of tasks and weak motivation of steering committees (see Section 3.6 on trade policy). It is therefore recommended that greater thought and analysis go into recommendations that call for more personnel and an increase in working groups. A more sensible approach might be to review the internal

[58] Throughout Section 4.3, the "study" refers to the study carried by the Ministry of Tourism, UNDP and WTO/OMT in 2003.

organization and find measures to rationalize or prioritize existing tasks and departments (which is also one of the recommendations of the study).

Another area that the IF mission would have liked to see greater emphasis on is the promotion of peripheral activities related indirectly to tourism. In particular, as mentioned in the section on cultural activities, there are important synergies arising from promoting both tourism and cultural industries since the link between these are significant. In particular, cultural industries pay an essential role in the promotion of the "image" of Mali. A recommendation of the DTIS is therefore to explore such linkages and adopt a master plan concerning promoting linkages between the two.

4.3.3.1 Reinforcing the Institutional Framework

- Reviewing the organizational structure and operations of OMATHO with a view to rationalizing and enhancing the efficiency of its actions. This would also encompass training requirements.

- Provide capacity building assistance to the statistical division of OMATHO, through the provision of human, technical and financial support. Statistics should include data on tourists (arrivals, length of stay and spending) and the impact on tourism on the economy (employment, revenue, taxation revenue, investment, value added).

- Provide technical assistance in devising a strategic tourism master plan, with particular focus on customer targeting and image building. This should include the participation of private operators and peripheral ministries.

- Decentralize tourism promotion by sensitizing the local municipalities in the importance of rehabilitating, renovating and maintaining tourism destinations. Inform local municipalities and local populations (including taxis, guides and other relevant population) on the importance of high quality service.

4.3.3.2 Diversifying and Improving the Quality of Tourism

- Strengthening mechanisms to improve the quality and service standards in hotels, restaurants, tour agencies and tour guides

- Introduce mechanisms to ensure the rehabilitation, renovation and maintenance of tourism sites, including increased participation of municipalities and local communities.

- Strengthen OMATHO capabilities in strategy formulation and planning, statistical systems and monitoring, image building and marketing.

ANNEX 1
MEETINGS HELD DURING THE DTIS MAIN MISSION

General and Cross-Cutting Issues

Ministry of Industry and Commerce (MIC)

- His Excellency Mr. Choguel Kokala MAIGA, Minister
- Mr. Mody N'DIAYE, Secretary General
- Mrs. Cissouma Aida KONÉ, Technical Advisor
- Mrs. Madelaine DIALLO, Technical Advisor
- Mr. Dicko, Director of Planning and Statistics Section

National Directorate of Trade and Competition (DNCC)

- Mrs. Niamoto SANGARÉ BA, National Director
- Mr. Sekan BOUNDY, Trade Policy Advisor
- Mr. Abdoul Karim SISSOKO, Head of International Trade Division
- National Directorate of Industry (DNI)
- Mr. Mamadou TRAORÉ, Deputy Director General
- Mr. Issa N'Golo DIARRA, Head of Standardization and Quality Promotion
- Ms. Marianne CAMARA, Executive Secretary, Mali Association for Quality Promotion
- Mr. MAIGA, ONUDI-WAEMU Program Coordinator for Quality Promotion and Industrial Standardization
- Mr. Mamadou KÉITA, Head of Corporate Oversight and Industrial Promotion Division

Ministry for Promotion of Investment and the Private Sector

- His Excellency Mr. Ousmane THIAM, Minister
- Ms. KONATÉ, Technical Advisor

National Center for Investment Promotion (CNPI)

- Mr. Mamadou LANDOURÉ, Director of Entrepreneurship
- Mr. Namory TRAORÉ, Deputy Director General
- Mr. ADEMASY, Director of Institutional Relations
- Ms. ACOULIBALY, Director of Foreign Relations

USAID

- Mr. Amadou CAMARA, Head of Grain Program, USAID / Mali
- Mr. Dennis McCARTHY, Head of AEG group, USAID / Mali
- Mr. Cheick DRAMÉ, Head of Animal Husbandry Program, USAID / Mali

- Mrs Jean HARMAN, Head of International Trade, USAID / West Africa Regional Program
- Mr. Sikoro KEITA, Program Economist, USAID / Mali
- Mr. Kevin MULLALY, Deputy Director

Centre Agro-Entreprise (CAE)
- Mr. Harvey SCHARTUP, Director
- Mr. Dick COOK, Animal Husbandry Advisor

Agence pour la Promotion des Filières Agricoles (APROFA)
- Mr. Arouna DIALLO, Director General
- Mr. Sidiki KONÉ, Director of Oversight and Evaluation
- Mr. Sulamon TRAORÉ, Financial Director

Mali Chamber of Commerce and Industry (ICCM)
- Mr. Jeamille BITTAR, President
- Mr. Abdoulaye Samaté, Vice-President
- Mr. Hamma CISSE, Vice-President
- Mr. Lat GUEYE, Vice-President
- Mr. Abdoulaye SAMAKÉ, Vice-President
- Mr. Chuikna TRAORÉ, Vice-President
- Mr. Adama Koli COULIBALY, Vice-President
- Mr. Youssouf BUTHILY, Treasurer General
- Mr. Madoukoraba TRAORÉ, Deputy Treasurer General
- Mr. Daba TRAORÉ, Secretary General

Mali Company for Textile Development (CMDT)
- Mr. Shaka BERTÉ, Deputy Director General
- Mr. DOUKOURÉ, Head of Evaluations
- Mr. KEITA, Head of Sales

French Agency for Development (AFD)
- Mr. Bernard LARFEUIL, Director
- Mr. Florian RAFFATIN, Chargé de Mission

Consultations with development partners
- Mr. Bernard LARFEUIL, Director, French Agency for Development (AFD)
- Mr. Florian RAFFATIN, Chargé de Mission, French Agency for Development (AFD)
- Mr. Xia WEI, 2nd Secretary, Chinese Embassy
- Mr. Leven DE LA MOUCHE, Belgian Embassy
- Mr. Peter DE VRIES, Dutch Embassy

- Mr. Khaled ABDRABUIT, Saudi Arabian Embassy
- Mr. Zarem SALAH, Ambassador of Libya
- Mr. Philippe GENIER, Head of Economic Mission, French Embassy
- Mr. Boubacar BALLO, Directorate for International Cooperation

<u>Institutional Framework</u>

Ministry of Industry and Trade (MIT)
- His Excellency Mr. Choguel Kokala MAIGA, Minister
- Mr. Mody N'DIAYE, Secretary General
- Mrs. Cissouma Aida KONÉ, Technical Advisor
- Mrs. Madelaine DIALLO, Technical Advisor
- Mr. Dicko, Director of Planning and Statistics

National Directorate of Trade and Competition (DNCC)
- Mrs. Niamoto SANGARÉ BA, National Director
- Mr. Sekan BOUNDY, Trade Policy Advisor
- Mr. Abdoul Karim SISSOKO, Head of International Trade Division

Center for Analysis and Formulation of Development Policies
- Mr. Keita, Director
- Mr. Diawara, Organization, Institutions Expert

National Directorate of Industry (DNI)
- Mr. Mamadou TRAORÉ, Deputy Director General
- Mr Issa N'Golo DIARRA, Head of Standardization and Quality Promotion Division
- Mrs. Marianne CAMARA, Executive Secretary, Mali Association for Quality Promotion
- Mr. MAIGA, ONUDI-WAEMU Program Coordinator for Quality Promotion and Industrial Standardization
- Mr. Mamadou KÉITA, Head of Corporate Oversight and Industrial Promotion

Ministry for Promotion of Investment and the Private Sector
- His Excellency Mr. Ousmane THIAM, Minister
- Mrs. KONATÉ, Technical Advisor

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- Mr. Namory TRAORÉ, Deputy Director General
- Mr. ADEMASY, Director of Institutional Relations
- Mrs. ACOULIBALY, Director of Foreign Relations

Mali Chamber of Commerce and Industry (CCIM)

- Mr. Jeamille ILOTAR, President
- Mr. Abdoulaye Samaté, Vice-President
- Mr. Hamma CISSE, Vice-President
- Mr. Lat GUEYE, Vice-President
- Mr. Abdoulaye SAMAKÉ, Vice-President
- Mr. Chuikna TRAORÉ, Vice-President
- Mr. Adama Koli COULIBALY, Vice-President
- Mr. Youssouf BUTHILY, Treasurer General
- Mr. Madoukoraba TRAORÉ, Deputy Treasurer General
- Mr. Daba TRAORÉ, Secretary General

Customs General Directorate

- Mr. Amadou TOGOLA, Deputy Director General
- Mr. KOITA, Assistant Director, Customs Regulations

Trade Policy and Poverty Reduction

Strategic Framework for Poverty Reduction (CLSP)

- Mr. Sékouba DIARRA, Coordinator of CLSP Technical Division

Observatoire des Marchés Agricoles (OMA)

- Mr. Salifou DIARRA, Coordinator

Mali Office of Cattle and Meat (O.M.BE.VI)

- Mr. Abderamane COULIBALY, Director General
- Mr. Ibrahima DIANÉ, Deputy Director General
- Mr. Dial, Head of Statistics

National Directorate of Statistics and Information Systems (DNSI)

- Mrs. SIDIBE, Director General
- Mr. Mahmoud SAKO, Accountant for National Accounts
- Mr. Moustapha DIAWARA, Head of Survey Department

Support Project for Market Information Systems (PASIDMA)

- Mr. DEMBÉLÉ, On-site Coordinator of PASIDMA Project

Mali Company for Textile Development (CMDT)

- Mr. Shaka BERTÉ, Deputy Director General
- Mr. DOUKOURÉ, Head of Evaluations
- Mr. KEITA, Head of Sales

Trade and Customs Facilitation

USAID

- Mr. Amadou CAMARA, Head of Grain Program, USAID / Mali

Customs General Directorate

- Mr. DIAWARA, Director General of Customs
- Mr. Amadou TOGOLA, Deputy Director General
- Mr. KOITA, Assistant Director, Regulations, Taxes and International Relations
- Mr. DEMBÉLÉ, Assistant Director, Revenue and Studies
- Mr. TRAORÉ, Assistant Director, General Administration
- Mr. DIAKITÉ, Head of Information Systems and Statistics
- Mr. SY, Head of Information Systems Development
- Mr. DIARRA, Bamako Regional Direction
- Mr. SAKO, Bamako Regional Direction
- Heads of Bureaus and their teams from the Faladié Road, train station, Bamako Airport and economic systems Customs offices

National Transport Authority (DNT)

- Mr. FOMBA, National Director
- Mr. TALL, DNT

Mali Chamber of Commerce and Industry (ICCM)

- Mr. Jeamille BITTAR, President
- Mr. Abdoulaye Samaté, Vice-President
- Mr. Hamma CISSE, Vice-President
- Mr. Lat GUEYE, Vice-President
- Mr. Abdoulaye SAMAKÉ, Vice-President
- Mr. Chuikna TRAORÉ, Vice-President
- Mr. Adama Koli COULIBALY, Vice-President
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- Mr. Madoukoraba TRAORÉ, Deputy Treasurer General
- Mr Daba TRAORÉ, Secretary General

Mali Company for Textile Development (CMDT)

- Mr. Shaka BERTÉ, Deputy Director General
- Mr. DOUKOURÉ, Head of Evaluations
- Mr. KEITA, Head of Sales

Capitole-Transit

- Mr. COULIBALY, Director General

SDV Mali
- Mr. DOMPTAIL, Director General
- Mr. DIOP, Director of Maritime Division

Maersk Mali
- Mr. OLSEN, Director

Société Générale de Surveillance Mali
- Mr. GEORGES, Director General

Assurances Générales du Mali
- Mr. BLANCHARD, Director General

Consultations with trade facilitation partners
- Mr. Ousmane Aly TOURE, DNAC, Ministry of Equipment and Transport
- Mr. Aboubacar KONATÉ, DGD
- Mr. Oumar DIABATÉ, DNT, Ministry of Equipment and Transport
- Mr. Ousmane MAIGA, DDT/DNT, Ministry of Equipment and Transport
- Mr. Harouna CISSE, FNA Group
- Mr. Siaka Ousmane COULIBALY, Transport Companies Union

Agriculture - Food Industry

USAID
- Mr. Amadou CAMARA, Head of Grain Program, USAID/Mali
- Mr. Dennis McCARTHY, Head of AEG group, USAID/Mali
- Mr. Cheick DRAMÉ, Head of Animal Husbandry Program, USAID/Mali
- Mrs. Jean HARMAN, Head of International Trade, USAID/ West Africa Regional Program
- Mr. Sikoro KEITA, Program Economist, USAID/Mali

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- Mrs. Marianne CAMARA, Executive Secretary, Mali Association for Quality Promotion
- Mr. MAIGA, ONUDI-WAEMU Program Coordinator for Quality Promotion and Industrial Standardization
- Mr. Mamadou KÉITA, Head of Corporate Oversight and Industrial Promotion

Minister for Planning, Statistics and Information Systems

- Mr. Modibo DOLO, National Deputy Director, Planning
- Mr. Issa Sidibé, Statistics Engineer, National Directorate of Statistics and Information Systems

Ministry of Agriculture, Animal Husbandry and Fisheries
- Dr. Héry COULIBALY, Director General of Regulation and Rural Development Monitoring
- Mr. Adama COULIBALY, Planning and Statistics
- Mr. Lamissa DIAKITÉ, ECOFIL

Centre Agro-Entreprise (CAE)
- Mr. Harvey SCHARTUP, Director
- Mr. Dick COOK, Animal Husbandry Advisor

Agence pour la Promotion des Filières Agricoles (APROFA)
- Mr. Arouna DIALLO, Director General
- Mr. Sidiki KONÉ, Director of Oversight and Evaluation
- Mr. Sulamon TRAORÉ, Financial Director

Observatoire du Marché Agricole (OMA)
- Mr. Salifou DIARRA, Coordinator

Standing Assembly of Mali Chambers of Agriculture (APCAM)
- Mr.Gagny TIMBO, Coordinator between West African Chambers of Agriculture and the Conference of Western and Central African Agriculture Ministers

Private Sector
- Mr. Djibril Baba TABOURÉ, Director, Afric Trans Services and FITINA-SA
- Mrs. Elaine BELLEZA, Director, Mia Mali
- Mr. Douga FOFANA, Deputy Director, Société Africaine de Chaussures et Articles en Plastique (SOACAP)
- Mr. Adama TRAORÉ, West African Tannery, S.A.

Cultural Industries

Fédération National de l'Artisanat Malien (FNAM)
Centre Nationale pour la Promotion de l'Artisanat (CNPA)
Assemblée Permanent de la Chambre des Métiers de Mali (APCMM)
Bureau malien de droit d'auteur (BUMDA)
Ministère de l'Artisanat et du Tourisme (ANT)
Centre national pour la promotion de propriété industrielle (CNPPI)

Ministère de la Culture

- Ministre de la Culture, Cheick Oumar Sissoko

Mali K7

Radio-Télevision du Mali (RTM)

- M. Khalifa Sangaré, Directeur de l'administration et des ressources humaines
- M. Thiocary, Charé de l'animation à la radio / télévision

ANNEX 2
SELECTED STATISTICAL TABLES

TABLE A2.1 MALI: AVERAGE ECONOMIC GROWTH BY SECTOR, 1985-2002
(ANNUAL PERCENTAGE CHANGE)

	1985-1993	1994-2002	1985-2002
Primary sector	**5.0**	**4.6**	**4.8**
Food crops, excluding rice	5.2	3.9	4.5
Rice	20.9	10.5	15.7
Industrial crops, excluding cotton	10.1	3.5	6.8
Cotton	8.4	15.6	12.0
Livestock	5.2	2.9	4.1
Fishing	1.5	2.7	2.1
Forestry	2.8	3.3	3.0
Secondary sector	**3.6**	**10.6**	**7.1**
Mining	3.8	32.8	18.3
Tobacco	2.0	1.1	1.5
Textile	3.1	4.7	3.9
Industry	3.0	2.7	2.9
Water and electricity	8.2	9.6	8.9
Construction and public works	6.3	4.4	5.4
Tertiary sector	**0.6**	**4.1**	**2.4**
Trade	1.3	4.7	3.0
Transportation and telecommunications	0.4	5.3	2.9
Public administration	-2.2	3.3	0.5
Other services	15.7	8.1	11.9
GDP (at factor cost)	**2.8**	**5.4**	**4.1**
Indirect taxes	9.1	8.7	8.9
GDP (at market prices)	**3.1**	**5.5**	**4.3**
Non-mining real GDP	**3.2**	**5.4**	**4.3**

Source: Malian authorities; and Fund staff estimates.

TABLE A2.2 DESTINATION OF MERCHANDISE EXPORTS (PERCENT)

	1990-94	1995-99	2000	2001	2002
Africa	**5.5**	**5.9**	**8.3**	**8.8**	**10.1**
ECOWAS	4.3	2.6	4.1	5.5	5.2
- WAEMU	3.8	1.8	2.7	3.5	3.2
- Non-WAEMU	0.5	0.8	1.4	2.1	2.0
Other African countries	1.2	3.2	4.2	3.2	4.8
- Mauritius	0.1	1.2	3.7	2.0	4.1
- South Africa	0.6	2.0	0.4	1.0	0.5
Europe	**50.9**	**36.1**	**35.5**	**29.9**	**42.7**
EU 15	35.3	34.8	31.6	25.5	37.4
- Germany	3.5	1.4	5.8	4.3	5.4
- France	4.3	2.0	1.9	3.2	4.1
- UK	0.9	0.5	4.0	1.3	3.1
Other European countries	**15.6**	**1.3**	**4.0**	**4.4**	**5.3**
- Czech Rep.	0.1	0.1	1.5	2.9	3.0
Americas	**8.0**	**11.3**	**21.2**	**12.8**	**3.5**
USA	0.9	1.9	3.9	4.0	1.5
Canada	2.3	3.6	7.4	2.8	1.2
Other countries	4.7	5.9	9.9	5.9	0.7
- Brazil	4.7	5.8	9.9	5.9	0.6
Asia	**30.3**	**43.8**	**33.5**	**46.2**	**40.0**
East Asia	30.1	42.7	28.4	37.9	30.4
- Thailand	12.7	16.5	16.4	19.5	15.1
- Taiwan	3.8	9.3	2.3	4.6	5.2
- Indonesia	1.8	2.0	0.5	3.2	2.4
- Korea	1.9	4.7	3.3	4.7	2.3
- Vietnam	0.0	0.7	2.1	2.1	2.1
- China	7.4	5.4	0.2	0.6	1.0
Other countries	0.2	1.1	5.0	8.3	9.7
- India	0.1	0.7	4.8	8.3	8.4
- Bangladesh	0.1	0.4	0.1	0.0	1.2
Rest of the World	**5.4**	**3.0**	**1.5**	**2.3**	**3.7**

TABLE A2.3 ORIGIN OF MERCHANDISE IMPORTS (PERCENT)

	1990-94	1995-99	2000	2001	2002
Africa	**33.2**	**33.0**	**39.2**	**35.2**	**40.0**
ECOWAS	32.9	30.9	33.8	32.7	37.4
-WAEMU	32.8	30.8	33.7	32.5	37.2
-Non-WAEMU	0.1	0.1	0.2	0.2	0.2
Other African countries	0.3	2.1	5.4	2.5	2.6
- South Africa	0.2	1.9	5.2	2.4	2.3
- Mauritania	0.0	0.1	0.1	0.1	0.1
Europe	**49.1**	**50.4**	**41.6**	**47.5**	**44.3**
EU 15	47.1	49.4	40.6	45.8	42.8
- France	24.9	24.9	20.1	22.2	20.9
- Germany	4.6	3.0	6.1	7.3	6.1
- UK	3.3	4.4	3.6	3.0	3.5
Other European countries	**1.9**	**1.0**	**1.1**	**1.6**	**1.5**
- Turkey	0.0	0.2	0.3	0.3	0.4
- Czech Rep.	0.1	0.1	0.1	0.2	0.1
- Switzerland	0.4	0.3	0.1	0.4	0.3
Americas	**4.8**	**4.7**	**5.6**	**4.7**	**3.3**
USA	3.7	3.2	4.6	4.0	1.3
Canada	0.7	0.9	0.4	0.3	0.2
Other countries	0.4	0.6	0.6	0.4	1.7
- Brazil	0.2	0.5	0.4	0.2	1.1
Asia	**11.3**	**11.1**	**13.2**	**10.6**	**10.2**
East Asia	10.4	9.3	11.0	8.3	7.9
- China	1.8	2.5	4.6	2.8	2.6
- Hong Kong	4.6	3.2	3.3	2.0	1.8
- Indonesia	0.1	0.6	1.3	1.1	1.1
- Japan	2.2	1.4	0.8	0.7	0.7
- Thailand	1.1	0.9	0.2	0.6	0.4
- Malaysia	0.1	0.0	0.0	0.2	0.4
Other countries	0.9	1.8	2.1	2.2	2.3
- India	0.9	1.7	2.1	2.2	2.3
Rest of the World	**1.6**	**0.9**	**0.4**	**2.0**	**2.2**

TABLE A2.4 COINTEGRATION TESTS BETWEEN WORLD RICE MARKET AND BAMAKO WHOLESALE MARKET

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	5 % Critical Value	1 % Critical Value
None	0.121315	14.9993	15.41	20.04
At most 1	0.029786	2.842427	3.76	6.65

Note: Trace test indicates no cointegration at both 5 percent and 1 percent levels.

TABLE A2.5 COINTEGRATION TESTS, WITHIN MALI DURING 1993:2–1997:12 (JOHANSEN'S LIKELIHOOD TESTS FOR THE NUMBER OF COINTEGRATING VECTORS)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	5 % Critical Value	1 % Critical Value
None **	0.57131	77.73324	68.52	76.07
At most 1	0.322354	40.46431	47.21	54.46
At most 2	0.253564	23.34255	29.68	35.65
At most 3	0.129906	10.47496	15.41	20.04
At most 4 *	0.094179	4.352195	3.76	6.65

Note: *(**) denotes rejection of the hypothesis at the 5 percent (1 percent) level. Trace test indicates 1 cointegrating equation at both 5 percent and 1 percent levels.

TABLE A2.6 DETERMINATION OF THE INTEGRATED SPACE, WITH SAMPLE 1993:02–1997:12

Markets	Cointegration Rank	Likelihood Ratio	5 % Critical Value	1 % Critical Value
Sikasso + Gao	r = 0	22.41	15.41	20.04
	r <= 1	3.24	3.76	6.65
Sikasso + Gao	r = 1	10.00	15.41	20.04
+ Bamako	r <= 2	2.77	3.76	6.65
Sikasso + Gao	r = 2	14.84	15.41	20.04
+ Kayes	r <= 3	4.10	3.76	6.65
Sikasso + Gao	r = 3	14.71	15.41	20.04
+ Koulikoro	r <= 4	3.28	3.76	6.65

Note: Null hypothesis is rejected whenever LR is superior to the critical values. Only Sikasso and Gao belong to the integrating space here.

TABLE A2.7 GRANGER CAUSALITY TESTS—PRICES IN SIKASSO VERSUS IN GAO, WITH SAMPLE 1993:02–1997:12 (LAGS: 3)

Null Hypothesis:	Obs	F-Statistic	Probability
LGAO does not Granger Cause LSIKASSO	44	0.84675	0.47719
LSIKASSO does not Granger Cause LGAO		8.76966	0.00016

TABLE A2.8 COINTEGRATION TESTS, WITHIN MALI DURING 1998:1–2003:03

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	5 % Critical Value	1 % Critical Value
None **	0.513281	90.73556	68.52	76.07
At most 1 *	0.35663	47.53144	47.21	54.46
At most 2	0.163563	21.06931	29.68	35.65
At most 3	0.143525	10.35307	15.41	20.04
At most 4	0.017467	1.057267	3.76	6.65

Note: *(**) denotes rejection of the hypothesis at the 5 percent (1 percent) level. Trace test indicates 2 cointegrating equations at the 5 percent level.

TABLE A2.9 DETERMINATION OF THE INTEGRATED SPACE, WITH SAMPLE 1998:1–2003:03

Markets	Cointegration Rank	Likelihood Ratio	5 % Critical Value	1 % Critical Value
Sikasso + Gao	R = 0	40.04	15.41	20.04
	r <= 1	6.62	3.76	6.65
Sikasso + Gao	R = 1	31.77	15.41	20.04
+ Bamako	r <= 2	6.08	3.76	6.65
Sikasso + Gao	R = 2	11.38	15.41	20.04
+ Kayes	r <= 3	2.26	3.76	6.65
Sikasso + Gao	R = 3	15.19	15.41	20.04
+ Koulikoro	r <= 4	5.25	3.76	6.65

Note: Null hypothesis is rejected whenever LR is superior to the critical values. Sikasso, Gao and Bamako belong to the integrating space here.

TABLE A2.10 GRANGER CAUSALITY TESTS—PRICES IN SIKASSO VERSUS IN GAO, WITH SAMPLE 1998:01–2003:03 (LAGS: 2)

Null Hypothesis:	Obs	F-Statistic	Probability
LGAO does not Granger Cause LSIKASSO	61	1.47491	0.23755
LSIKASSO does not Granger Cause LGAO		2.27749	0.11196

TABLE A2.11 GRANGER CAUSALITY TESTS—PRICES IN SIKASSO VERSUS IN BAMAKO, WITH SAMPLE 1998:01–2003:03 (LAGS: 3)

Null Hypothesis:	Obs	F-Statistic	Probability
LBAMAKO does not Granger Cause LSIKASSO	60	1.73767	0.17045
LSIKASSO does not Granger Cause LBAMAKO		4.05814	0.01141

TABLE A2.12 GRANGER CAUSALITY TESTS—PRICES IN GAO VERSUS IN BAMAKO, WITH SAMPLE 1998:01–2003:03 (LAGS: 3)

Null Hypothesis:	Obs	F-Statistic	Probability
LGAO does not Granger Cause LBAMAKO	60	7.29531	0.00035
LBAMAKO does not Granger Cause LGAO		1.55523	0.21112

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