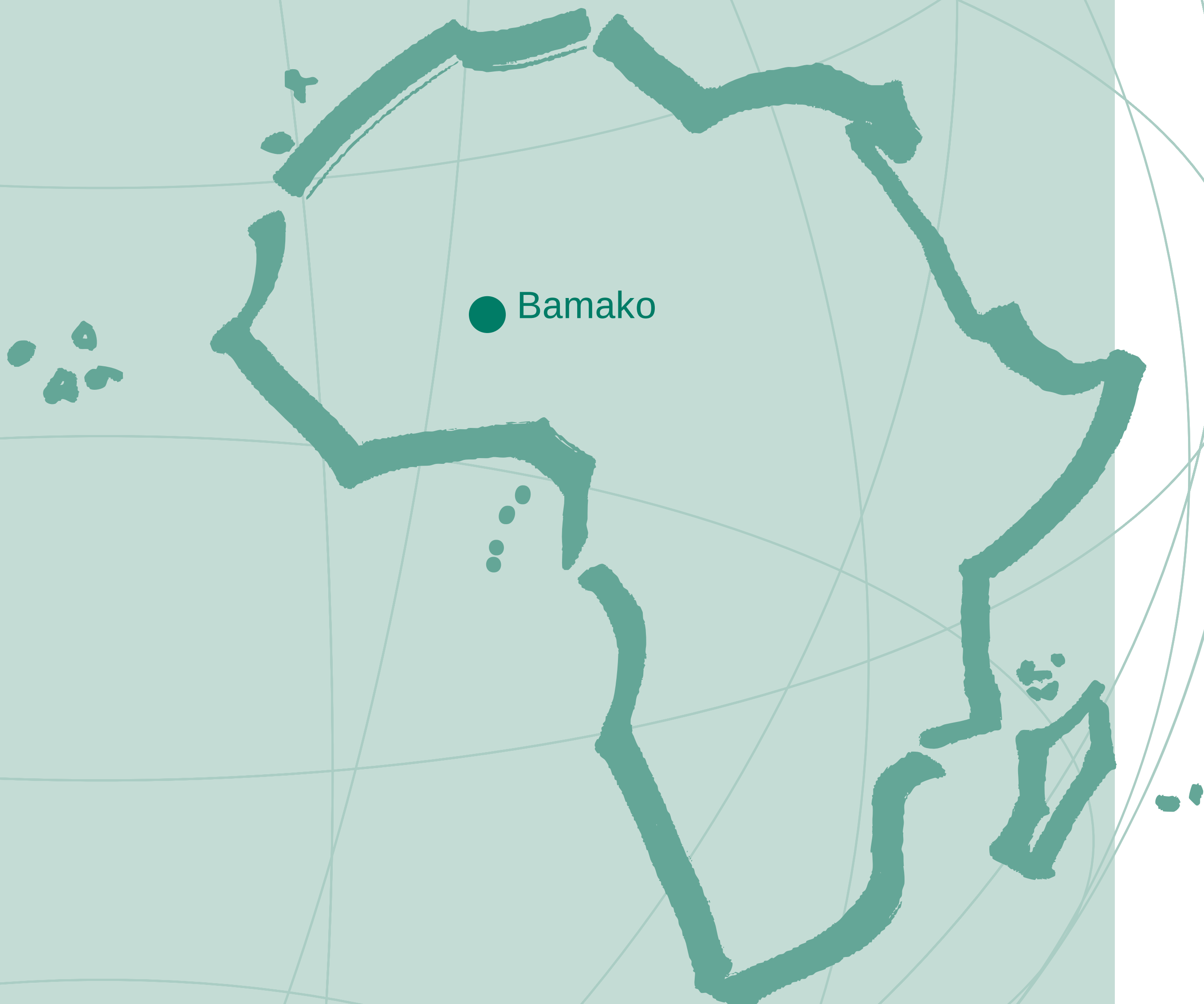
Mali



key figures

• Land area, thousands of km²	1 240
• Population, thousands (2001)	11 677
• GDP per capita, $ (2001)	225
• Life expectancy (2000-2005)	52.1
• Illiteracy rate (2001)	56.9

Mali

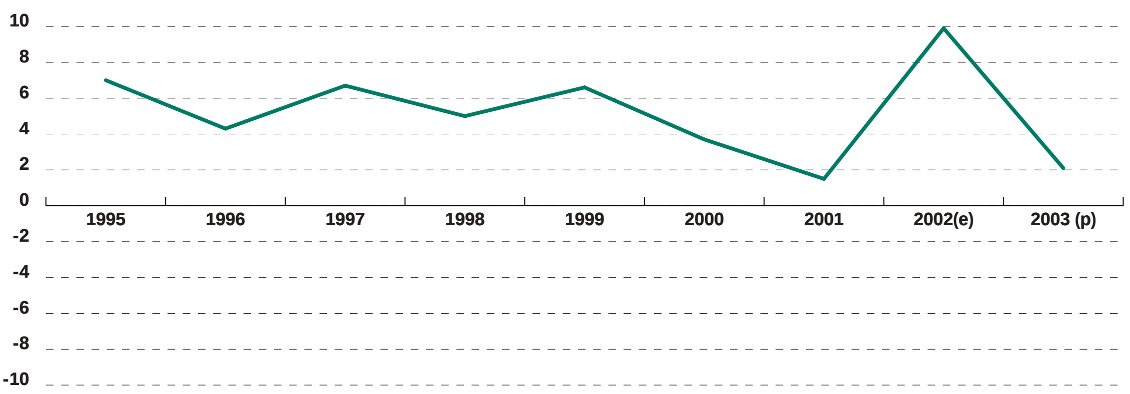
MALI'S GDP has grown about 6 per cent a year since the 1994 devaluation of the CFA franc. In 2001 however, the economy felt the effects of a disastrous harvest that reduced cotton production by half and cereals output by 20 per cent. These bad agricultural performances were partly made up for at macroeconomic level by the speedy opening of new gold mines, which ensured that growth in 2001 did not fall below 1.5 per cent.

After this difficult period, 2002 was a turning point for Mali when it hosted the Africa Nations Cup football tournament and held presidential and parliamentary elections that led to the first-ever peaceful handover of power by one group to another. The Africa Cup event greatly boosted economic development and saw improved infrastructure and much encouragement for the private sector. The smooth running of the tournament was praised by the countries that took part, but it left a deep hole in the budget and some projects were not completed.

2002 saw a turning point for Mali on the political front which will probably have a positive impact on the economy

Despite clear organisational problems, the 2002 elections went off peacefully and produced as new president the popular Gen. Amadou Toumani Toure, who seemed likely to unite the country. It was also a landmark for being the first victory by a non-party figure who said he wanted to rule by consensus. The vigour of the economy and recovery of the cotton sector gave Mali a high 9.9 per cent growth in 2002. But new disturbances in Côte d'Ivoire, a smaller cotton crop and an investment slowdown is expected to produce growth of only 2.1 per cent in 2003.

Figure 1 - GDP Growth



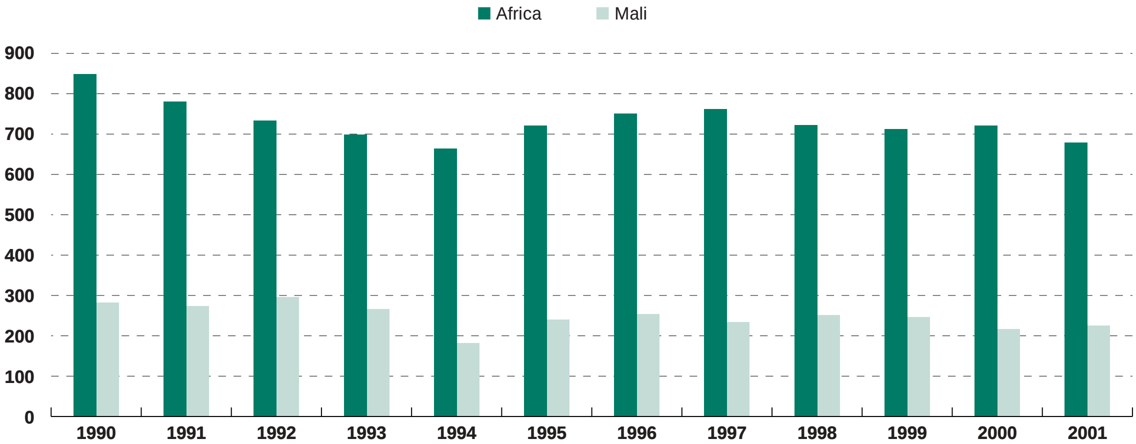
Source: Authors' estimates and predictions based on data from the *Direction nationale de la statistique et de l'informatique.*

Recent Economic Developments

Since devaluation in 1994, GDP has grown consistently faster than population though erratically, ranging from 3.2 per cent in 1996 to 6.8 per cent in 1997, and mainly because of the country's heavy dependence on primary sector performances.

The primary sector is dominant in Mali, accounting for 40 per cent of GDP in 2001. The country has made enormous progress in agriculture in the past decade, moving from being a net importer to a net exporter. But farming, which is at the mercy of very changeable weather, continues to strongly influence other sectors that depend mostly on agricultural raw materials.

Figure 2 - GDP Per Capita in Mali and in Africa ($ current)



Source: Authors' estimates based on IMF data.

The weather was particularly bad during the 2000/01 growing season and this reduced cereal production by about 20 per cent. Except for rice (up 2 per cent), output of all other grains fell sharply (as much as 65 per cent in the case of maize). This poor food-crop performance was accompanied by the collapse of cotton production, hit by steadily falling world prices since 1995 and major structural problems.

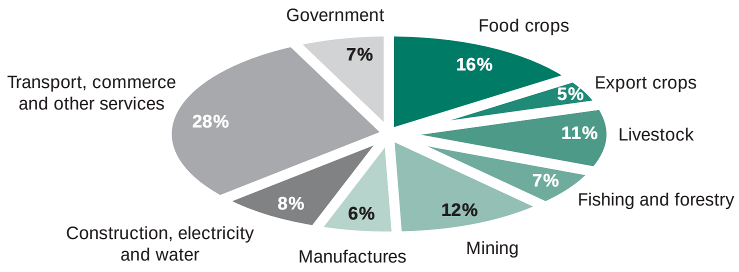
In 1999, the cotton sector had to cope with bad management by the national textile company CMDT, made worse by the discovery in 2000 of embezzlement from its accounts. The government's payment of a lower price to growers – 170 CFA francs/kg ($0.24) for the 2000/01 harvest – due to weaker world prices as well as the sector's problems, was a key factor in a strike by the farmers. This made the 2000/01 harvest a major disaster, amounting to only 250 000 tonnes, against 473 500 the previous year. The 2001/02 harvest (571 000 tonnes) was much better due to good rainfall and reasoned handling of the previous year's dispute [especially the government's decision to increase the price for growers to 200 CFA francs ($0.28)].

Prospects for 2002/03 are still uncertain because the rains were late in coming and the government cut the growers' price to 180 CFA francs. Fertilisers also arrived late by rail and farmers have been using some of it for their grain crops. The new flare-up of troubles in Côte d'Ivoire may delay things further by holding up delivery of pesticides. The prediction in September 2002 was for a harvest of about 485 000 tonnes, 85 000 less than the previous one.

However, cereal production rose in 2001/02 and at 2 865 000 tonnes almost returned to its 1999/2000 level. Rice, which remained the star of the sector with an increase of 13 per cent, is one of the alternative crops – along with sugar peas, potatoes and sesame – that the government is counting on for its policy of diversification, aimed at a big regional market and based on Mali's good stock of irrigable farmland.

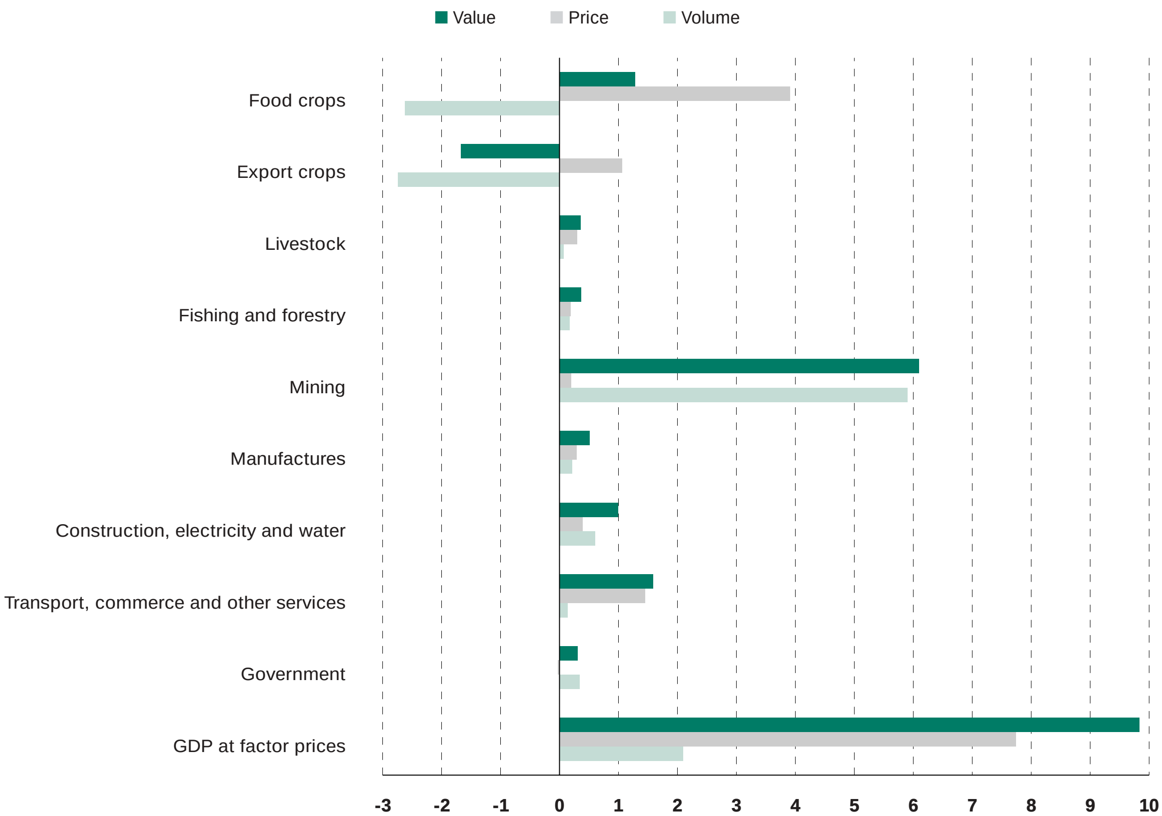
In contrast to the vagaries of farming, the gold sector has expanded rapidly since introduction of a mining law in 1991 (updated in 1999). After the Sadiola mine started up in 1997, gold became Mali's second biggest export and the country is now Africa's third largest producer, after South Africa and Ghana and ahead of Zimbabwe. Despite the steady fall in prices until 2001 and even though many countries stopped prospecting, Mali has opened up new deposits — at Morila in October 2000 and Yatela in May 2001. These new mines almost doubled national production in 2001, from 28.3 to 53.7 tonnes. Prospects for 2002 are even better because a predicted slowdown at some mines (notably Syama) has been offset by the unexpected discovery of a high-quality seam at Morila, where by the end of October, production had reached 31.7

Figure 3 - GDP by Sector in 2001



Source: Authors' estimates based on data from the *Direction nationale de la statistique et de l'informatique.*

Figure 4 - Contribution to GDP Growth in 2001

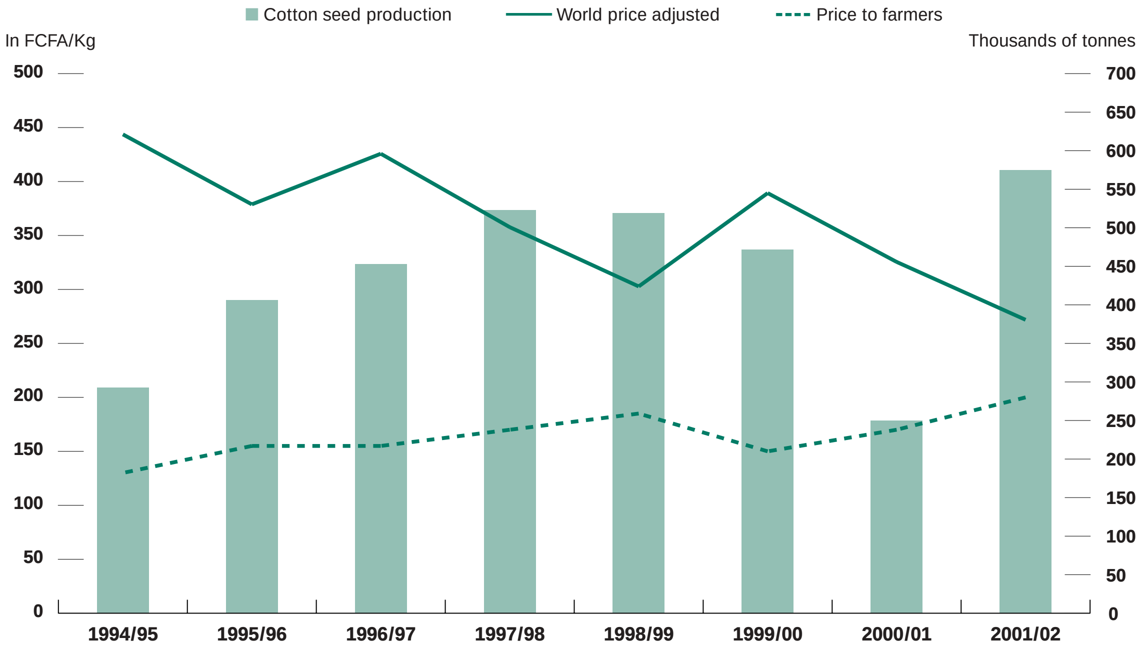


Note: Mali's national accounting includes the results of harvests in the following year's GDP, so this chart reflects the cotton sector's problems in 2000/01.
Source: Authors' estimates based on data from the *Direction nationale de la statistique et de l'informatique.*

tonnes, well above the 22.6 expected for 2002. At this rate, Morila may provide as much as 40 for the year, bringing national production to 67 tonnes instead of the projected 49.5. This growth is not likely to continue in 2003, but further new discoveries could throw off predictions.

The buoyancy of the sector is due to lower operational costs than in other countries, the promise of new discoveries, a mining law that welcomes investors and the efforts of the government, which led to the major discoveries at Sadiola and Morila. But the slight increase in the price of gold from September 2001 has

Figure 5 - Cotton Production and Prices in Mali



Note: Production and farmers' prices concern cotton seed on a crop period basis. The international price is for cotton fibre, so it has been converted into the equivalent of cotton seed at a conversion rate of 42 per cent. It is calculated on a calendar year basis (year n+1 for a crop in n/n+1).
Source: *Direction nationale de la statistique et de l'informatique* and World Bank.

Table 1 - Gold Production (tonnes)

Mines	1997	1998	1999	2000	2001	2002 (e)	2003 (p)	2004 (p)
Syama	4.1	4.8	6.1	5.7	2.1	0.0	0.0	0.0
Sadiola	12.3	16.3	17.6	16.8	20.8	17.0	14.7	16.6
Morila				4.2	23.4	40.0	23.7	18.8
Yatela					5.0	9.8	8.6	5.4
Kodieran								3.4[a]
Tabakoto							4.1	4.4[a]
Segala								4.0[a]
Kalana								2.0[a]
Loulo								3.6[a]
Total	**16.4**	**21.2**	**23.7**	**26.7**	**51.3**	**66.8**	**51.1**	**58.2[a]**

a. Tentatively, since opening mines in 2003 and 2004 depends to an extent on world prices.
Source: Ministry of Mines, Energy and Water and authors' estimates for 2002.

not been enough to bring some mines into production and operations at Syama were suspended. Only Tabakoto, of the three mines that were due to open in 2003, is expected to start up (in the second half of the year). The government is also trying to diversify mining and is looking at good prospects of iron and oil deposits. An oil law is being drafted.

The secondary and tertiary sectors did very well in 2001 and 2002 mainly because of Mali's hosting of the Africa Nations' Cup football tournament. The government took the occasion seriously and seized the opportunity to develop the country's infrastructure. Many roads were built or repaired in Bamako and several provincial towns, such as Kayes and Sikasso, got airstrips. The private sector also invested heavily in the event, mainly in hotels. This produced a volume growth in construction (9 per cent between 2000 and 2001) and commerce (8 per cent in 2002). Related sectors, such as electricity and telephones, also benefited.

Table 2 - Demand Composition (percentage of GDP)

	1995	1999	2000	2001	2002 (e)	2003 (p)
Gross capital formation	**24.1**	**20.0**	**21.5**	**21.1**	**20.6**	**21.6**
Public	8.5	7.0	7.6	7.0	6.5	6.3
Private	15.6	12.8	13.9	14.1	14.1	15.3
Consumption	**95.4**	**90.0**	**89.3**	**83.4**	**84.0**	**86.1**
Public	17.2	13.9	12.8	12.0	12.3	12.4
Private	78.2	76.1	76.5	71.4	71.7	73.7
External sector	**-19.5**	**-10.1**	**-10.8**	**-4.5**	**-4.6**	**-7.7**
Exports	21.9	22.5	24.7	30.6	29.8	27.0
Imports	-41.4	-32.6	-35.5	-35.1	-34.4	-34.7

Source: Authors' estimates and predictions based on data from the *Direction nationale de la statistique et de l'informatique.*

The slowdown in activity linked with the cotton crisis sharply reduced household revenues in 2001, cutting back private consumption 1.6 per cent by volume. But the exceptional growth of the mining sector and the Africa Cup boosted investment in 2000 and 2001. In 2002, the situation is expected to reverse itself, with less investment in the wake of the Africa Cup but with private consumption rising because of higher peasant income from the good 2001/02 cotton and cereals harvests.

Macroeconomic Policy

Fiscal and Monetary Policy

After devaluation in 1994, the government made efforts to reduce macroeconomic imbalances. But worsening terms of trade from 1999 on, combined with the abolition of tariffs between all WAEMU/UEMOA member states on 1 January 2000 and their replacement by a common external tariff produced a significant drop in revenue.

Despite a difficult national and international economic situation, government tax revenues improved in 2001, rising from 13.4 to 14.6 per cent of GDP on the year, though this was well short of the 17 per cent UEMOA target. The better performance was due to strong growth of the mining sector, a rise in imports and the ending of oil price stabilisation in July 2001. Revenue was also boosted by better coordination between collection agencies after introduction of a single identification number for each taxpayer on 1 January 2001.

Table 3 - Public Finances (percentage of GDP)

	1995	1999	2000	2001	2002 (e)	2003 (p)
Total revenue and grants [a]	**19.6**	**21.3**	**21.3**	**21.8**	**20.5**	**20.9**
Taxes	11.1	14.1	13.4	14.6	14.8	15.4
Grants	7.8	5.0	5.8	5.2	3.6	3.5
Total expenditure and net lending	**24.6**	**25.0**	**25.2**	**27.6**	**27.3**	**26.9**
Current expenditure	11.3	13.0	12.8	13.6	14.2	14.1
Excluding interest	*9.9*	*12.2*	*11.8*	*12.8*	*13.2*	*13.3*
Wages and salaries	4.0	3.9	4.2	4.2	4.2	4.3
Interest payments	1.5	0.8	0.9	0.8	1.0	0.8
Capital expenditure	13.2	12.0	12.5	14.1	13.2	12.7
Primary balance	**-3.5**	**-2.8**	**-3.0**	**-5.1**	**-5.9**	**-5.1**
Overall balance	**-5.0**	**-3.7**	**-3.9**	**-5.8**	**-6.9**	**-6.0**

a. Only major items are reported.
Source: Authors' estimates and predictions based on data from the IMF and the Ministry of Economy and Finance

Expenditure rose sharply, by 21 per cent over 2000, due to more transfers and subsidies as well as the cost of the elections. Subsidies went mainly to the electricity and cotton sectors. They included 10.6 billion CFA francs for linking the Malian grid to the Manantali Dam and to make up for the state energy company's revenue shortfall caused by the freezing of electricity and water prices until 2001. The 13 billion CFA francs that went to the cotton sector was to help the CMDT repay a debt of 30 billion CFA francs ($42 million) to the banks and to make up for higher prices paid to growers.

Election expenditure widely overshot the initial budget to reach 8 billion CFA francs in 2001 and an estimated 9 billion in 2002. This was mainly because of an unexpectedly large number of candidates and the government's concern not to obstruct the democratic process for lack of funds.

The hosting of the Africa Nations Cup is still costing a lot. The government is spreading expenditure over six years at 10 billion CFA francs a year. Reimbursement is expected to last until 2007 without including the cost of maintaining the infrastructure built. Some projects were funded outside the budget and these take total public spending linked to the event to about 120 billion CFA francs. An audit of the accounts is planned. The chief concern of the funding agencies is that some projects that began late were not completed and may now never be.

The 2001 public accounts were not as healthy as the previous year and the government had to use advances available from the UEMOA for the first time since 1995 (and the last time, since such advances were abolished in 2002), to the tune of 27.5 billion CFA francs. This operation was not just because of the much higher spending in 2001 but also due to disbursement delays by some funding agencies.

The strong overall recovery in 2002 following good harvests and growth of the mining and construction sectors should once more see much higher tax revenue in 2002 and 2003. The full effect of the reform and (in December 2001) increase of taxes on oil products should show up in 2002, pushing the overall tax rate up about one percentage point to 14.8 per cent in 2002 and then to 15.4 per cent in 2003. Current expenditure should also increase significantly due to public sector reforms (including an adjusted pay scale), the cost of the elections and more funds earmarked for the decentralisation programme.

Like other UEMOA countries, Mali's currency is pegged to the euro and its monetary policy is conducted by the BCEAO, leaving fiscal policy as the government's main economic instrument. From 1996 to 2000, inflation was under control at less than 3 per cent. However, in 2001, the adjusted consumer price index rose 5.2 per cent, well above the UEMOA's convergence limit of 3 per cent. This was partly because credits to the economy rose significantly in 2001 due to the revival in commerce, construction and transport set off by the Africa Cup. Money in circulation increased, the price of cereals rose by about 14 per cent on the year and water and electricity prices went up by 5 per cent. To keep this under control, the BCEAO raised the level of required minimum reserves to 9 per cent for Mali (rates vary from country to country in the BCEAO area).

However, despite the better 2001 cereals harvest, inflation remained high in the first half of 2002. It is possible that the farmers, after getting better prices for cotton (40 per cent of cereals are grown in the cotton areas), had no immediate need of cash and so withheld their stocks, giving the false impression of a shortage. The renewed fighting in Côte d'Ivoire in September 2002 also helped push up inflation. With all trade between the two countries at a standstill, the price of food and construction materials rose quickly and inflation could reach 3.9 per cent for the year. In 2003, if relations with Côte d'Ivoire improve or trade is redirected towards Togo, Ghana or Senegal, it could fall slightly to 3.6 per cent.

External Position

Mali's trade structure is quite open and comprises three items (in order of importance, gold, cotton and livestock) which in 2001 accounted for more than 90 per cent of all exports. This means terms of trade largely dictate how well off the country is. Mali is also influenced by its two neighbours, Côte d'Ivoire and Senegal, with which it has substantial trade (Côte d'Ivoire supplied more than 18 per cent of Mali's imports in 2000). The renewed disturbances in Côte d'Ivoire have caused big supply problems for Mali, along with the major risk of a refugee influx. They have also pushed down the price of commodity exports to Côte d'Ivoire such as livestock.

Mali has a perennially negative trade balance because it exports so little. As a result of the cotton farmers' boycott in 2001, revenue from cotton exports dropped by a quarter. But this was easily offset by an 86.8 per cent rise in earnings from gold (from 189.4 billion CFA francs in 2000 to 353.8 billion in 2001), thus reducing the trade deficit. At the same time, imports rose by 26.4 per cent due to investment in mining and for the Africa Cup.

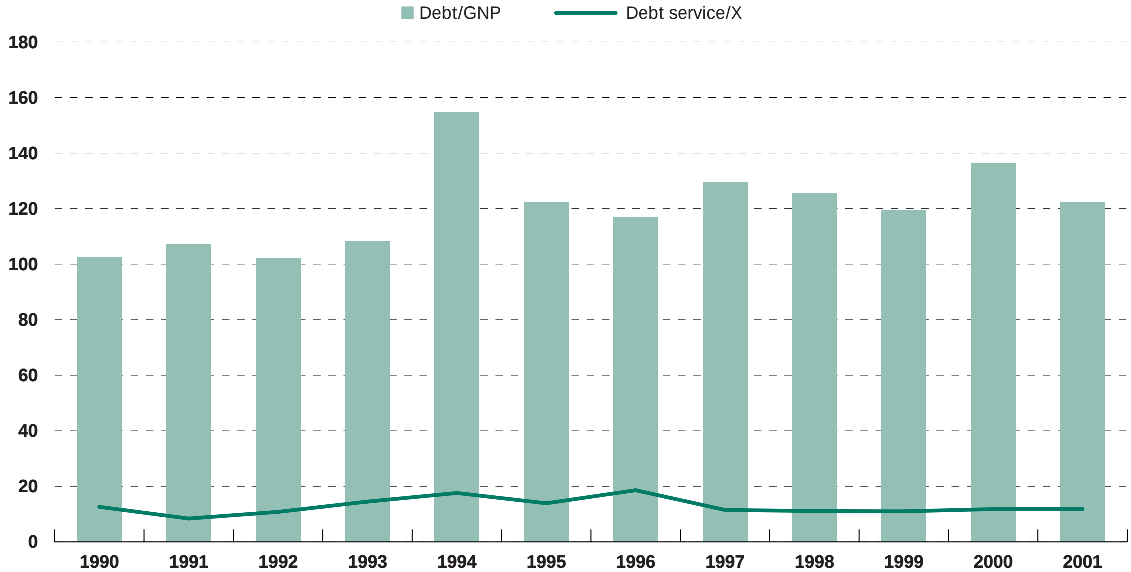
The steady decline of world cotton prices means that the total value of exports should not rise much in 2002 despite the return to normal in the cotton-growing regions and the strength of the mining sector. A 138 per cent volume rise in cotton exports is predicted but sales are lagging behind projections, with mills preferring to break contracts signed at the start of the season and pay penalties so they can buy again at a lower price. Imports have not been slowing down much,

Table 4 - Current Account (percentage of GDP)

	1995	1999	2000	2001	2002 (e)	2003 (p)
Trade balance	-4.4	-1.3	-1.9	-0.1	0.1	-2.7
Exports of goods	18.6	21.0	22.3	27.5	27.1	24.6
Imports of goods	-22.9	-22.3	-24.2	-27.7	-27.0	-27.3
Services balance	-16.0	-9.7	-9.6	-10.8		
Factor income	-2.1	-2.6	-4.0	-5.2		
Current transfers	13.4	4.2	5.2	4.4		
Current account balance	**-9.2**	**-9.3**	**-10.4**	**-11.8**		

Source: Authors' estimates and predictions based on BCEAO data.

Figure 6 - Stock of Total External Debt (percentage of GNP) **and Debt Service** (percentage of exports of goods and services)



Source: World Bank.

despite the end of the Africa Cup, because of the continuing vigour in mining and construction. The trade balance could worsen again in 2003 with a smaller cotton crop and the new troubles in Côte d'Ivoire seriously hampering trade and depressing the price of commodity exports to the region. But the unpredictability of gold discoveries makes it hard to forecast the level of exports.

Mali depends largely on international grants and loans to finance its deficits. The country's external debt is one of the largest in Africa and reached 122 per cent of GDP in 2001. But because more than 80 per cent of it is soft loans, the NPV is barely half the nominal value and the cost of servicing it is quite small (only about 12 per cent of exports in 2001). Debt to the private sector has been zero since 1996 and international financial institutions have accounted for more and more of the total external debt since the early 1980s, accounting for more than 70 per cent of it in 2001.

The country was declared eligible for the HIPC Initiative in September 1998. In September 2000, it reached completion point and $128 million (NPV) became available. The country qualified for another $401 million under the Enhanced HIPC (EHIPC) Initiative on condition it made efforts to improve education and health care and produced a final draft of a poverty reduction strategy paper (PRSP). This draft was approved by the government on 29 March 2002 and examined by the World Bank and the IMF in October that year. Completion point for the EHIPC Initiative should be reached at the end of 2002 or early 2003. In all, Mali should get $523 million (NPV 1998) of its debt cancelled.

Structural Issues

The poverty reduction and growth programme adopted in 1999 has run into its biggest problems with structural reforms, mainly because of the difficult reform of the cotton sector.

Privatisation has steadily advanced in Mali since 1994, when the rules for privatisation were put in place, and between 1978 and 1999 about 60 firms were privatised or closed down. But because of poor legal work, the first sell-offs were not very successful, arousing public anger and making it harder to reform several large state firms still to be privatised. A second series of privatisations was launched in 1999, mostly of firms (except banks) that were key to the country's economic structure, such as CMDT, the Niger River Authority, Malian Railways, the Airports Authority (ADM), Mali Energy (EDM), and the telecommunications company, *Sotelma*.

The government chose to liberalise the telecommunications sector before privatising *Sotelma*. A second operating licence, for fixed, mobile and international phone lines, was awarded to France Telecom in August 2002, with operations expected to begin at the end of December. The authorities are busy with the restructuring needed for disposal of *Sotelma*, (including an audit of the accounts and the investments made for the Africa Nations Cup).

The privatisation of EDM was completed on 11 August 2000, with Saur and IPS taking up 60 per cent of the capital, the government keeping 20 per cent and private firms in the sub-region taking the remaining 20 per cent. The sale, which came into effect in December 2000, involved privatising production facilities and franchising the water supply system. The energy sector was partly liberalised by a decree of 15 March 2000 ending the state monopoly and allowing local firms to operate in the Sikasso and Kayes regions.

The sale of ADM and the pharmaceutical firm UMPP, as well as the transfer of the Bamako-Dakar railway line to a mainly private firm (SETI), each set for the end of 2000, has not yet been completed. The government opted for franchising the ADM, with bids to be invited by December 2002 if an inventory had been done by then. The difficulty of making an inventory of property titles and guaranteeing land deeds are major obstacles to privatisation generally because they make it hard to calculate the state's assets. The government is looking for a temporary Malian administrator for the UMPP so it can call for tenders by the end of 2002. But an evaluation of the firm had still not been done by September that year, so the December target date was certain to be missed. Bids were invited for the railway company in April 2001 and by April 2002, two technical tenders had been received. The authorities are said to be having talks with the Bolloré/SNCF International consortium and with Bolloré, which has reportedly made the more interesting technical and financial proposals.

The most important structural issue is reform of the cotton sector. After the national conference on cotton in April 2001, the government made a policy statement on developing the sector that included all the proposals made by those involved in cotton as well as general policy lines, aimed at opening up the entire sector to competition by 2005. It set a timetable for reform with three goals: gradual withdrawal of the CMDT from public service activity and supplying intrants and transport (involving a loss of 500-600 jobs), greater involvement of farmers in running the industry and gradual liberalisation of the sector. A system to fix prices to growers in relation to world prices has already been introduced. The Upper Niger Valley Authority (OHVN) will be the first body to be privatised in the sector.

However, the action plan has been held back by delays in disbursement of funds. As a result, at the end of December 2001, two of the IMF programme's structural criteria that directly affected the cotton sector had not been met – completion of the financial reform plan at the CMDT and a call for bids for the OHVN privatisation. The CMDT's financial restructuring plan should have been drafted by the end of first quarter 2003 and bids to set up the autonomous company in the OHVN region were called for at the end of September 2002 for privatisation in early 2003.

Reform in the cotton sector has been delayed by the very large part the CMDT plays in Mali's economy and society. Several groups in the sector regret that the CMDT is pulling out of public service activities and that no other bodies, state or private, appear able to take over. The outsourcing of transport may take some time because of the small number of private Malian operators and the bad state of the roads (bids were invited however at the end of September 2002). Withdrawal from the intrants business, especially where cereals farming is concerned, will be just as difficult, as suppliers want to tie their loans to growers to production at set prices. The structure of the industry, especially the 40 per cent share in it held by a French company (Dagris, formerly CFDT), has made decision making difficult because of disagreement about who is responsible for losses and about procedure for disposal of assets.

In the long term, the future of cotton in Mali lies in the successful transfer of the state's skills and responsibilities to the private sector, as well as on the ability of those in the industry to reduce the impact of world prices through boosting yields and adding value (with semi-processed products, for example). Mali's ability to profit from the African Growth and Opportunity Act (AGOA) will be key. A committee was recently set up to do this by grouping thousands of small textile firms (whose output is negligible since only 1 per cent of cotton produced is processed) and giving them a chance to set up an organised processing sector. Mauritian businessmen, working with Côte d'Ivoire, France and Mali, have also built a mill which should start up in January 2003.

Mali's banking system has greatly improved since 1995, but the financial problems of the CMDT have fed the sector's structural deficiencies because of the risk of default by borrowers in the cotton industry. The significant improvement in banking between 2000 and 2001, symbolised by the drop in non-performing loans from 12.1 to 9.9 per cent, was mainly due to the government's repayment of 30 billion CFA francs worth of loans the banks had made to the CMDT.

Very few people use banks in Mali and only a small number of individuals and firms have access to credit. Such weaknesses led the government to adopt a reform plan for the financial sector in June 2000 with five goals: restructuring the banking sector by privatising four state-funded banks, strengthening non-bank financial institutions through training and doing audits of insurance companies, boosting micro-credit organisations, reviewing the legal and regulatory structure to eliminate institutional snags to developing the sector and strengthening the monitoring capacity of the economy and finance ministry. Despite getting off to a slow start, the programme is now under way, notably the privatisation, and should last until July 2006.

Mali is firmly landlocked and has very poor infrastructure, aggravated by the size of the country, its sparse population and big regional variations in demographic distribution. The 1998 census found that three-quarters of the country was occupied by only 10 per cent of the population. However, building road links to other West African capitals (Dakar and Conakry) has been speeded up by the new troubles in Côte d'Ivoire, which have spurred the government to diversify its supply routes and reduce dependence on its neighbour, especially for oil. The Dakar-Bamako railway line is in a very bad state. However the collapse of Air Afrique has given a boost to Air Mali.

Much progress has been made in the energy sector recently with the start-up of the Manantali dam at the end of January 2002, with full operation expected by September 2002, though saturation will not be reached until 2005. The government wants to expand hydro-electric energy by building other dams and linking up with the Ivorian network (though surveys for this have barely started). EDM has pledged to extend the electricity grid to 60 new towns by the end of its franchise in 2022. Energy supply has improved greatly overall, but users complain about EDM's pricing policy. Despite switching to the cheaper hydro-electricity, EDM increased its rates twice (by 5 per cent in July 2001 and 4.57 per cent in January 2002) before reducing them very slightly in September 2002.

Political and Social Context

Mali's first multiparty elections in April 1992 were won by Alpha Oumar Konare and his Alliance for Democracy in Mali (Adema). Since then, the country's political life has been rather turbulent, with opposition boycotts and accusations of embezzlement. Presidential elections in 2002 were therefore a test of whether democracy had taken root sufficiently to allow the first-ever democratic handover of power to another group, at the end of Konare's maximum two terms of office. The elections, hailed internationally as peaceful, brought to power a man who was both the country's most popular politician and the one most likely to unite it – Gen. Amadou Toumani Toure, who years earlier overthrew the dictator Moussa Traore.

It was a turning-point in the country's history as the first victory by a non-party figure who said he wanted to rule by consensus. The first display of this policy was the virtually-unanimous election in September 2001 of former prime minister Ibrahim Boubacar Keita as president of parliament. The new head of state stressed continuity by saying his government would respect the main domestic and foreign policies set by the previous one. This peaceful transition is striking in a country where political change has hitherto been abrupt. Despite such positive aspects, which have been trumpeted at home and abroad, the elections themselves were marred by poor organisation and a low turnout.

Despite the instability of several neighbouring countries, Mali has recently shown great openness to the outside – it hosted the Africa Nations Cup and President Konare was president of the UEMOA. The war with the Tuaregs, which officially ended in 1996, has severely strained relations with Mauritania, which Mali accused of helping the rebels. Mali also has frontiers with Algeria and Guinea, which is directly affected by the fighting in Sierra Leone and Liberia. More recently, the political instability in Côte d'Ivoire has seriously affected its diplomatic relations with Mali.

The sustained growth that followed the 1994 devaluation has managed to slow the worsening poverty. But Mali is still one of the world's poorest countries and one of the most impoverished in French-speaking Africa. In 1999, monetary poverty, defined as below an annual per capita income of 97,843 CFA francs, affected 64.2 per cent of the population. Nearly 90 per cent of the poor live in the countryside, where repeated drought causes frequent food shortages.

Because of the country's small capacity for absorbing aid, money alone is no guarantee that aid projects will be completed or poverty reduced. The HIPC Initiative is clearly a step forward. Of 23.1 billion CFA francs freed up under this scheme in 2001, 16.8 billion were committed in the first year for anti-poverty projects. The success is due to the authorities and development partners getting a single frame of reference, clearly spelling out development priorities. Three broad priorities have been established – institutional development (reforming the civil service and the judiciary and the fight against corruption), human development (boosting access to basic social services) and improving infrastructure (to help the cotton, rice, livestock and gold sectors). The country's ability to absorb aid is also helped by the fact that the anti-poverty measures emphasise participation.

Mali's health indicators are very poor, especially concerning mothers and children. As a result, despite the very high fertility rate, population growth is under control. High infant mortality (120.5 per thousand) as well as substantial emigration (more than 3 million Malians live abroad, mostly in France and Côte d'Ivoire) checks the growth of a population that was 11.7 million in 2001. Surveys in 1996 and 2001 suggested health conditions had worsened, despite the launching in 1998 of a 10-year health and social development plan. This is because the plan does not reach country areas despite being well-organised in Bamako.

Mali's education system is in deep crisis. The government has long given priority to funding universities and their 20 000 students to the detriment of 2 million children in primary education, thus increasing the illiteracy rate to 57 per cent in 2001. The many interrupted academic years in recent times have also damaged secondary and university education and had a disastrous impact on the country's pool of qualified people. Between 1992 and 2000, the government made great efforts to improve educational facilities, notably by building more classrooms, and gross primary enrolment rose from 50 per cent in 1997/98 to 62.8 per cent in 2000/01. But quality remains low because teachers are few and poorly-trained.