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A Study of the Business Climate in Mali

Prepared for the U.S. Agency for International Development under contract number PDC-1096-I-08-8043-00.

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PREFACE

This Study of the Business Climate in Mali was undertaken by William Grant and Dr. Petr Hanel between July 10 and August 10, 1988, for the U.S. Agency for International Development mission in Mali under contract number PDC-1096-I-08-8043-00. The principal purposes of the effort were to estimate the level of the unemployment problem facing the Government of the Republic of Mali and to identify the requirements for improving the participation of the private sector in the revitalization of the Malian economy.

The assignment involved a review of the literature, a modeling of the unemployment and consumption patterns of the Malian economy, interviews with more than 18 private sector firms, and meetings with officials from more than two dozen donor and government organizations. The team worked regularly with members of the Program Office of USAID/Mali and presented its findings and conclusions to the entire mission eight days before its departure.

The study analyzes the climate for business investment and looks at some of the most promising sectors (textiles, skins and hides, dairy, agricultural machinery, and farm implements) to identify the constraints on them. Particular attention is focused on the policy environment and its limiting effect on the development of the private sector. This report reflects the findings of the consultants, who retain sole responsibility for all perspectives, conclusions, and recommendations presented herein.

We wish to thank all those who assisted us in this study, particularly Jim Elliott and Tony Carr from the Program Office of USAID/Mali who provided us with support and feedback throughout the assignment. Special thanks also go to the motor pool who ferried us to and from all points of Bamako for our interviews and meetings.

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TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	v
CHAPTER ONE	
INTRODUCTION	1
CHAPTER TWO	
THE MACROECONOMIC SITUATION	3
CHAPTER THREE	
THE PRIVATE SECTOR	9
INDUSTRIAL STRUCTURE	9
State Ownership	12
Private Companies	12
Artisans	14
COMMERCIAL COMPANIES	14
State-Owned Firms	15
Private Firms	15
CONSTRAINTS AND RESOURCES FOR BUSINESS DEVELOPMENT	16
Geographic and Climatological	16
Infrastructural	18
Local Markets	18
Human Capital	19
Financial Markets	20
CHAPTER FOUR	
POLICY ENVIRONMENT CONSTRAINTS TO PRIVATE SECTOR DEVELOPMENT	21
IMPACT OF MONETARY POLICY ON CREDIT	21
Financial Depth and Intermediation	21
Current Structure of Lending	21
Impact of BCEAO Policies	25
Bank Lending to Small Businesses	27
Bank Lending to Finance Agricultural Activities	30

BUDGETARY POLICY	32
Taxation	32
Marginal Taxation of Small Firms	33
Tax on Agricultural Firms	34
Recommendation	35
TRADE POLICY	35
Import Policies	36
Import Tariffs and Taxes	38
Export Policies	39
Unrecorded Trade, Smuggling, Fraud, and Corruption	40
THE EFFECT OF INVESTMENT CODE ON FOREIGN INVESTMENT	44
REGULATORY ENVIRONMENT	46
Recommendations	51

CHAPTER FIVE

PROSPECTS FOR THE EXPANSION OF ECONOMIC ACTIVITY	53
STRUCTURE OF DOMESTIC CONSUMPTION AND EXPENDITURES	53
Simulation of the Evolution of the Domestic Expenditure Patterns	54
DOMESTIC SUPPLY CAPACITY, PRODUCTION AND IMPORT PENETRATION	57
Textile Industry	58
Productive Capacity	59
Imports	60
Agricultural Machinery	61
Machinery for Animal Traction	61
Hand Tools and Equipment	62
Motorized Equipment	63
Import Substitution Possibilities	63
Project Areas	64
Import Substitution of Agricultural Inputs	64
Milk-Processing Industry	65
ASSESSMENT OF OPPORTUNITIES FOR PRIVATE SECTOR DEVELOPMENT	66
Criteria for Assessment of Economically	
Viable Import Substitution	67
Increased Exports	67

CHAPTER SIX

UNEMPLOYMENT AND ITS LIKELY EVOLUTION	71
THE DEMOGRAPHIC TRENDS	71
THE ACTIVE URBAN POPULATION	72
The Self-Employed	72
Wage Earners	72
Unemployment	74
EMPLOYMENT OF WOMEN	75

FUTURE EVOLUTION OF EMPLOYMENT IN THE MODERN URBAN SECTOR	75
Employment in the Modern Private Sector	75
POSSIBLE SCENARIOS OF FUTURE EMPLOYMENT EVOLUTION	78
Scenario 1	78
Scenario 2	79
Scenario 3	82
Scenario 4	82
EMPLOYMENT OF YOUNG GRADUATES	83
Conclusions	87

CHAPTER SEVEN

CONCLUSIONS ON THE BUSINESS CLIMATE IN MALI	93
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THE MARKET FOR PRIVATE SECTOR GOODS AND SERVICES	93
THE POLICY ENVIRONMENT	95
INDUSTRIAL STRUCTURE AND ACCESS TO CREDIT	96
PROSPECTS FOR INCREASED LOCAL BUSINESS DEVELOPMENT	97
Service Sector	98
Manufacturing Linkages and Possibilities	99
Agriculture and Livestock	100
Minerals and Natural Resources	101

CHAPTER EIGHT

RECOMMENDATIONS FOR A PRIVATE SECTOR STRATEGY FOR USAID/MALI	103
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PRIVATE SECTOR INVOLVEMENT IN RURAL DEVELOPMENT	103
Recommendations	105
POLICY INTERVENTION	105
Tax Policy	106
Regulatory Policy	106
Customs Policy	108
Credit Policy	108
Implementation of Policy Reform	109
AREAS FOR PROJECT INTERVENTION TO STRENGTHEN THE PRIVATE SECTOR	109
Recommendations	111

BIBLIOGRAPHY	115
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ANNEX 1: STATEMENT OF WORK	1-1
---	-----

ANNEX 2: LIST OF PEOPLE INTERVIEWED	2-1
--	-----

ANNEX 3: KEY MACRO ECONOMIC INDICATORS	3-1
ANNEX 4: MALIAN EXPORTS BY CATEGORY	4-1
ANNEX 5.1: METHODOLOGY FOR CALCULATING ELASTICITIES OF DEMAND	5.1-1
ANNEX 5.2: APPARENT CONSUMPTION OF MANUFACTURED PRODUCTS IN MALI AND OTHER NEIGHBORING COUNTRIES	5.2-1
ANNEX 6: IMPORT/EXPORT STATISTICS BY COUNTRY AND SIC CODE	6-1
ANNEX 7: LIST OF INDUSTRIAL ENTERPRISES OPERATING IN MALI IN 1987 (JUNE)	7-1
ANNEX 8: FIRM INTERVIEWS	8-1
ANNEX 9: MALIAN TAX SYSTEM	9-1
ANNEX 10: CLASSIFICATION OF 35 ENTERPRISES UNDER THE PUBLIC ENTERPRISE ADJUSTMENT PROGRAM.	10-1
ANNEX 11: ACRONYMS	11-1

LIST OF TABLES

<u>Table</u>	<u>Page</u>
1	Employment Trends in the Formal Sector 10
2	Distribution of Industrial Enterprises 11
3	Evaluation of Economic and Market Factors in Terms of Encouraging Private Sector Development in Mali 17
4	Levels of Financial Depth 1975-1987 22
5	Malian Lending Structure 23
6	Use of Credit as Declared at the Centrale des Risques du Mali as of September 1987. 23
7	Bank Deposits and Loans 24
8	Estimates of Recorded and Unrecorded Exports, Production and Consumption of Livestock in Mali, 1980-1981 41
9	Evolution of Urban and Rural Population 54
10	Distribution of Annual per capita Expenditures (Urban areas) 55
11	Expenses on Product Categories (Mali-Scenario 1) 56
12	Imported Products with Significantly Lower Apparent Consumption in Mali than in Neighborhood Countries 58
13	Evolution of Textile Production in Mali. 59
14	Wage Earners According to Sector 74
15	Female Employment in Mali (1976). 76
16	Distribution of Workers by Category 76
17	Composition and Variations in the Urban Employment Variables, 1976-1987. 77
18	Evolution of Employment in the Modern Sector 78
19	Integration of Young Graduates in the Labor Market 84
20	Evolution of Employment and Unemployment Scenario 1 -- Continued Stagnation 88

21	Evolution of Employment and Unemployment Scenario 2 -- Growth Limited to the Modern Sector	89
22	Evolution of Employment Scenario 3 -- Strong Growth.	90
23	Evolution of Employment and Unemployment Scenario 4 -- Modern and Informal Sector 8.5%/Year	91

LIST OF FIGURES

<u>Figure</u>		<u>Page</u>
1	Per Capita Consumption	4
2	Primary, Secondary, and Tertiary Sectors	7
3	Situation of Urban Employment in Mali	73
4	Evolution of Employment and Population	80
5	Evolution of Unemployment.	81
6	Growing Unemployment of Graduates	86

EXECUTIVE SUMMARY

Mali faces a serious employment problem brought about by steady population growth of nearly 3 percent, declining public sector employment as the government eliminates unproductive enterprises, and a stagnant private sector. The government and the international donors hope that the private sector, if given the right incentives, will be able to replace the government as the main deliverer of services and lead an economic revitalization of the country. Unfortunately, urban unemployment is anticipated to rise from its current estimated level of 122,000 out of 475,000 (25.7 percent) to 240,000 out of 700,000 (34.3 percent) by 1995 if the economy grows as expected by the World Bank and the International Monetary Fund.

Considering that 90 percent of the employable population, or 50 percent of the gross domestic product, works in agriculture and that the economy is in a tight recessionary trend, major effort will be required to turn the Malian economy around. Focusing simply on food crops will not solve Mali's economic tailspin; the country must also develop new sources of revenue spread among the largest sector of the market, the rural sector, to increase its purchasing power. Given the need for outside revenue to stimulate internal economic activity, Mali must thus place a greater emphasis on the development of export products.

CONCLUSIONS

This study analyzes the business climate in Mali and, in particular, those areas in which the private sector can be successfully reintegrated to assume its new role as principal deliverer of economic services. The study's principal findings and conclusions are as follows:

- Disposable income and purchasing power necessary to provide markets for local private sector activities will increase at a very slow pace, if at all;
- Consumer markets are so small that one or two firms in the formal sector can easily saturate the market;
- A large unused production capacity exists in Malian formal sector firms;
- The formal sector will be a minimal source of growth for the economy as a whole;
- A currency/money ratio of 48 percent highlights the limited role of the banking system in economic transactions and proves that it is not serving as a financial intermediary by placing available financial resources in the most productive investments;

- Legal and banking policies constrain credit to productive entities while favoring low-risk commercial activities. In particular, the credit ceilings on all ordinary credit and the interest rate ceilings for small business and agricultural lending provide disincentives to the financial institutions to lend to those entities;
- New regulatory practices to promote open participation by the private sector are being put in place. Their application is slowed, however, by poor implementation with the government services, resulting both from poor communication within the control services and from continued incentives to bypass the system;
- The government continues to create policy distortions that favor specific individuals or industries by restricting entry or by providing them with special protection;
- The tax structure contains elements that are both burdensome for all enterprises and regressive in nature for private income taxation (that is, stimulating to the rich). The effects of this structure are difficult to measure, but the burden is greatest on the small enterprises;
- The trade policy is beginning to favor investment of scarce resources in those sectors in which Mali has a competitive domestic resource advantage, but many of the reforms have benefited only the largest companies;
- The productive sector can be categorized as a bi-modal structure with large firms having access to formal sector resources (such as credit and investment code privileges), on one end, and very small informal sector firms, on the other. There is almost no middle range of firms or the possibility for firms to graduate into the formal sector;
- Banks lack the capacity to evaluate loans and provide follow-up, while consulting firms in Mali are generally weak and unable to provide the banks with sound business technical support to the private sector; and
- Lack of access to accurate market information and the inability to analyze market information, when available, present a serious constraint to enterprise development.

In-depth analyses of sectoral distortions and economic potential can be found in the dairy, skins and hides, tanning, cotton/textile, and farm machinery industries. In addition, the grain and cereals markets are distorted at both the producer and the market ends.

The preconditions for the improvement of the business climate in Mali cover two broad areas: removing market distortions and increasing the size of the overall market. The removal of market distortions, along with the development of new sources of external income, is necessary to increase market efficiency, which is a requirement to stimulating private sector activity.

To respond to these issues, USAID's strategy for private sector development in Mali must adopt a three-pronged approach. Mali's comparative advantage rests with its primary sector, agriculture and rural production, which must be developed to increase overall purchasing power. Therefore, this strategy must simultaneously pursue goals to increase rural purchasing power, remove policies detracting from market efficiency, and improve the operations and links within the private sector. Specific recommendations are presented below.

RECOMMENDATIONS

1. USAID/Mali should continue to focus its efforts on improving conditions in the productive agricultural sector that are conducive to private sector involvement in the production, commercialization, and export of agricultural products. This will entail the following steps:

- Continuing the development of village associations; this enables farmers to access the formal sector credit institutions;
- Privatizing the commercialization process and gradually placing the delivery of agricultural inputs, machinery, and other services (for example, veterinary services and tree nursery management) in private hands;
- Improving the transportation infrastructure to permit the efficient and timely marketing of goods for export;
- Providing assistance, where possible and at reasonable levels, to individual rural agribusiness projects aimed at creating and processing export products; and
- Continuing to strengthen the ability of the village associations to store their harvests properly until the optimal selling time, and helping to ensure that the private commercial sector has the capacity to market the products.

2. USAID/Mali should continue the necessary and important work under way in the Economic Policy Reform Project (EPRP), which is attempting to remove distortions in the economy. USAID's credibility and influence may allow it to tackle some of the major distortions involved in the protection of sectors where Mali has no comparative advantages and to remove incentives either to defraud the government or to try to exact illicit payments from private businessmen on the part of government agents. Policy reform measures fall into four distinct categories: tax, regulatory, customs, and credit.

Tax Policy

- Ease the fiscal pressure on private sector operations by simplifying and rationalizing the tax rates to encourage firms to declare their profits and to reinvest in their own businesses;

- Remove double and triple taxation of profits, dividends, property taxes, and fixed investments; and
- Examine closely the effects of the absence of a tax on agricultural profits and the equity of the "part system" of tax assessment.

Regulatory Policy

- Work with the Government of the Republic of Mali to simplify further the procedures required to operate a business in Mali, and to eliminate complicated procedures and incentives for fraud;
- Develop a simple brochure, similar to the 10-page brochure available on the tax system, outlining the procedures on starting a business and on import and export requirements;
- Take steps to limit the ability of government agents to hinder business start-up and economic activities for their personal gain through increased pressure by the government on the services exercising control;
- Remove the provision in the commercial code requiring women holding joint property to obtain their husbands' written consent to operate a business;
- Reinforce the judicial structure to include a means of contesting unwarranted penalties and to speed bankruptcy and bank claims on unpaid loans. This should also include a means to protest against unjust and arbitrary government actions to restrict or monopolize markets;
- Deregulate price controls gradually and abolish established producer prices to let the market determine itself; and
- Make more information available to the private sector on the legal fines that can be charged as well as on the administrative process to be followed when starting up a small business.

Customs Policy

- If quotas are to be used, calculate the volume of the quota by numbers of units to be purchased rather than by the total price;
- Continue to lower import tariffs on both inputs and finished products;
- Broaden the base of tariff reductions to include the whole spectrum of inputs, including those products small producers have purchased locally rather than imported by themselves;

- Implement a system of duty-free imports or temporary admission, or a drawback system upon export to eliminate duties on imports that are subsequently re-exported;
- Remove taxes on all traditional and nontraditional goods to promote exports and to protect the integrity of Malian export markets;
- Investigate the possibility and cost of implementing export subsidies equal to the rate of effective protection in the domestic market; and
- Facilitate the process for delivering export licenses.

Credit Policy

- Carry on a dialogue with the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) to revise the credit ceiling structure and to remove interest rate ceilings on small loans.

Finally, to implement these policy reform measures, USAID/Mali would need to provide technical assistance:

- Through the EPRP to assess all the changes implemented under the program and to ensure that this information is distributed to the private sector; and
- To assist the Direction Nationale des Affaires Economiques, Direction Nationale des Impots, and Direction Nationale des Douanes to organize seminars for their agents on the changes, why they were made, and their implications for the activities of the agents.

3. To complement these policy reforms, USAID/Mali should provide technical assistance directly to private sector businesses, consulting firms, and the banking system to help bridge the gap between the formal and informal sectors and to assist ongoing private sector activities. To do this, USAID should carry out the following steps:

- Design and implement a project to "graduate" progressive small businesses from the informal sector into the formal sector. This will require extensive work in creating credit histories for those firms and by developing the necessary systems and links for the banking sector to be able to make loans reliably and profitably to these firms;
- Continue to provide equipment and technical assistance to the customs office and to the Direction Nationale de la Statistique et de l'Informatique so that accurate information on production and consumption statistics in Mali can be gathered. USAID should then help organize and publish the information in a usable form for the private sector;

- Fund a study to analyze the urban household consumption survey from 1984 for consumer products and to develop the elasticities of demand for manufactured products as was done for the food consumption patterns by Tufts University. The results of this study should be made available to the private sector to allow it to determine the most appropriate market niches to enter; and
- Organize a seminar for local consulting firms to stimulate discussion on the nature, organization, and quality of work of a consulting firm. This seminar should be reserved for the managers of the firms and should be led by a senior partner in one of the major U.S. consulting firms. Private or government consulting firms would then be able to respond to any perceived management issues within the formal sector firms.

CHAPTER ONE

INTRODUCTION

Mali is facing a serious employment problem brought about by steady population growth of nearly 3 percent, declining public sector employment as the government eliminates unproductive enterprises, and a stagnant private sector. The government and the international donors hope that the private sector, if given the right incentives, will be able to replace the government as the main deliverer of services and to lead an economic revitalization of the country.

This study analyzes those areas necessary for the successful reintegration of the private sector into the role of principal provider of enough economic services eventually to spearhead the revitalization of the Malian economy. Many of the conditions necessary for a dynamic private sector are lacking or constrained in Mali. Unless these conditions can be mitigated, there will be little hope for the Malian private sector to succeed in an area in which the government has already failed. These conditions can be described as follows:

- Growing disposable income and purchasing power to provide markets for local private sector activities;
- Efficient financial intermediation to allow available resources to be placed in the most productive investments;
- Sound, consistent regulatory practices to promote open private participation in economic activities rather than to dissuade it;
- An absence of arbitrary distortions in the economy that disrupt nascent private sector efforts;
- An unencumbered tax structure that encourages growth in economic activities but does not penalize new entrants or favor widespread tax evasion;
- A sound trade policy that favors investment of scarce resources in those areas in which Mali has a competitive domestic resource advantage; and
- Legal and banking policies that provide incentives to adopt the proper mixture of capital and labor.

This report examines the origins of these and other constraints, and discusses how they can be removed. It reviews information on demand for goods and services and predicts those areas that will be the most dynamic source of private sector growth. Finally, it suggests possible areas for intervention by the U.S. Agency for International Development mission in Mali in conjunction with the Government of the Republic of Mali (GRM) to promote the growth of a more dynamic private sector.

CHAPTER TWO

THE MACROECONOMIC SITUATION

Mali is an agricultural country whose economic performance in the 1980s has been affected negatively by drought and by the declining world price of cotton. The country's gross domestic product (GDP) is \$1,951.7 million (World Bank). In constant prices, it has fluctuated widely and is at present only 16 percent higher than the pre-drought level reached in 1982, but is 85 percent higher than in 1985. Given the weight of agriculture in the Malian economy, the whims of nature and world markets determine the welfare of the whole population. Although the estimates of the real GDP vary, it is unlikely that the real growth in the 1980s is exceeding the rate of population increase.

In contrast to some optimistic official estimates of private consumption that show a positive, albeit moderate, growth of private spending, local businessmen invariably complain that consumer spending has been declining. An illustration of the decline in real per capita consumer spending is presented in Figure 1. This information is based on official statistics of the Banque Centrale de Etats de l'Afrique de l'Ouest (BCEAO); it shows that annual per capita consumer spending was 11,100 CFA in 1987 (in 1970 currency) or about \$37 per person. The World Bank data on real per capita consumption growth are somewhat less alarming (see Table A-1 in Annex 3) but they do lead to the conclusion that the situation has not improved from the beginning of the 1980s.

The government is trying to increase tax revenues while pursuing a very restrictive monetary policy of credit ceilings and high deposit requirements. This mix of policies has succeeded in reducing disposable income and consumer spending in 1988.

The GRM's compliance with the structural reforms conducted in collaboration with the International Monetary Fund (IMF) and the World Bank will lead to disbursement of loans. This should be the first and very needed step toward a revitalization of the country's economy.

The public sector reform program spearheaded by the IMF and the World Bank is gradually reducing the weight of public spending in the economy. The purchasing power of former public enterprise employees laid off in the process of public sector reform is, however, temporarily maintained by the establishment of a redeployment fund that covers obligations for severance pay and additional financing to facilitate entry into the private sector. A similar program aimed at facilitating early retirement of public servants is also conducted by USAID.

In spite of these positive compensating actions, the virtual freeze of the government's wage bill, the slower growth of employment in the public service, the arrears in salaries to its employees, and unpaid bills to government suppliers all contribute to a depressed economy. Although there are no figures to document changes in income distribution, it is possible that the poor economic performance of the past and the current restrictive policies are leading to a continuing impoverishment of the low-income strata of population. Under these circumstances, it is unlikely that private consumption will pull the economy out of its depressed state soon unless exceptionally favorable weather conditions and world prices for cotton exceed the moderately optimistic official forecasts.

For the external sector, Mali's exports are almost exclusively natural resources and raw materials. Exports totaled 77 billion CFA (\$260 million) in 1987, led by cotton, livestock, and gold. The volume of the country's exports is not expected to increase significantly, and their value will depend on the evolution of future world prices. Terms of trade have declined by 20 percent since 1980.

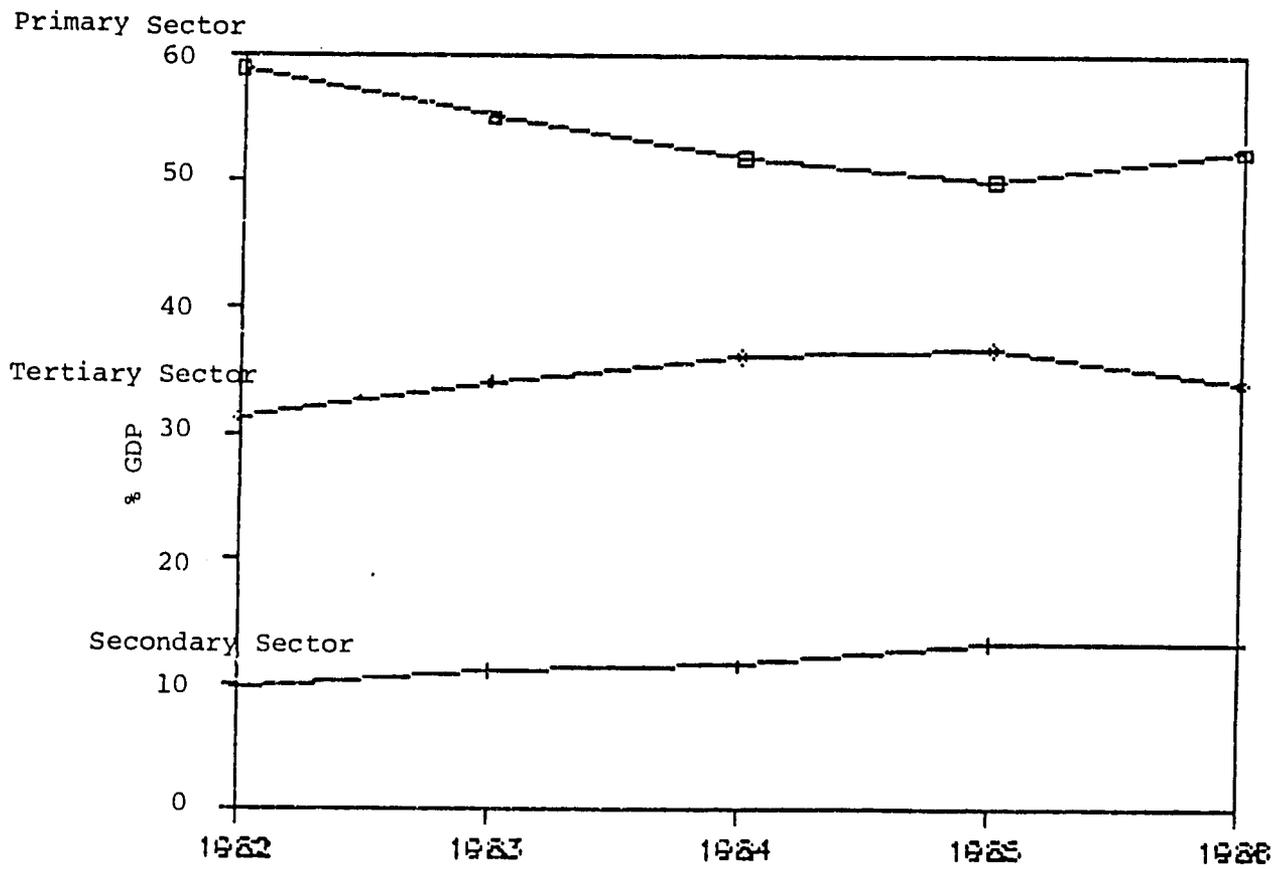
Although the current account deficit of 100 billion CFA is expected to improve by 1990, it will, according to the official scenario, return to the level reached in 1982 -- about 16 percent of the GDP. As a result of a steady flow of development loans over the last 20 years, a dramatic increase in debt service obligations is now coming due on past borrowings. The debt service reached 28 billion CFA or 31 percent of estimated public revenue in 1987.

The heavy contribution agriculture makes to the Malian economy is reflected in the composition of the GDP, represented in Figure 2. The primary sector accounts for about 50 percent of the GDP and employs more than 90 percent of the active rural population, or about three-fourths of the total population. Almost two-thirds

of primary sector output is generated by traditional agriculture, whereas the modern market-oriented agriculture accounts for less than 4 percent of the GDP. The growing relative importance of the tertiary sector was reversed in 1986, reflecting the improved performance of the primary sector as well as the first effects of privatization and decreasing government involvement in the economy.

The secondary sector has been steadily increasing its share of national output, but it still remains weak at 13 percent of the GDP. Only about half of this amount is being created by modern industry. As a result of the low level of aggregate demand, ill-conceived policies, and bad management, probably more than 50 percent of industrial capacity remains idle. Within this difficult macroeconomic context, the GRM is making room for the private sector to replace the state enterprises after more than two decades of state-dominated economic mismanagement in one of the poorest countries of the world.

FIGURE 2
PRIMARY, SECONDARY, AND TERTIARY SECTORS



Source: Table A-2 in Annex 3.

CHAPTER THREE

THE PRIVATE SECTOR

Other studies, including Associates for International Resource and Development (AIR&D) (1987), Oppenheim (1987), and Woillet (1985), describe the structure of the Malian private sector. This chapter will concentrate on the highlights of those reports and on avenues for action. It will show the limited level of industrial and productive activity; the near-monopoly positions of many firms (primarily state owned); and the high level of artisanal activity both in capital, Bamako, and in the countryside. Most important, there is a serious unused production capacity in many of the industries that would allow expanded production with minimal additional investment in response to increased demand. This would mean minimal additional direct employment requirements, but would also have a multiplier effect as industries consume more raw materials and sell more finished products. The employment trends in the formal modern sector are shown below:

Public employment has remained constant over the past 12 years. This will change during 1988-1989 with the official departure of more than 3,600 employees of public firms. It is uncertain how many of these will be hired by self-employed business people or how many will simply disappear from the employment force. Those laid off will receive a regular salary (severance pay) for the next three years, and so their purchasing power will not decline. In fact, it may increase as they will continue to receive severance pay even if rehired by someone else. One also notes the very slow per annum increase in private and public industry -- 1.2 percent and 1 percent, respectively -- reinforces the argument that little employment generation will come from that sector.

INDUSTRIAL STRUCTURE

Mali's industrial sector has been dominated by state-owned enterprises, accounting for 80 percent of employment in 1986, but this situation is changing. A brief survey of industrial companies in 1987 by the Direction National del' Industrie (DNI) identified 132 functioning companies. In addition, if one includes the 42 bakeries, the approximately 34 artisanal soap operations, and three other large artisanal operations, Mali has 211 industrial firms. Of the 132 principal industrial

TABLE 1
EMPLOYMENT TRENDS IN THE FORMAL SECTOR

Year	1968	1974	1981	1986	Percent chg. 1981-86
COMMERCE	2249	3608	6910	7196	4.1
State	1712	2781	3170	2845	-10.3
Private	537	827	3020	4443	47.1
PUBLIC WORKS	1886	1958	2400	2975	24.0
INDUSTRY	10316	15593	14192	14960	5.4
State	9028	10389	11399	11990	5.0
Private	1288	5204	2793	2970	6.3
TRANSPORT	5111	5687	6350	6800	7.1
State	4869	5222	5250	5300	1.0
Private	242	465	1100	1500	36.4
TOTAL	19562	26846	29852	31531	5.6
State	15609	18392	18749	19043	1.6
Private	3953	8454	11103	11888	7.1

Source: Oppenheim, June 1987.

Note: "State" is defined as both state plus mixed enterprises. These figures, compiled through a variety of sources, do not add up in all cases.

firms, 29 are 100 percent state owned, 32 are of mixed ownership, and 71 are privately held (see Annex 7). The industrial sector is limited with rarely more than a few firms in each market niche and often only one. Table 2 provides a breakdown for several categories as they have developed over the past six years and the percentage of private ownership among them.

An important characteristic of the Malian productive sector is the virtual lack of dynamic and growing medium-sized businesses. There are a few very successful large firms, and there are many firms completely outside of the formal sector with no access to credit. This case of the missing middle is common in many developing countries. Policy distortions or biases often prevent informal sector firms from graduating into the formal sector where they could have an important role to play as generators of employment and innovators of new techniques and products.

TABLE 2
DISTRIBUTION OF INDUSTRIAL ENTERPRISES

Industrial Enterprises	1982 (% Private)		1987 (% Private)	
Agroprocessing	53 ^a	60	40	45 (82 22 ^b)
Electrical and utilities	9	0	12	25
Construction materials and glass	2	0	5	20
Minerals and nonferrous metals	2	0	2	0
Mechanical and electrical industrial products	20	75	25	76
Pharmaceutical and chemical industries	5	100	18	94
Textiles and clothing	12	33	18	17
Wood, paper, and miscellaneous industries	13	85	12	83
Totals	116	59	132	53.7 (174 41b)

Source: Industrial Census of 1982-83, Estimates of DNI in 1988.

^a This figure includes bakeries, which were not included in the 1987 figures. If the 42 bakeries were to be included in totals (of mixed ownership), they would drop to only 41 percent privately owned.

^b This figure includes bakeries.

Note: "Private" is defined as 100 percent privately owned firms with no state involvement.

State Ownership

The state-owned and mixed companies have accounted for the bulk of production over the past 15 years (excluding the CMDT), but their overall levels of inefficiency have been a source of unproductive employment that has tended to drain government resources. They are located primarily in the capital-intensive segments of the agroindustrial sector, such as tea, cotton, sugar, and rice factories, and in other areas requiring large capital investment such as public utilities, pharmaceutical production, textile production, tanneries, and mineral extraction.

Because many of these companies represent such a strain on the government budget and the banking system, the GRM, in conjunction with the World Bank, has identified 29 out of the 57 public enterprises that are to be either privatized or liquidated. Of the 14 to be privatized, 11 are industrial activities. Of the 15 to be liquidated, 10 are industrial enterprises, of which most have been closed for years (see Annex 10).

The World Bank will cover the lost salaries to the laid off workers for the first three years to allow them to find other employment or to start their own companies. To promote a more efficient use of scarce resources and to remove the special protection attributed to government enterprises, these measures will open up the market to competition. Companies such as the Usine Laitière de Bamako, the Tannerie du Mali, and Société Malienne d'Etudes et Construction de Machines Agricole have enjoyed special privileges and protection that, through poor management and abuse of those privileges, have helped cripple other associated segments of the economy, which have struggled to survive. A few, such as the Usine Malienne de Produits Pharmaceutique, are generating profits enjoyed through their monopoly of the market.

Private Companies

Industrial companies that are entirely privately owned account for less than 20 percent of industrial employment. They can be divided into four primary categories: small manufacturing operations to meet local needs, turn-key factories for import substitution, some vertical integration from existing Malian production, and horizontal development of new industries from existing resources. These are discussed below.

- **Small Manufacturing Operations:** These are often considered advanced artisanal enterprises. They involve groups to produce locally needed goods that are in sufficient demand to provide opportunities for significant amounts of competition. They include bakeries (the single largest number of industrial activities in the country), advanced metal- and wood-working shops, and garages with well-developed capacity.
- **Turn-Key Operations:** Factories such as the SIPAL, which produces Jumbo bouillon cubes, have been successful in importing a simple technology and some raw materials to provide the finishing touches to products, thereby replacing imports. More complicated factories trying to transform local products to compete with the simple turn-key operations run into many difficulties. They tend to be outperformed and to lose the competitive battle with the turn-key operations.
- **Limited Vertical Integration:** The cotton industry is the principal industrial activity in Mali. Downstream industry virtually stops at the textile level, with limited manufacture of clothing and associated products. The AIRD report (1987) claims that cotton is one of the few areas in which Mali has a competitive advantage over the world market. Mali should be able to produce additional items related to textiles, such as the natural dyes, buttons, and zippers, to compete with imports. In addition, the country should expand its complementary production of knitted articles and simple apparel.
- **Horizontal Development of New Industries:** This is the most attractive kind of industrial activity for a developing country. It is also practically non-existent in Mali. It involves branching out into new product lines in related technologies. The Société Sada Diallo provides a good example of this successful development. Starting with vinegar produced from the alcohol coming from the sugar factory, the firm applied chemical transformation processes to manufacturing bleach from salt imported from Senegal. With this experience in chemical transformation, it moved to plastics, where it has gradually manufactured its own containers; it has also sewn plastic sacks from plastic it made from imported granules of Polyvinyl chloride, pipes of polyvinyl chloride, and other plastic sacks. The firm has increased its sales every year (now about 2 billion CFA) and makes a good profit. Unfortunately, it is practically one of a kind in the country.

An interesting and important characteristic of Malian industry is that relatively few companies are owned or run by European or Lebanese entrepreneurs. In Senegal and the Côte d'Ivoire, more local companies are run by non-Africans.

Artisans

The informal productive sector is composed primarily of artisans. According to the 1976 census, artisans numbered 80,000 throughout the country. Woillet (1985) estimated that by 1985 the sector employed up to 100,000 people. Artisans engage in a variety of different activities, but a particular class -- the modern informal sector (MIS) -- is on the verge of graduating into the small enterprise side of industry; it should be given special attention.

The MIS often links with the formal sector to provide piecework. The MIS is located primarily in urban areas and responds to urban demands. The percentage of service-oriented artisans is much greater in the MIS than in the traditional informal sector. The majority of MIS firms are in construction (39 percent), production of wood and metal objects (30 percent), and general repair and electrical services (31 percent). MIS firms generally have more employees and higher value added than the regular informal sector (Woillet 1985). This latter sector works parallel to the modern sector and is the one most likely to show a strong growth pattern if increased linkages can be created between it and formal industry through subcontracting or through the creation of new market niches. There are currently three projects (the GTZ Chamber of Commerce, the FED project for the nonstructured sector, and the World Bank Servulart project) working to improve the productivity of specific elements of these groups.

COMMERCIAL COMPANIES

The Malian trading sector is more developed than the industrial sector, perhaps because the Malians have been involved in large-scale trade for over 600 years. According to the INPS statistics, in 1986 663 firms were involved in trade, accounting for 4,629 jobs (an average of about eight people per firm). Of these, 70 percent were located in Bamako, accounting for 87 percent of the employment in the sector. These figures do not accurately reflect the actual number of people involved in commerce, as this is one of the larger activities in the informal sector.

State-Owned Firms

Despite the skill of the Malian commercial sector, the government has always tried to control it by controlling the distribution channels for primary necessity products, primarily Société Malien Import Export (SOMIEX) and the Pharmacie Populaire du Mali (PPM). Until 1981, a majority of the employment in the formal modern commercial sector was in state-owned enterprises, but by 1986 the figure had dropped to 40 percent. SOMIEX was the sole official importer for many products, responsible for distributing them to other wholesalers and retailers. Recognizing its inability to function properly (for example, SOMIEX sugar sold for 300 CFA per kilogram, while the free market price was 250), the company's monopoly privileges were removed. It subsequently closed in early 1988. It is one firm to be liquidated by the GRM under the World Bank program.

The PPM controls the distribution channels for drugs and pharmaceuticals in the country. PPM is not profitable and is undergoing a massive reorganization to be put under co-management with the Chinese. It is on the GRM list to be privatized under the World Bank program, but control of the pharmaceutical distribution channels may still remain in its hands. The pharmaceuticals factory, Usine Malienne des Produits Pharmaceutique (UMPP), lists the PPM monopoly on marketing pharmaceuticals and its poor management of the distribution channels as UMPP's most serious constraint to increased sales; in 1987 the PPM was able to move only 60 percent of the UMPP production it said it would, dropping UMPP sales by 175 million CFA. UMPP gets many individual requests that it cannot legally satisfy, showing that there is additional demand and that the PPM is not fulfilling its role.

Private Firms

Despite the role of government firms in controlling major marketing channels, the private sector is extremely active and has often found ways to get around the constraints placed on its commercial activities by government regulations. Private entrepreneurs have developed contacts and systems that enable them to bypass many tariffs on customs and imports.

One important characteristic of commercial firms is their ability to make rapid short-term profits. This makes it easier for them to obtain credit from the official financial sector, particularly in the credit-controlled environment that exists today. As their import activities increase, a strain is placed on the balance of trade. The BCEAO has tried to initiate rules to limit this increase in import activity, but they have been easily circumvented. The primary example is the recent requirement that a firm place 75 percent of the value of a letter of credit in the bank before it can issue the letter of credit. This is an extremely high level, which means that firms will simply use other, foreign-based, sources for their credit. If one can come up with 25 percent of the value in advance, many of the suppliers in Europe will provide supplier credit. Thus the banking system can be circumvented.

A second characteristic of the private commercial sector is the importance of a few large commercial traders. They are linked to many of the smaller traders through family ties or supplier relationships. They control many of the distribution channels for the commercialization of crops and other local production and can often get preferential access to credit, allowing them to dominate some of the markets. In other markets, such as skins and hides, special licensing procedures have limited the entry into the market to four large traders and a half dozen smaller ones. The four large traders exert significant control on the market.

CONSTRAINTS AND RESOURCES FOR BUSINESS DEVELOPMENT

As can be inferred from the serious level of underdevelopment of the modern formal sector in Mali, a great number of constraints are impeding growth. These constraints -- geographic, economic, and market -- are often compounded by policy constraints, which are reviewed in the next section. Table 3 provides an overview of the weight of the constraints.

Geographic and Climatological

- **Constraints:** These constraints are beyond the control of the government and the economy, but they set the stage for the underdeveloped economy. As a landlocked country, a large part of Mali's territory is arid and suffers from irregular rainfall. Twice in the past two decades, Mali has suffered from serious and prolonged droughts. The vegetation is fragile in most of the country, and there is progressive desertification in the north.

TABLE 3

**EVALUATION OF ECONOMIC AND MARKET FACTORS
IN TERMS OF ENCOURAGING PRIVATE SECTOR
DEVELOPMENT IN MALI**

Factors	Favorable		Neutral	Unfavorable	
	Highly	Moderately		Moderately	Highly
Size of the market and growth prospects					XX
Infrastructure				XX	
Access to credit and capital					XX
Business services				XX	
Government institutional support to business				XX	
Entrepreneurial talent				XX	
Skilled workers					XX
Unskilled workers		XX			
Policy environment					XX
Functioning legal system to protect private sector					XX
Existence of fraudulent import/export activities					XX***
Access to hard currency			XX		
Special trade rights with BCEAO countries			XX		

*** This may be considered highly favorable in terms of actually allowing many small firms to function within the heavily regulated economy.

- **Resources:** The Niger River flows through the country and provides an abundant source of water for cropping activities near the river and some potential for industrial activities. The water level is erratic, however, and cannot be relied on for transport during much of the year. The southern part of the country receives regular and sufficient rainfall to produce a wide variety of crops. With its low population density, Mali has plenty of arable pasture land for livestock. It has some mineral resources, primarily gold and potassium, which can be developed further.

Infrastructural

- **Constraints:** Rural roads to transport agricultural production and to deliver goods and inputs to the rural areas are poor. The western province of Kayes is virtually cut off from the rest of the country by road during the rainy season, when the roads are impassable, dividing the country in two. Storage facilities are limited, for crops in the rural areas as well as for perishable crops at the airport. The communications system is erratic, and water and electricity are minimal and often irregular. There are virtually no efficient business service centers that provide economical business planning services, communications, and photocopying services. Air transport for the export of perishable products is scarce and highly irregular (space reserved for Mali is often occupied when a plane transits). The Niger River cuts the country in half, with few crossing points (two bridges and a few ferries for the whole country). These further constrain the access to already small markets.

A limiting factor for the installation of new industries in Bamako and elsewhere is the lack of available building terrain with access to the necessary utilities and services. Firms approved to receive investment code privileges often have to spend a year or more finding a place to install their operation. The industrial zone in Bamako is poorly planned, with 20 percent of its usable space unprepared for occupancy or occupied by nonfunctioning companies.

- **Resources:** The river is available for transport during part of the year, and Mali is linked to Senegal with a train that can be used to export products in bulk (cotton). The road connection with Burkina Faso and the Côte d'Ivoire is paved and in good condition, although it takes a circuitous route.

Local Markets

- **Constraints:** The market is very small because of a dispersed population, 80 percent of which labors in agricultural production, with very limited purchasing power (\$40 per person per year in 1970 dollars). Locally produced goods are often considered inferior to imported goods, so those few consumers with large disposable incomes spend their money mostly on imported goods. Extensive smuggling particularly from non-CFA countries such as Guinea, Sierra Leone, Nigeria, and Gambia occurs. The proximity to the larger industrial members of the CFA zone -- Senegal and Côte d'Ivoire

-- means that there is a source of protected competition through the legal channels, as well as a source of additional smuggled products. Other countries of the Communauté des Etats de l'Afrique de l'Ouest (CEAO), with cheaper production costs resulting from their proximity to the ocean, also have favored trade rights with Mali.

A major constraint, considering the limited market, is the Malian tendency to oversaturate successful markets rather than to identify new ones. This is due primarily to a lack of understanding of what a market does and how much production it can support. This tendency often leads to policy controls restricting market entry, which often exacerbate the problem.

- **Resources:** Mali has a trading tradition that, given the proper policy environment and time to sort itself out, may lead to the creation of new enterprises in small market niches. The GRM is taking policy steps to open the market up to freer competition and to remove the constraining factors associated with a state-dominated market structure. The donor community has a large demand for local services (housing, transport, electricity, computer, secretarial, office staff, and extension agents) that could be the base of a quality service industry or of training programs to meet those needs. The CEAO link can work for Mali as well as its neighbors, and the hard currency status of the CFA can also be of benefit.

Human Capital

- **Constraints:** The Malian labor force is characterized by low levels of literacy and an educational system ill designed to meet the needs of the market. The educated tend to be risk averse, preferring a secure non-productive civil service position to the higher risk business environment. Limited technical training is available through high school in the formal education system. Technical schools are starting up, but are faced with poorly educated students to be trained in an increasingly sophisticated technical environment. Fewer than 50 percent of students graduating from technical schools are able to find employment with private industries or artisans, or on their own.

Educated Malians entering the private sector tend to seek simple and lucrative opportunities. Since these are rare in Mali, many underemployed people try to copy successful projects around them; this has the effect of flooding the market.

- **Resources:** There is an abundant supply of relatively cheap and unskilled labor. Some appropriate local training is being developed, and more people are returning from training abroad with advanced degrees in appropriate skill areas.

Financial Markets

- **Constraints:** Access to credit by productive industries, reviewed in the section on monetary policy constraints, is a serious constraint. A lack of savings generation and financial intermediation keeps available resources from reaching their most efficient point of investment. Ceilings on credit and interest rates prevent the most efficient lenders from making money available to the most viable sectors and borrowers. Capital flight appears to be an increasing problem as those with large sums seek investments that pay more than savings accounts.
- **Resources:** The effective training of precooperative structures have created bankable entities in the rural zones. Private sector banks are liquid and profitable, setting the base for a potentially dynamic financial sector. Rural savings groups are active and provide some access to consumer and production credit in the rural areas.

CHAPTER FOUR

POLICY ENVIRONMENT CONSTRAINTS TO PRIVATE SECTOR DEVELOPMENT

IMPACT OF MONETARY POLICY ON CREDIT

The Berger/Wharton study in 1988 of the financial markets in Mali provides a good summary of the situation facing the banking system. Some important elements include the level of financial depth in the economy as a measure of the role financial institutions play in the economy, the structure of the lending to date, and the effect of BCEAO credit and interest rate policies on lending to the different investment and commercial activities.

Financial Depth and Intermediation

The level of financial depth in Mali is low. One commonly used measure of financial depth is the level of financial intermediation, calculated simply as the relationship of currency to total money (defined as currency plus bank deposits). The lower the percentage, the greater the level of financial intermediation. Depending on when the figures are measured, Mali has actually been losing financial depth over the past three years. In the following table, adapted from Oppenheim, this progression away from the use of the banking system is evident, in contrast to other countries of the region.

Current Structure of Lending

Table 5 presents the structure of lending in the Malian banking system. Only seven banks in the system have fewer than 30 branches around the country. There is a heavy tilt toward short-term and commercial loans, with limited resources going to medium- and long-term loans for investment purposes.

Another striking element is the exceedingly large percentage of credit that is late in payment or considered doubtful. In September 1987 it accounted for 16.45 percent of total credit, up from 14.3 percent a year earlier. Therefore the portfolio of the banking system is in serious condition and is not getting any better.

TABLE 4
LEVELS OF FINANCIAL DEPTH 1975-1987
(in percentages)

	1975	1982	1984	1986	1987 (avg. 9 mos)
Mali	58.5	65.8	43	49.5	48.2
Côte d'Ivoire	49.8	49.56	33.5	29.9	
Senegal	39.2	33.9	28.7	28.7	
Niger	66.1	42.5	30.4	30.6	
Burkina Faso	47.3	37.8	33.7	32.7	
UK	33.2		23.32		
USA	24.9		28.2		

Source: Oppenheim, BCEAO.

Note: The precise level of financial intermediation changes significantly in Sahelian countries, depending on the time of year, since the level of currency increases greatly in the period right after the harvest (November-March) and decreases again as the commercialization loans are paid off through September. The importance of this fluctuation is also an indicator of the shallowness of the economy and its dependence on rainfed agriculture for most of its economic activity. Between October 1986 and September 1987, the level of financial intermediation ranged from 44.9 percent in October 1986 to 51.1 percent in February 1987 and back down to 44.9 percent in September 1987.

In September 1987, 82.1 percent of all active loans were short term, down from 83 percent one year earlier. Of those, the majority were for commercial enterprises. Given the almost complete absence of financial tools outside of the banking system (bonds and equity markets, for example) and the shallow nature of the market, very little credit is available for investment purposes. The privately held and more successful banks have adopted a conservative approach with the Banque Malier de Credit et D'Epurgne (BMCD) holding 63 percent of its portfolio in short-term commercial loans. The Bank of Africa Mali (BOAM) has about 75 percent in short-term commercial loans. The Banque Internationale de l'Afrique de l'Ouest (BIAO) had only 1.3 billion CFA in medium- to long-term loans with over 10.2 billion CFA in short-term commercial loans. As long as this trend for short-term and commercial loans continues, there will be little investment in the economy to enable it to grow.

Table 6 illustrates the uses of credit by sector, as declared at the Centrale des Risques du Mali.

TABLE 5
MALIAN LENDING STRUCTURE
(in millions of CFA)

Credits to the Economy	1986		1987	
	Sept	May	July	Sept
Short-term	65,788	76,116	75,180	66,479
Medium-term	7,621	7,967	6,713	8,417
Long-term	5,825	6,221	6,166	6,110
Unpaid/immobilized	1,225	787	725	954
Doubtful	11,993	14,273	14,366	14,997

Source: BCEAO, February 1988.

TABLE 6
USE OF CREDIT AS DECLARED AT THE CENTRALE DES RISQUES DU MALI
AS OF SEPTEMBER 1987
(in millions CFA)

Sector	Short Term (%)		Med.- Long Term (%)		Total %
Agric. sylv. fish	9,971	11.8	63	1.1	11.1
Ind. extraction	291	.3	73	1.3	.4
Manuf. indust.	17,354	20.5	2,334	40.5	21.8
Elec. water gas	14	--	--	--	--
Build. pub. work	3,133	3.7	23	.4	3.5
Commerce hotels	40,424	47.8	321	5.6	45.1
Insur. fin. serv.	1,355	1.6	15	.3	1.5
Trans. commun.	3,839	4.5	183	3.2	4.4
Serv. indiv. loans	8,243	9.7	2,752	48.0	12.2
Totals	84,624	100	5,764	100	100

Source: BCEAO.

Of the 84,624 billion CFA of registered short-term credit, 64.2 percent went to private enterprises, while 99.6 percent of the registered long-term debt is for private enterprises. Since these figures do not match with those in the table above, some discrepancy exists in the registration of medium- and long-term loans, which totaled 14,527 billion CFA on the overall lending table but 5,764 billion CFA on the registered table.

Table 7 notes the breakdown of deposits and lending by each bank (figures as of June 1986):

TABLE 7
BANK DEPOSITS AND LOANS
(in percentages)

Bank	Credits	Deposits	
		Private	State
BDM	72.2	36.9	94.9
BIAO	8.3	30.4	--
BMCD	10.5	19.6	1.5
BNDA	6.0	3.5	1.8
BOAM	1.4	5.2	--
BALIMA	1.6	4.4	1.8
Total (millions CFA)	77,090	56,318	14,691

Source: CIFGB.

Table 7 shows that, while the BIAO had 17,121 million CFA in deposits, it had lent only 6,398 million CFA. This was also true for the Bank of Africa Mali, which had 2,929 million CFA in deposits while it had lent only 1,079 million CFA. By contrast, the government development banks, the Banque de Développement du Mali (BDM) and the Banque Nationale de Développement Agricole (BNDA), had 55,659 million CFA and 4,625 million CFA in loans versus only 34,723 CFA million and 2,236 million CFA in deposits, respectively. This shows the overly liquid situation among the private banking sector and the insolvency situation of the government banks. Today the situation is even more extreme with greater liquidity in the private banks.

The Malian banking sector is playing a limited role intermediating between local savings and commercial and investment activity. In the limited areas in which financial institutions are working, the BDM has absorbed most of the available credit to fund its poorly performing portfolio. The financial sector is required to play a lead role as a stimulating element of private sector development.

Impact of BCEAO Policies

Credit Ceilings

Given the weakness of the banking system (caused primarily by the performance of the BDM) and the forecast growth in the Malian economy by the BCEAO and the IMF, the BCEAO has determined the overall capacity for credit absorption within the economy. Accordingly, it has fixed credit ceilings on the amounts that various banks can lend and will restrict the growth of that credit to about 4 percent per year. Because the initial ceilings were based on the levels of past lending, the BDM is given about 70 percent of the total credit in the system and the other six banks must share the limited remainder.

Ordinary credit rationing imposed on liquid banks has been a major cause of the present structure of bank lending. Given greater capacity to lend than the amount they are able to lend, the banks will naturally select the lowest-risk, highest-return clients at the expense of all other lending. By definition, low-risk and high-return clients are those who are well known to the bank and who use simple lines of credit, which are easy to monitor, for short periods of time. These are commercial loans. By contrast, loans for investment are longer term and require a greater capacity to analyze the risks of the investment. Therefore the credit ceilings are exacerbating the problem as banks will tend to make more commercial loans.

Credit for the agricultural campaign, in contrast to ordinary credit, has a target but no official ceilings. Loans, however, must be channeled through four organizations -- OPAM, Office du Niger, CMDT, and BNDA -- and cannot be made directly to individuals, so effective limits can be placed on them. By definition, at the BCEAO agricultural campaign lending encompasses only the commercialization of crops for less than one year. It does not include, as it does in many countries,

loans to the farmers for agricultural inputs such as fertilizer and pesticide; that are made only for that cropping period, since they are considered long-term investments due to residual effects. Therefore any loans that banks may make to the farmers to help increase production will come out of their ordinary credit ceilings.

One other result of the lending ceilings and the resulting excess liquidity in the banking structure is to force the private banks to lend, through the money market, to the BDM. The majority of all excess liquidity in the private sector is financing the continued operation of many government enterprises.

An important element of the ceilings, for donor consideration, is that any donor line of credit requiring the bank to maintain some level of risk is considered to fall under the credit ceilings. If the banks are simply fund managers, getting a fee for their services and incurring no liability, there are no restrictions. In Mali, however, the problem among the better managed private banks is not one of liquidity to make loans to investment projects, as it is in so many other developing countries. The problem is to whom to lend. Given the high risk involved in most investment loans, it is doubtful that these banks will willingly devote part of their limited lending capacity to high-risk loans when an abundance of low-risk loans exist. Therefore, providing special lines of credit for sectoral lending by the better managed banks in Mali will not necessarily result in the use of the funds.

Interest Rate Ceilings

Working hand in hand with the credit ceilings to turn the bank structure away from investment lending and toward commercial lending are interest rates. The BCEAO has fixed ceilings on loans at 13.5 percent for ordinary credit (short-, medium-, and long-term to all nonpriority areas) and 9 percent to priority sectors of agriculture and small enterprises. Given this difference in interest rates and the ceilings currently in effect, short of forced sectoral lending, there is a further incentive to avoid lending to productive sectors such as agriculture and small enterprises, which require more work and are higher risk.

In reality, those interest rates do not even cover the costs of lending to those sectors if the banks are to cover their cost of funds; administrative costs; risk costs;

and the cost of analyzing and evaluating the loan request, which is always higher in the areas where you do not know your client and where the risk of investing is high: small businesses.

Bank Lending to Small Businesses

Impact of BCEAO Policies

Those banks and special projects that have succeeded in lending to small businesses around the world (the Badan Kredit Kecamatan in Indonesia and the Grameen Bank in Bangladesh, for example), have lent at rates of up to 36 percent per annum -- sufficient to cover the higher risk and administrative costs associated with small business lending. Many of those banks are in areas in which the density of population and demand for small business loans make loan requests far more numerous than in Mali, a factor that allows them to develop their systems for evaluating and administering the loans more rapidly. Even after years of lending to small enterprises, these institutions' cost of lending to small and medium enterprises (SMEs) is higher than to larger, safer, industrial, and commercial activities.

The BCEAO justifies lending at subsidized rates because it claims small enterprises need the break and would not be able to repay loans made at higher interest rates. The BCEAO believes it is the civic duty of banks to lend at lower margins (even negative ones) to this important element of the economy. However, the result is to restrict credit to SMEs, forcing them to go into the informal credit sector where they often have to pay rates of up to 200 percent. Faced with this situation, SMEs would presumably prefer to borrow at a nonsubsidized, higher-than-average interest rates, a fact that reflects the real costs of lending to them. A USAID-funded project in Senegal is successfully proving that point right now. In two years it has made over 200 loans to small businesses at a digressive interest rate of 24 percent for terms of up to one year and has a repayment rate greater than 95 percent. The project receives more than twice as many requests for loans than it approves. As the project gains greater experience in project evaluation and improves its administrative systems, it is able to handle more loans, increasing its portfolio and lowering those associated costs.

Special SME Lines of Credit

To encourage bank lending to the SME segment, special lines of credit or guarantee funds are often made available to banks by the government or donor agencies. The purpose is to get the banks involved in the activity with low-cost funds or guarantees to subsidize their learning period while they develop the systems, capacity, and subject specific knowledge to allow them to eventually continue lending to this sector. Unfortunately, experience with these lines of credit in most developing countries is often disappointing. They are usually characterized by low repayment rates (under 50 percent); by very little developed capacity and systems; and, worst of all, by a disinclination to participate in future special programs of their kind. Mali has been no exception.

Three programs in particular have been attempted in Mali:

- The German technical assistance group KFW offering four lines of credit totaling 2.25 billion CFA available through the BDM for small and medium enterprises over the past 14 years;
- A fund for loans to start-up businesses by young graduates totaling 263 million CFA and a guarantee fund of 90 million CFA managed by the BNDA and financed by the Caisse Centrale, FED, World Food Program, and the GRM; and
- A World Bank program, including a loan fund, for SMEs totaling \$8 million through the BDM starting in 1982.

The lessons learned in Mali reinforce those learned in other countries and raise several issues for Mali that must be addressed in any future programs of their kind. These lessons are as follows:

1. **A sound feasibility study is necessary to judge the risk of the loan.**

The CEPI provided the feasibility studies for most of the KFW loans through the BDM. Of the 2.25 billion CFA lent, only 300 million CFA have been repaid. Most of the feasibility studies were far from accurate in their estimates of the market and of the productive capacities of the companies. In addition, the studies usually underestimated required working capital and investment costs, and had a poor management plan.

2. **The initial scale of the enterprise must be well matched with the realistic available market, available supply of raw materials, and managerial capability of the entrepreneur.**

Many of the KFW loans were for unrealistically large plants, shooting for large and nonexistent markets and overestimating the available supply of raw materials. This often stemmed from a desire to get rich quick and from little understanding of business, rather than from a rational investment scheme. Instead of making a reasonable investment with a good return, reinvesting profits, and steadily growing, the company investors have made large investments that could never achieve the predicted return because of market, marketing, and management problems.

3. **The experience of the entrepreneur is a critical element to the success of the project.**

In most of the 63 BNDA loans to the young graduates, where only 58 percent of the 263 million CFA lent has been repaid (much of it late), and for many of the KFW loans, the entrepreneurs had no experience in the business for which they received the loan.

4. **There must be no political pressure to make the loans.**

For the BNDA this was a particularly acute problem. The BNDA was the only bank offering loans to young graduates, and it was under pressure simply to get the money out the door. Because of this, it made loans to unsound projects just to placate the government.

5. **A selection of funding options must exist for different kinds of projects from different sectors.**

Again the BNDA provides an important lesson. It was the only bank lending money to young graduates, and it was lending only for agricultural projects. Many of those who received loans had little interest in agriculture and would have preferred another line of business, but because it was the only source of credit available, they used it. This point is closely linked to points 1, 3 and 5 above,

because the graduates also had no experience, the feasibility studies were poor, and the BNDA was forced to lend to them.

6. There must be equity participation by the entrepreneurs.

Most loans by the BNDA and the KFW had a lack of equity participation on the part of the entrepreneurs. This leads to a lower level of direct involvement by the entrepreneur, lowering his or her risk in the project. This has been perceived to be a factor in the failure of the loans.

7. Firms must have qualified personnel to make the project succeed.

With many of the failed loans, the new enterprises had no personnel with the appropriate experience to make the project succeed. The presence of qualified, experienced core personnel needs to be one principal criterion of any loan application to fund a new business.

8. The loan funds must be used for the purpose for which they are lent.

Many of the loans that failed were not used for the purposes intended. Either the borrowers used the funds for other purposes intentionally, or sound management practices were not applied to allow the entrepreneurs to differentiate between operating funds and personal funds.

In addition to these points, the BNDA has learned other lessons that would provide sound criteria for a viable SME lending program. However, it is uninterested in participating in another special loan project because it had such a negative experience the first time. One purpose of an SME project should be to take the lessons learned and to apply them to the future, while subsidizing those learning costs.

Bank Lending to Finance Agricultural Activities

Following poor early lending experiences, financial institutions in Mali have been reluctant to lend to the agricultural sector. However, in the recent past, there

has been an increase in lending through village associations (VAs), resulting from advances in their overall development and from significant donor intervention with the banks. The organizations responsible for VA training (primarily the CMDT and IOHV) have been able to convince the bank specialized in agricultural lending, the BNDA, to make group loans guaranteed by VAs. With repayment rates above 99 percent (according to the BNDA), the banks are satisfied with the arrangement.

Despite this increase in lending, the banks would not be involved unless another agency were present to virtually guarantee that inputs were available on a timely basis and that the crop would be successfully marketed. They also would not be involved unless they had the assurance from the organizing institution that the association was a viable group that would honor the loan and that had already done so with the organizing institution in the past. In other words, the BNDA still does not have the capacity to evaluate the credit rating of a VA, but must rely on the skills of the organizing institution.

These loans are made at the subsidized 9 percent interest rate, so there is no margin for error in the evaluation process. Since the loan comes out of the ordinary credit account, it is part of the bank's overall credit allocation, and must compete profitably with other loan options (that is, commercial loans). At present there is not enough available credit under the ceiling in the BNDA to meet the need among the already formed associations. Taking their limited management capacity, the credit ceilings, and the fact that two-thirds of the agricultural producers are outside of the "managed zones," the actual amount of credit will be far short of demand.

The success of this lending is based on the experience acquired over the past 20 years by the organizing institutions and their constant work with the villagers. Applying these same lessons and criteria to small enterprises will require the provision of significant outside management support services to the SMEs, including credit needs evaluation, inventory management, and cash flow analysis for loan repayment to allow them to gain access to bank credit.

BUDGETARY POLICY

The Malian government is dependent on two major sources of local revenue-- income and business taxes, and customs receipts. The local tax structure provided 23.9 billion CFA in annual revenue to the national budget, and customs receipts provided another 32 billion CFA. In addition, 5.7 billion CFA were raised at regional and communal levels, according to the Direction Nationale des Impots and the Direction Nationale des Douanes. At present, this amount is nearly sufficient to cover current costs of the GRM, but is still far below the requirements to pay off previous debts and investment costs. The rest is covered by donor assistance and lines of credit from the IMF.

The International Monetary Fund (IMF) is insisting that the GRM bring its expenditures and receipts into balance so a dual action occurs: divestiture of government enterprises and responsibility to the private sector, while trying to keep local revenues up. This creates a natural stress as fiscal pressure on the private sector must be eased to allow it to accelerate and take on this increased role, while the government needs the increased tax revenue to keep the budget in balance. The following section looks at the situation, from the perspective of trying to stimulate private sector activity and eventually increase tax revenues from greater levels of business.

Taxation

Historically, Malian tax rates have been high. These are currently being lowered through cooperation between donor agencies and the GRM, but the new levels still remain high from a business perspective. The tax code covers two main areas -- direct and indirect taxation -- in which there are many restrictive elements. Annex 9 goes into greater depth, but the particularly important elements are as follows:

- The tax rate on individual earnings is progressive, reaching 50 percent after 2 million CFA (about \$6,000);
- For an individual investing in a corporation, revenue earned by the corporation and distributed to the person is taxed at a rate of 54.9 percent before it reaches that individual (45 percent corporate tax plus an 18

percent dividend tax, IRVM). Assuming the individual has total earnings of at least 2 million CFA, the tax reaches a marginal rate of 77.45 percent by the time he or she pays income taxes. This includes a double taxation of dividends at the source and as revenue to the individual;

- For an individual company, the marginal tax rate reaches 62.50 percent resulting from a double taxation of the revenue at the company (25 percent) and individual levels (50 percent, again assuming total earnings greater than 2 million CFA). All earnings in the individual company are considered as earnings for the owner. In addition, the owner of a private company cannot reinvest in the company before paying both sets of taxes, unlike a corporation where earnings can be reinvested before being distributed to the shareholders;
- The minimum forfeitary tax (IMF) of 0.75 percent is charged on total sales, regardless of profitability. This is credited against the normal industrial profits tax, but it may wipe out minimal profits or put a company deeper into debt during a bad year. For a small firm (under 5 million CFA for a productive firm and 10 million CFA for a retailer/wholesaler), a different forfeitary tax is applied based on 100 percent of the value of the registration fee;
- The property taxes (IRF and mort-main) provide a layered structure of taxation and penalize a firm for operating out of a building it owns; it pays both the mort-main tax of 20 percent and a 30 percent tax on the rental value of the space it occupies. These taxes are paid whether a firm earns profits or not;
- The payroll tax of 7.5 percent on all employee salaries provides a disincentive to employ additional personnel; and
- The Impot General sur les Revenus (IGR) is calculated on a progressive basis, but includes a part system instead of a standard deduction. The allocation of parts (one to the husband, one to the wife, a quarter to each child, up to a total of six parts) becomes increasingly regressive as a person's income increases.

Marginal Taxation of Small Firms

Under the Malian tax code, all firms are supposed to pay taxes based on their actual earnings. Hence, there is no official difference between the informal and formal sector firms in terms of the marginal tax rates. However, the onus of income tax verification falls on the government rather than on the individual. With poor bookkeeping and small operations, the Direction Nationale des Impots does not waste its time calculating taxes for 50 percent of the smaller firms, but is satisfied with the forfeitary tax. Therefore, most small shops escape the taxes that are levied

against their more structured competition. This provides an incentive to remain small and to stay in the informal sector.

This contrasts with the tax code in Niger where taxes paid up to 30 million CFA in total business by individual companies or even up to 1 billion CFA in business for a large import/export corporation are on a forfeitary basis. Only when these firms pass those levels do they enter the formal tax sector. In Niger, the high incidence of tax evasion by remaining in the informal sector implies that these levels for forfeitary taxes on income are too high (Grant et al., Niger Economic Policy Reform, 1988), but the forfeitary taxes vastly simplify the tax process for both the small business and the internal revenue service.

The USAID-funded Programme de Reforme Economique (PRE) in Mali is working in conjunction with the Ministry of Finance to lower tax rates and to lessen the fiscal pressure on the private sector. They have lowered the Benefices Industriels et Commercial (BIC) by 5 percentage points, reduced the IMF from 1 percent to 0.75 percent, and reduced the payroll tax from 15 percent to 7.5 percent. This is a good start, but still not enough to really improve the fiscal environment from the firm's perspective. However, lowering the BIC even more may cause the government additional problems with revenue generation.

Tax on Agricultural Firms

While the BIC is charged on industrial and commercial firms, there is a separate scheduled tax for profits by agricultural firms, the Benefices Agricoles (BA). However, no tax rate has ever been applied to this scheduled tax, so it is not collected. In addition, a person having income only from an agricultural firm is exempted from the IGR, because there is no other record of his or her earnings. Annex 9 provides more details on this situation.

The fact that agricultural companies remain outside of the BIC and within a BA that has no scheduled tax rate allows for preferential tax treatment of investments in agriculture. Considering Mali's economic problems, this is a positive element to obtain increased investment in a productive sector. However, it creates an extremely biased environment for those investing in large-scale agriculture who end up paying

the same amount of income tax (head tax) as a small farmer. This gives them the ability to gain access to many local resources easily, and creates an inequitable situation in the agricultural milieu. It also may lead to a growth in the number of large landholders at the expense of the smaller ones.

Recommendation

The study team recommends that USAID/Mali continue to work through the PRE to lower the effective tax rate on salaried individuals and on industrial and commercial firms to provide them with more incentive to stay within the regulations rather than finding ways to escape them. Elements of particular importance are:

- Triple taxation of dividends (BIC or IRF, IRVM, IGR);
- Double taxation of private company income (BIC, IGR);
- Triple taxation of property owned and used by a company (patente, IRF, IGR); and
- Triple taxation on rental property for a corporation (patente, IRF, MM).

In addition, USAID/Mali should investigate the questions of the benefits accruing to large agricultural firms that do not pay taxes, the number of these firms, and the lost revenue.

TRADE POLICY

Trade policy is primarily the responsibility of the Direction Nationale des Affaires Economiques (DNAE), which manages the import and export licensing system, and the Direction Nationale des Douanes, which sets and collects import and export duties and taxes. Two reports recently analyzed trade policy instruments and their effects on business activity in Mali. Stryker et al. (June 1987) analyzed the system of import and export duties as of 1986, and so to a lesser extent did Oppenheim (June 1987). Those texts will provide an effective protection and domestic resource cost analysis of distortions created by import duties. Insofar as the computed rates of effective protection (EPR) and domestic resource cost (DRC) used tariff rates as the measure of nominal protection, the EPRs and DRCs of products subject to import

licensing and domestic price controls are likely to be seriously biased. Furthermore, recent changes in import tariffs are making some of these estimates obsolete.

In order not to duplicate these two recent studies, this report summarizes recent changes in trade policy executed in the framework of the ongoing economic reform program and identifies the remaining problems and distortions those changes create.

Import Policies

Procedurally, imported goods fall into one of the three categories -- restricted, free, or prohibited as follows:

1. **Restricted goods:** The importation of restricted goods is subject to an import license, issued at the discretion of the DNAE. The list of goods subject to quantitative restrictions has been recently revised in collaboration with IMF. At present, the list of restricted products contains about 100 items. According to the undertaking with the IMF, the GRM will reduce the number of restricted products to 78 by June 1989 and further to 52 by 1990.

Aside from luxury consumer goods, the list restricts imports of goods that compete with local production. Although protection of the infant industries is one main objective of the quota system for import licensing, it appears that the older, well-connected firms and importers obtain import licenses more easily than the smaller, newer ones, although the latter should be entitled to temporary protection according to the infant industry principle.

The annual import program, IMEX, determines the distribution of the quota in value terms broken down by major trade categories. According to the DNAE, it is possible for a firm to receive an increase quickly in the amount of its import licenses in justified cases. However, given the bureaucratic procedures involved in receiving a regular unrestricted import license (discussed in the section of this report on regulatory policy), extension of a restricted license can be neither quick nor efficient.

The recent rice incident casts some doubt about the efficiency and celerity of the licensing process. Imports of rice were temporarily banned when cheap imported rice began undercutting the price of the locally produced rice. After the problem was identified, it took six months for the ban to come into effect. When rice stocks were depleted in April 1988, however, the regulatory timing again became a major constraint. While the GRM procrastinated, a serious shortage of rice raised prices sharply. Eventually the first set of import licenses was awarded in June, followed by another set in July, and a third one is yet to come. Licenses were awarded only to those merchants who could prove that they had previously purchased locally produced rice. This "domestic content scheme" is likely to intensify the tendency toward monopolization inherent in every import quota system. Auctioning import licenses might have been a better solution, since it had the additional advantage of increasing the GRM's fiscal revenue instead of improving profits of a few well-established traders.

Quota amounts are determined in terms of value rather than quantity. This can entice importers to import products at dumping prices, and then to pass them on to the Malian consumers. This may cause unfair competition to local producers of superior products. The importation of low quality cotton fabrics of Asian origin via Guinea is often mentioned as a point in case. However, the producers do not invoke the use of a value-based quota system over a quantity-based system as a cause, although it is one distortionary element.

2. **Free goods:** These include all imports from the CEAO and the CDEAO as well as imports from third countries not included in lists of restricted or prohibited goods. Licenses are still required for the free import goods, but the licenses are supposed to be automatically issued (see "Regulatory Policy" for a discussion of this issue). The number of free goods has increased and will continue so.

3. **Prohibited goods:** Arms and other dangerous and illegal products appear on the list of prohibited imports. This list is not fixed or published, and new goods can be added to it by the government at any time. When rice was added to the list of prohibited imports, thousands of tons of rice en route to Mali under valid import licenses were stranded in Abidjan.

Import Tariffs and Taxes

Tariffs (*droit fiscals -- DFI*) have been reduced in three annual steps as a part of the EPR program, administered with the technical assistance of USAID. Including customs taxes (*droits de douane*), they now range between 0 percent and 100 percent for most goods, but there is still a Commission de Prestation Services (CPS) on all imports amounting to 5 percent. The DFI on whiskey is still near 300 percent. The preferential tariff system based on the tax for regional cooperation (TCR) applying to member countries of the CEAO is not included in the tariff reform.

Thus far, tariff reductions have been almost exclusively on intermediary products imported for the local industry. This has presumably eliminated the most evident cases of fiscal anomalies whereby imports of inputs for local production were taxed more heavily than the protection awarded to the locally produced final product, resulting in negative effective protection rates (that is, effective protection coefficients). According to Stryker et al. (June 1987), three firms suffered from this particularly poor policy combination: FAMAC, SOME PAC, and TOLMALI. The situation seems to have been corrected for firms that identified the problem and that requested a modification.

The tariff reductions implemented so far cover primarily products for which a special request has been received. Other products that have not been the subject of a special request have not been reduced. This trend is likely to temporarily increase, rather than decrease, the distortions caused by unequal level of tariff protection of different product categories. It is hoped that remaining discrepancies will be eliminated in the next steps of the tariff reform. Until then, tariffs not yet rationalized are likely to have the greatest impact on the small producers of manufactured goods who either did not succeed in bringing their case to attention of the customs authorities or were not granted the requested reductions.

Equally important, producers purchasing their imported inputs indirectly from importers and wholesalers do not yet benefit from the tariff reductions. Finally, until the level of all tariffs is reduced and rationalized, the remaining high tariffs will increase the costs not only of domestic production but also of the prices of

local inputs competing with imported inputs paying high duties, thus lowering the cost efficiency of domestic production in general and of export production in particular.

In general, imports of inputs used in production for export markets should be either duty free -- under a regime of temporary admission or the status of customs factory -- or reimbursable upon re-export of the finished product, under the drawback system. In fact, many countries, such as Tunisia, are using a combination of all three systems. The request for drawback has been voiced recently at the seminar organized by the Centre Malien du Commerce Exterieur (CMCE) (1988). Other impediments affecting exports will be discussed in the next section.

Before turning to exports, a few comments on the process of elimination of the customs valuation based on *valeurs mercuriales*, that is, administratively set prices, used as a basis for the calculation of import duties and taxes. A recently published decree (July 1988) has abolished mercurial values on all but five products (milk, sugar, rice, gasoline, and cement). This positive step, it seems, will be followed by a complete reversal of the logic underlying the elimination of "mercurialization" in the next projected decree, which would reintroduce *valeurs mercuriales*, set at the current CIF price level. The mission has seen a draft and discussed it with the USAID coordinator of the economic reform program. USAID should definitely oppose adoption of this new decree reintroducing the old system.

Export Policies

In principle, there are no restrictions on exports. In practice, however, there are suspensions, or exceptions published annually in the IMEX program. The notable exception to the principle of unrestricted exports was the ban on grain and cereals exports (millet, sorghum, and rice). In spite of liberal export policies on all other products, a license to export is still required. This seems to constitute unnecessary administrative complications, and is tied to another more serious distortion--corruption.

Export activity is hampered even more by the existence of export taxes. These should be eliminated for nontraditional (that is, manufactured) products. Export

taxes on traditional agricultural products should be studied closely to determine their impact on current and future competitiveness and negative impact on producer prices. The existence of export taxation is particularly harmful in the West African context, where at least two of Mali's major competitors, Côte d'Ivoire and Senegal, subsidize manufactured products proportionally to the domestic value added. Ideally, a country protecting local production against imports should adopt an export subsidy; only if the rate of export subsidy were equal to the rate of protection of the domestic market would the desirable neutrality of trade policies be achieved. The overall amount of revenue generated by export tariffs, 1.17 billion CFA in 1987, is a relatively small amount, and the study on the subject should attempt to determine whether these tariffs actually have a greater negative impact on local production than the benefits gained from the small amount of revenue they generate.

One positive step recently introduced in the new Code de Commerce was the elimination of an obligatory *caution* to which all export operations were formerly subjected. Further rationalization of export policies is being studied by the World Bank, and reforms should be undertaken in the near future.

Unrecorded Trade, Smuggling, Fraud, and Corruption

The official export and import figures are notoriously unreliable, and they underestimate by a large margin the real trade flows of most African countries; Mali is no exception. The extent of unrecorded trade varies by product, and although no exact and comprehensive figures for Mali are available, it is largely believed to account for 40-50 percent of officially recorded imports and an important proportion of exports of livestock, skins and hides, and most of all gold.

One empirical study dealing with this subject is a chapter in Berg and Associates (1985). The data for livestock exports of Mali are reproduced in the following table.

TABLE 8

ESTIMATES OF RECORDED AND UNRECORDED EXPORTS,
 PRODUCTION AND CONSUMPTION OF LIVESTOCK IN MALI, 1980-1981

	Production	Consumption	Recorded Exports	Unrecorded Exports	UE/RE Percent
CATTLE (thousands)					
1980	556	310	59	187	316.9
1981	579	310	65	204	314.8
GOAT and SHEEP (thousands)					
1980	3,905.7	3,595.7	90	219	243.3
1981	4,061.7	3,595.7	135	330	244.4

Source: Elliot Berg and Associates (1985, Table 4, p. 67a).

According to another source, Africa International (July 1988), fraudulent imports of soap accounted in 1987 for a loss of 3.5 billion CFA of HUICOMA (that is, 66 percent of its annual sales¹). Fraudulent imports accounted for 30-35 percent of the cigarette market and 60 percent of the market for matches. Fraudulent imports of textiles compete easily with the local cotton fabrics, and according to the spokesman for the most important local textile manufacturer ITEMA, they cost them 1 billion CFA of lost sales (that is, 20 percent of annual sales). Illegal imports of gasoline and gas-oil are believed to have cost the state 6 billion CFA in lost tax revenues. Fraudulent imports account for significant proportion of imports of plastic shoes, flour, rice, soup cubes, and oil; the list is long and seemingly endless.

Unrecorded trade, smuggling, fraud, and corruption are often only different labels for different aspects of the same phenomenon. To domestic firms, unrecorded trade means lost domestic sales because the illegally imported goods are sold tax and

¹ These estimates assume that imports have effectively displaced an equivalent quantity of domestic products. To the extent that part of the demand was specifically for imported products, the cited figures may overestimate the market share lost to fraudulent imports.

duty free, sometimes at a substantial discount made possible by sales or purchases of foreign exchange on the black market.² The government loses customs and tax revenues; both groups are critical and try to curb the illegal activities involved. Their view is well expressed in the article in Africa International.

Economists, however, tend to view the same phenomenon as an inevitable reaction of market forces to unduly heavy tariffs, taxes, and administrative procedures. Their opinion is well expressed in Berg and Associates study (1985) which weights the presumed advantages and costs of unrecorded trade -- that is, smuggling.

The advantages of smuggling are as follows:

- It creates additional international trade, and it is a reaction to policy-induced distortions (excess tariff rates, quotas, price distortions, and overvalued exchange rates);
- It pushes prices in the right direction;
- It increases the volume of production of goods for exports;
- It improves resource allocation and availability of goods; and
- It improves the distribution of income, making cheap imports available to low-income groups.

But the costs of smuggling are also noteworthy:

- It causes a loss of government revenue;
- It makes for unfair competition to local industries; and
- It provides an opportunity for corruption and it encourages lawlessness.

² Imports of cotton fabrics from Guinea are a typical example of trade based on black market for foreign currency. Guinean traders import cheap "fancy" cotton fabrics from Asian countries, part of which they re-export to Mali at substantially lower prices (at 55-60 percent of international price), or even at loss. Imports are paid in overvalued nonconvertible Guinean currency, and proceeds from the illegally reexported fabrics to Mali are sold on the black market for the convertible CFA in Guinea, where the exchange rate is often 10 times higher than the official one.

Most of the items on the list are related not only to smuggling, that is, to unrecorded and therefore illegal international trade, but also to informal -- underground -- economic activities in general. The excessive weight of government intervention is the common cause. Individuals and firms are seeking to avoid the direct (taxes, tariffs, and fees) and indirect (red tape and policy-induced market restrictions such as quotas and monopoly privileges) costs of government intervention.

Even though the so-called illegal economic activities fulfill some useful economic functions, their existence is an indication of a fundamental malfunction of the system. The strategy for the elimination of the underground economy in general, and of its foreign trade aspects in particular, has to focus on its cause -- that is, the undue weight of government intervention. In this respect, the economic reforms implemented by USAID and by the multilateral agencies such as the World Bank and IMF in Mali constitute a necessary step in the right direction. If they are successfully implemented at all levels of the economy, and this is not yet the case, the overall cost of government intervention (that is, taxes and tariffs) will decrease and the incentive to illegal imports and exports will diminish as well.

However, it is well known that countries at a lower stage of economic development have to rely more heavily on foreign trade taxes than on other fiscal revenues. This means that even after a successful completion of the public sector and fiscal system reforms in Mali a relatively high level of import tariffs (rather uniform, one hopes) will remain and therefore a nonnegligible incentive to smuggle. The illegal trade activities will be eliminated only if the public administration and the law enforcement will be able to demonstrate to the majority of economic operators that the likely cost of illegal trade practices is superior to their expected benefits. This is a difficult task to achieve in a system in which illegal trade activities and related influence peddling and corruption are long-established practices.

Recommendations

- If quotas are to be used, calculate the volume of the quota by numbers of units to be purchased rather than by the total price;
- Continue to lower the rate of import tariffs on both inputs and finished products;
- Broaden the base of tariff reductions to include the spectrum of inputs, including those products small producers use, purchased locally rather than imported;
- Implement a system of either duty-free imports or temporary admission, or a drawback system upon export to eliminate duties on imports subsequently re-exported;
- Remove export taxes on all traditional and nontraditional exports to promote exports and protect the integrity of Malian export markets;
- Investigate the possibility and cost of implementing export subsidies equal to the rate of effective protection in the domestic market;
- Facilitate the process for delivery of export licenses;
- Improve customs registration for goods that are recorded by weight rather than by number of units such as agricultural machinery;
- Provide technical aid to customs and fiscal services to ensure the correct implementation of the new economic rules; and
- Establish structures that would be a legal alternative to corruption for economic agents who dispute decisions of fiscal and custom authorities. This would probably require some research and technical assistance to identify the best means to achieve this goal.

THE EFFECT OF INVESTMENT CODE ON FOREIGN INVESTMENT

A foreign company investing in Mali encounters few explicit barriers to starting up and carrying out its activities. Under the Investment Code, adopted in 1986, there is no differentiation between foreign and domestic firms in terms of advantages received; they pay the same taxes and duties, fill out the same forms, and have the same responsibilities.

A foreign firm needs to submit a dossier for approval by the Minister of Commerce before it is allowed to begin operations in Mali, a process that can easily take several months. After the firm receives permission, it may apply to the government for investment code privileges, which may take up to a year to be granted. There have been no problems getting long-term visas for expatriate staff, but the paperwork must be completed beforehand.

For taxation purposes, the foreign firms pay the same amount of tax on all profits within the country (45 percent) and pay the 18 percent dividends tax on any profits they repatriate. This is effectively the same as a Malian individual who gets dividend income. For any services billed by the home company to its branch in Mali, a 15 percent Impots sur Affaires et Services (IAS) tax must be paid. This allows many foreign firms to repatriate would-be profits through questionable billing with only a 15-percent tax instead of the 54.9-percent income and dividend taxes. Repatriation of profits presents no problem if the rules are followed.

The Malian tax code, while attempting to eliminate fraud through transfer pricing or false billing of services, requires all firms with branches in Mali to furnish their income statements from those outside branches doing business with the Malian branch to ensure that there has been no fraud in pricing arrangements. However, this is almost impossible for the Malian Internal Revenue Service to control.

For import and export licenses, there is nominally no difference between a Malian and a foreign firm. However, with over 100 items on the limited (contingence) import list and the DNAE responsible for approving all of those imports, there is no guarantee that a foreign firm would receive permission to import goods on that list. Given the role that influence can play, an important Malian firm might get that permission.

Although there are no explicit constraints on investing in Mali, the incentives for a foreign firm to invest are limited. In particular, a complex set of bureaucratic procedures must be followed to do business legally. If the firm makes a mistake, it will be fined immediately. By contrast, foreign firms are competing with Malian firms that import goods through fraudulent means, thus avoiding duties, or that have

special contacts enabling them to win the large lucrative contracts put out for bid. This makes it difficult for a foreign firm to compete unless it has a unique product with superior service to back it up. Even in this case, it is often dependent on nongovernmental organizations, the diplomatic community, and bi- and multi-lateral programs for its business since this is where the real demand lies.

REGULATORY ENVIRONMENT

The regulatory environment surrounding the private sector works to limit its rate of growth and development in six ways:

- The weight of government regulations;
- The lack of information about those regulations;
- The arbitrary application of the regulations (stemming from the first two) by government agents;
- The lack of recourse by plaintiffs who have been wrongly fined;
- The lack of judicial actions taken to protect private businesspeople and bankers from fraudulent activities undertaken by their clients; and
- The ability of the government to intervene arbitrarily in nascent private sector activities to grant special market privileges. The entire environment creates an ideal situation for fraud and corruption to bypass the system for personal gain, both by government agents and by entrepreneurs. The effect is to neutralize the intent and impact of many government policies, to add distortions into the economic environment, and to limit free competition.

The weight of government regulations is an important limiting factor to the growth of the private sector and to the establishment of sound business procedures. Although the regulatory environment is being liberalized (new commercial code published in 1986, for example), it is still cumbersome. For example, according to the Code de Commerce, to register a business, one needs to go only to the town clerk (*greffier*) and present the dossier. In reality, however, for a Malian to start a small business requires many steps. The following example of the start-up of a small import/export firm is a case in point:

1. Pay the required 10 percent of the initial capital plus fees to a notary to get registered and to have the creation of the company published;
2. Visit the Affaires Economiques to buy the *patente*;
3. With the paid *patente*, visit five offices in customs to get registered (not listed in the Code de Commerce); and
4. Visit three offices in the Internal Revenue Service with a copy of the *patente* to let them know you are legal (also not listed in the Code de Commerce, but if you don't they often come and close you down for non-payment of taxes -- even for a new company).

Now the company is ready to do business. The next steps are necessary to get the first import license for goods not on the list of restricted imports:

1. Buy the import license form (in 13 copies) at the Chamber of Commerce for 750 CFA. Prepare the license; it must be typed or it will be rejected at the last step for retyping;
2. Register the license in your bank (cost: 2,000 CFA; time required: one day);
3. Visit the Domaine (*cadastre*) and pay approximately 0.7 percent of the CIF value of the license to register it (time required: one day);
4. Take it to a Malian insurance agent (required for all imports to Mali even if one has a foreign insurer) and pay 0.4 percent of the CIF value for insurance;
5. Take it to Affaires Economiques for final approval; this takes 10-20 work days if all is in order. The requirements are:
 - It must be in typed form;
 - A copy of the *patente* must be included; and
 - A copy of the *quittus fiscal* must be included (valid for only three months and signed by Affaires Economiques, customs, and the Internal Revenue Service; this takes two weeks or costs 20,000 CFA to have it done in three days).

None of these requirements is published anywhere. In particular, Affaires Economiques will indicate which element is missing rather than what should be included. When one considers that this procedure is required for goods on the liberal imports list, there are many places where a good on the restricted import list can go wrong.

The above example illustrates the lack of published information on the steps required to do business. This is not a unique case, and there are many areas in which important information on doing business can be acquired only by trying to do it or by incurring fines because a specific requirement has not been met.

Concerning restricted imports, the list changes frequently and is not publicized. Affaires Economiques has the list but the requirements necessary to import those goods are not published. One submits a request for a license to import them not knowing whether the license will be approved and, if not why.

The lack of clearly defined regulations, as well as the complexity of the regulations, makes it possible for government agents from Customs, Taxes, or the Affaires Economiques to issue a penalty. The agents often apply the fines arbitrarily because the list of applicable fines is not commonly available and there is no legal recourse for the plaintiffs

In some cases government agencies are required to bring in revenue from fines (this varies depending on the needs of the government), and quotas are set for different regions. This can force the agents to fine otherwise legal businesses to meet their quotas. In other cases the agents are in search of additional revenue and abuse their powers. In either case, there is little a company can do to protect itself from being fined, unless the owner has powerful relatives.

The lack of a developed legal structure to protect commercial enterprises presents many problems to doing business in a formal setting. Business people receive no protection from the system with which they are forced to work; it has many liabilities and few incentives.

For the banking sector, this lack of a judicial structure presents a serious handicap. It means that the banks must wait up to two years to receive collateral for nonpayment of loans. The German KFW project with 15 million deutsch marks (about \$7 million) in bad loans to small businesses is trying to get several firms declared bankrupt so that it can:

- Seize their collateral (usually the locale and machinery purchased for the enterprise) to recover some of the lost loans; and, more important,
- Get the company restarted under new management so that the investment made in equipment and infrastructure is put to use before it all falls apart from lack of maintenance.

According to the KFW advisors, getting a firm declared bankrupt has never been done in Mali. This is not true, but it is difficult primarily because a commercial law allows the Minister of Justice the right to prevent the seizure of a company's goods. This allows room for political intervention, particularly on loans through donor lines of credit. These are considered to be experimental so if one goes wrong, the beneficiary should not have to suffer. In any event, commercial law and bankruptcy courts have a role to play in protecting the structure imposed by the government, but the laws have not been completely enforced. As long as the government cannot provide the banking sector, as well as the businesses, with recourse to proper judicial protection, the private sector will hesitate to get involved in investment activities.

Fraud and corruption play a large role in Malian economic activities. Fraud and corruption should be differentiated. The first implies trying to circumvent the legal system for one's personal gain, and the second implies the participation of a government agent who assists the perpetration of the fraud for a fee or the forced payment of funds to a government agent to acquire regular services. Generally fraud and corruption are found together. Both result from an overly regulated and poorly managed bureaucratic system.

The highly regulated and intricate system described above or present in the systems of price control creates a highly conducive atmosphere for corruption to occur. The agent can hold entrepreneurs hostage until they pay, or threaten them with high unexplained fines. The high tax schedules and import tariff schedule, in conjunction with willing tax and customs agents, create a lucrative possibility to defraud the government of revenue. A recent article in *Afrique Internationale* highlighted the role fraud plays in the country. It causes serious losses of government revenue while adding new economic variables to the policy environment. This in turn effectively neutralizes many government policy initiatives and sometimes gives them a negative net effect.

The following example shows the negative effect on a legal importer versus an illegal one, to the detriment of both the legal importer and the state. A firm that imports everything by the rules and pays all its taxes cannot compete with one that imports through fraudulent means and sells at lower prices. The former is lucky to break even, resulting in loss of taxes to the government, since the fraudulent importer pays next to no taxes. A common occurrence is for legal importers, apparently in full respect of the law, to do a large part of their business "under the counter" to make some profits. The system forces them to do it, and the government is the big loser.

Fraud and corruption can be handled either by trying to remove the cause or by reforming the personnel involved. The first solution is easier and more effective than the second, because it removes the economic incentive. Faced with less temptation, people may in fact acquiesce less. The present liberalization of the system is moving in the right direction, but there is still a long way to go before the profitability of fraud for the businessperson will be removed.

An element outside of the direct regulatory environment, but closely related, is the arbitrary implementation of policies to provide special protection to one or more firms. The case of TAMALI imposing supply quota requirements for high-quality raw cow hides so it can reap monopoly profits has momentarily killed the international trade in secondary quality cow hides and in all goat and sheep skins. (see Chapter 5). Other examples include the producer price for fresh milk fixed at a level guaranteed to force the Union Latière de Bamako to lose money (see Chapter 5) and the ban on import of rice, which left the largest importers with thousands of tons in storage in the Côte d'Ivoire. Another example was the ban on exports of Karite nuts to ensure supply at the oversized Karite nut factory for local processing. After several years the factory went bankrupt, and Mali has now lost its place in the world market for Karite nuts.

Many decisions that influence market orientations in Mali have been taken for political reasons or without proper thought and calculations of the costs and benefits. The result is to cripple some industries for the large profit of others when there is room for both. As long as such policy decisions continue to be

implemented, the private sector will continue to lose ground and invested earnings. The Malian people are the final losers.

Recommendations

- USAID should work with the GRM to simplify the procedures required to be an economic actor in Mali, eliminating complicated procedures, and incentives and opportunities for fraud. The creation of a single-step process for business registration or trade licensing, if it could be worked out, would be a significant help.
- Steps must be taken to limit the ability of government agents to block the smooth creation of businesses and economic activities for their personal gain through increased pressure by the government on the services exercising control.
- USAID should assist the GRM to remove the provision in the commercial code requiring women who register a business and who hold joint property with their husbands to furnish a letter granting his consent.
- The judicial structure must be reinforced to include a means to speed bankruptcy and bank claims on unpaid loans, even if it involves separating political and legal powers. This should also include a means to protest against unjust penalties and unwarranted government actions to restrict or monopolize markets.
- Price controls should continue to be gradually deregulated, and the administrative laws must be modified to reflect this deregulation.
- More information must be made available to the private sector on the legal fines that can be charged as well as the administrative process to be followed for the start-up of a small business. Perhaps the establishment, through the Chamber of Commerce, of a fiscal services office for private entrepreneurs, who could come to consult for a minimal fee on the legality of fines or taxes being imposed on them, would be a positive action.

CHAPTER FIVE

PROSPECTS FOR THE EXPANSION OF ECONOMIC ACTIVITY

Economic activity is closely related to the size of the population and the level of its disposable income. Differences in composition of the population (rural versus urban) and their proven propensity to consume different types of goods provide important characteristics for determining the potential for increased economic activity and the areas of greatest growth. With a near zero economic growth rate, increases in economic activity will stem mainly from increases in population and in the efficiency of certain industries. This chapter will develop models to look at the structure of domestic consumption and at the capacity for domestic production contrasted with import penetration into local markets. This will give us some idea of areas with potential for economic expansion.

STRUCTURE OF DOMESTIC CONSUMPTION AND EXPENDITURES

An important issue in identifying local consumption is determining actual population in Mali. According to the PADEM/DNSI demographic survey (1986), the Malian population was 8.1 million with 17 percent living in urban areas. By contrast, preliminary census data estimate the total population at 7.6 million with 24 percent living in urban areas. The latter, more conservative figure, will be used throughout this chapter.

Assuming that the urban population grows at approximately 5 percent per year, the rate of demographic growth is estimated to be 2.6 to 2.8 percent per year. Though the growth rate in the urban population is greater, the rural population will still continue to grow by greater real numbers.

An extrapolation of these trends is presented in Table 9.

TABLE 9
EVOLUTION OF URBAN AND RURAL POPULATION (in millions)

Population	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Total	7.60	7.81	8.03	8.26	8.49	8.73	8.97	9.22	9.48	9.74	10.02
Urban	1.83	1.92	2.02	2.12	2.22	2.34	2.45	2.57	2.70	2.84	2.98
Rural	5.77	5.89	6.01	6.14	6.26	6.39	6.52	6.65	6.78	6.91	7.04

According to official forecasts, the private per capita consumption will increase little, if any, in the next few years. Nevertheless, assuming that the share of urban consumer expenditures will continue to increase relative to rural expenditures, and that the population will grow faster in cities than in rural areas, there will be a gradual increase in the total urban purchasing power.

Some basic information on the consumption patterns of the urban population DNSI (June 1987), is presented in Table 10. However, no comparable data will be available for the consumption patterns in the rural areas until the survey conducted by PADEM is completed and its results published in 1990.

Simulation of the Evolution of the Domestic Expenditure Patterns

Using the scarce information available and some strong assumptions, a very tentative forecast of domestic expenditure patterns over the 1985-1995 period is presented in Table 11. A brief description of the data and methodology indicating calculations of expenditure elasticity of demand is presented in Annex 5.1.

According to the forecast, overall consumer spending will increase by about 5 percent per year, to be an overly optimistic scenario. Irrespective of the macroeconomic growth rate, the demand for textiles, clothing, and footwear is likely to increase about twice as rapidly as that for food, household articles, and consumer goods in general.

TABLE 10

DISTRIBUTION OF ANNUAL PER CAPITA EXPENDITURES (Urban areas)

Product Category	Kayes		Koulikoro		Sikasso		Segou		Mopti		Tombouctou		Gao		Bamako		
Food	43681	62.8%	98074	50.2%	57616	52.1%	68875	50.6%	52661	62.2%	58748	75.1%	77141	73.2%	61664	48.2%	518460
Textile-clothing	7359	10.6%	30892	15.8%	23182	20.9%	16051	11.8%	9733	11.5%	7213	9.2%	9409	8.9%	13695	10.7%	117534
Lodging	1561	2.2%	7887	4.0%	5350	4.8%	6618	4.9%	3342	3.9%	330	0.4%	2746	2.6%	2218	1.7%	30052
Energy-water-fuel	4198	6.0%	11079	5.7%	3708	3.4%	6982	5.1%	4111	4.9%	3942	5.0%	4569	4.3%	6213	4.9%	44802
Furniture-household	3520	5.1%	14146	7.2%	4764	4.3%	13198	9.7%	3727	4.4%	4745	6.1%	1659	1.6%	7987	6.2%	53746
Health care	633	0.9%	3352	1.7%	1465	1.3%	1131	0.8%	1798	2.1%	134	0.2%	460	0.4%	2433	1.9%	11406
Transport-communication	3056	4.4%	9691	5.0%	6834	6.2%	7369	5.4%	2660	3.1%	541	0.7%	697	0.7%	19295	15.1%	50145
Entertainment	890	1.3%	2040	1.0%	2403	2.2%	2809	2.1%	678	0.8%	603	0.8%	1124	1.1%	3750	2.9%	14297
Other consumption	3519	5.1%	9054	4.6%	2582	2.3%	5066	3.7%	3199	3.8%	947	1.2%	1796	1.7%	7475	5.8%	33638
Other non-consumption	1110	1.6%	9007	4.6%	2757	2.5%	8045	5.9%	2819	3.3%	1013	1.3%	5719	5.4%	3305	2.6%	33775
TOTAL EXPENDITURE per capita	69527	100.0%	195222	100.0%	110663		136144		84728		78216		105320		128035		907855

TABLE 11

EXPENSES ON PRODUCT CATEGORIES (MALI- SCENARIO 1)

Product Category =====	1985 (%)	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995 (1995/85)	1995	
		(billions of FCFA)												
Food	30.10%	134.28	135.32	148.60	154.31	161.23	168.72	176.55	181.65	186.90	192.30	197.85	47.34%	27.97%
Textile-clothing	8.57%	38.22	38.44	46.28	49.68	54.06	59.04	64.49	67.99	71.72	75.67	79.88	109.04%	11.29%
Household	19.59%	87.40	86.14	102.72	108.50	116.22	124.98	134.44	139.20	144.17	149.39	154.88	77.22%	21.89%
Health care	2.90%	12.93	12.61	15.92	17.08	18.68	20.54	22.58	23.58	24.64	25.77	26.97	108.61%	3.81%
Entertainment	9.91%	44.20	42.94	50.84	52.98	55.97	59.30	62.75	63.75	64.71	65.61	66.46	50.36%	9.40%
Other consumption	22.85%	101.95	98.42	112.69	116.27	122.73	127.74	134.60	135.98	139.39	140.38	143.46	40.71%	20.28%
Other non-cons.	6.09%	27.18	26.82	30.20	31.21	32.55	34.01	35.53	36.13	36.74	37.33	37.91	39.50%	5.36%
Total	100.00%	446.16	440.69	507.25	530.03	561.45	594.32	630.94	648.28	668.26	686.45	707.43	58.56%	100.00%

Although food consumption will grow at a slower rate, the demand especially in urban areas, will favor a somewhat faster rate of consumption of beef and meat, at the expense of peanut paste and cereals (c.f. Rogers and Lowdermilk, 1988). Further detailed analysis of the DNSI data (June 1987) could provide more detail for urban consumption at the product level.

The flow of population into the urban area combined with the assumption of continuing wealth redistribution favoring the urban population is likely to lead to an increased demand for housing, entertainment, utilities, and household-related expenditures in urban areas (see Annex 5.1). Of course, products having high income elasticity of demand will not only benefit in times of expansion of consumer spending, but also they will be more negatively affected by the decline in spending in hard times.

DOMESTIC SUPPLY CAPACITY, PRODUCTION AND IMPORT PENETRATION

The latest reliable data on Malian industrial production is from the 1982 census. Unfortunately, it does not provide product-specific information for most industries. The number of product categories for which it is possible to establish reliable estimates of domestic supply capacity and import penetration is therefore limited.

A compilation of these statistics for Mali and for several neighboring countries is presented in Annex 5.2. It shows the percentage of apparent consumption covered by domestic production and by imports, as well as the per capita consumption in physical units and their growth rates. The products presented in Table 12 appear to have a relatively promising potential for import substitution.

TABLE 12
IMPORTED PRODUCTS WITH SIGNIFICANTLY LOWER
APPARENT CONSUMPTION IN MALI THAN IN NEIGHBORING COUNTRIES

Products	Imports/ Consumption	Dom. Prod./ Consumption
Margarine, prepared fats	100	0
Oils of vegetable origin	4.4	110
Soft drinks	18	82
Flour	39	61
Nitrogenous fertilizers	100	0
Potassic fertilizers	100	0
Soap	62	38
Cement	82	18

Source: UNIDO (1986)

The list is not exhaustive, but statistics for many potentially interesting products are incomplete. Moreover, the data end in 1983; recent changes in Malian production, imports, and exports make these figures less relevant for future decision making than for analysis of the past. The following analysis attempts to link the sporadic statistical data on production of some potentially promising industries to information gathered in interviews to assess the potential of these industries for future development.

Textile Industry

The bulk of the textile industry comprises two firms -- COMATEX, a state-owned large producer of printed cotton fabrics, and ITEMA, a smaller mixed enterprise fabricating basically the same products. The state has already relinquished majority control of ITEMA, and COMATEX is high on the World Bank list of state-owned enterprises to be privatized.

The index of textile production has fluctuated recently. It hides significant differences in performance of the two firms, as can be seen from the following table.

TABLE 13
EVOLUTION OF TEXTILE PRODUCTION IN MALI

(index - volume of production)

	1983	1984	1985	1986	1987
Textile industry	100	118	104	127	119
COMATEX	100	62	55	37	27
ITEMA	100	179	157	224	217
Total production (million m/year)	12	14.2	12.5	15.3	14.3
ITEMA/TOTAL	48%	73%	73%	85%	88%

Total production of textile fibers in the formal sector in 1986 was around 15 million meters per year, and artisanal production is estimated at 2 to 3 million meters per year, giving a total of 17 to 18 million meters per year. ITEMMA has been progressively capturing the major part of the domestic production. It exported approximately 20 percent of its production, mainly to Togo, Côte d'Ivoire, and Senegal, while COMATEX has continued to lose sales.¹ In value terms, according to figures in Traore (1988), the value of total fabric consumption is about 37.7 billion CFA.

Productive Capacity

According to interviews at ITEMMA, the company's capacity is limited to 16 million meters per year. COMATEX has acquired the same equipment to produce printed fabrics, ITEMMA's main product. Therefore, the theoretical productive capacity of the industry is now at least twice the recent production levels.

¹ COMATEX's declining sales are due to low quality combined with excessively high prices, reflecting the high cost of production, caused by over employment, irregular electricity supply, and missing spare parts.

Imports

According to Traore (1988), figures from customs data indicate the total imports of fabrics in 1986 as follows:

CEAO	1,928,331,000 CFA
Rest of the world	3,248,420,000 CFA
Total	5,176,751,000 CFA

According to the team's calculations from 1987 customs data, imports of fabrics in 1987 were 3,569 million CFA. Officially recorded imports of fabrics after duties and taxes thus appear to account for approximately 18 percent of total textile consumption, estimated at 37.6 billion CFA per year in 1986 and less in 1987, when disposable income and consumption declined. Illegal imports range between 35 and 40 percent of officially recorded imports, or 2 billion CFA; the import penetration thus is likely to represent 20 percent of the domestic market.²

These approximate calculations confirm the opinion of the ITEMA official who concluded that there is at present no place for two textile factories in Mali. At this point, the future of COMATEX is not clear. The administration is in Chinese hands, but its capital is open to private investors. Should its restructuring and rehabilitation in private hands succeed, the competition for the domestic market will become much stronger and both firms would have to ensure their survival by increasing their competitiveness, not only on the domestic market but increasingly on export markets as well. Meanwhile, COMATEX limits its production of the fancy fabric to 1.45 million meters per year, the amount it is confident of selling without difficulty on the domestic market. With proper management and market development, both firms could substantially increase their production before additional investment and employment creation in the industry will be needed.

² However, import figures reported by Oppenheim (1987a) are almost twice as high as those reported in this report -- 12.7 billion CFA. Oppenheim's figures come from DNAE and are based on import licenses. They are likely to overestimate the real imports.

The situation prevailing in the textile industry is typical of many other industries; it is dominated by one or two firms that work at very low capacity. Even a substantial increase in the overall level of consumer spending and economic activity is unlikely to necessitate new investment or to create additional direct employment for several years.

Agricultural Machinery

Except for cotton production, the production of cereals is still extensive, with low yields, on average 1 to 1.5 tons per hectare. Intensive agriculture should yield about 4 tons per hectare for corn and 5-6 tons per hectare for rice.

About 35 percent of Malian farmers use animal traction. The use of motorized machinery is limited to the plains and to regions surrounding cities and major towns. The agro-equipment is sold almost exclusively to farmers in the areas managed by a parastatal (*zones encadres*), which represent only about one third of Mali's farmers. The two-thirds who work in traditional agriculture do not, at present, constitute part of the demand for agricultural equipment because they have no access to credit. This will be discussed further in the section on credit.

Machinery for Animal Traction

According to FAO expert M. Zerbo Dramane, the actual stock of equipment as of 1986 included 70,000 harrow and 200,000 plows.

According to his estimates, under actual credit conditions the annual investment in agricultural machinery by farmers is estimated to be distributed in the following way:

- 10,000 plows;
- 6,000 cultivators;
- 4,000 seeders;
- 7,000 carts; and
- 1,000 harrows.

Limited credit is not the only existing constraint on further investment in animal traction equipment. For several years the demand has exceeded the supply capacity of SMECMA, the local parastatal responsible for manufacturing agricultural equipment. Because SMECMA had a de facto monopoly on the market, owing to the established practice enabling SMECMA to prevent imports of competing equipment, there has been excess demand for agricultural equipment in Mali. (See a description of SMECMA in Annex 8.) A more detailed discussion of SMECMA's blocking of competing imports along with some price comparisons between locally produced and imported equipment is presented in Brandon (December 1987).

According to the UNIDO report (1986), the annual requirement was estimated to be 40,000 - 45,000 pieces of equipment per year. The installed capacity of SMECMA 34,000 - 45,000 pieces per year; however, its actual production is much lower-- 14,000 pieces per year in 1982 and 25,000 in 1987.

Additional local production included some 5,500 pieces of equipment by HARPON at Niono produced in the first six months of 1985. The number of imported pieces of agro-equipment is to be determined.³

Hand Tools and Equipment

Manual pumps (*pompes indiennes*) developed by UNIDO are produced locally by EMAMA, which does not succeed in selling all its production locally and has to export, most likely to Niger (ONUDI, 1986). According to M. Dramane, the market for these pumps is limited by the capacity of well drilling and is estimated to be between 200-1,000 pumps per year.

Motorized pumps are imported. An experiment is under way, financed by the German technical assistance, to introduce small pumps (24-40 cubic meters per day) for irrigation of rice and vegetables.

³ Unfortunately, the customs office does not record the number of pieces of equipment but the weight, which is not an informative unit of measurement for equipment. To use customs data for market studies, it should record the number of pieces of equipment.

Most hand tools are produced locally by blacksmiths, with the exception of shovels and picks, which are imported. According to the ONUDI report, locally produced tools are of bad quality.

Motorized Equipment

There are about 1,000 tractors in the country and, according to M. Dramane, the annual demand does not exceed 100 tractors. In addition to tractors of normal size, CMDT is introducing a small tractor (30 hp) to be used alongside animal traction. Approximately 20-30 units per year are assembled in Koutiala in the CMDT's workshop. There is a possibility that SMECMA will assemble it in the future.

Other equipment -- mills for millet and maize, rice threshers, decorticators for millet and rice, for example -- are imported in small quantities not exceeding 30-50 units per year, from France (Bourguin) and from Holland (Votex).

Import Substitution Possibilities

The figures discussed above of annual investment in various types of agro-equipment indicate that the potential for viable import substitution appears to be limited at present.

Animal traction equipment is primarily produced and assembled in Mali in SMECMA. Increasingly, small groups working under the framework of Dutch technical assistance are also involved in the assembly of equipment. The report by UNIDO suggests some scope for increased integration of local production of parts imported by SMECMA. The study team received conflicting information on this account. One can assume that the degree of integration is still low because increased it would have required subcontracting among engineering firms and it is unlikely that subcontracting was done. Given the relatively high volume of annual demand for animal traction equipment, there is some potential for import substitution, provided the technical assistance can be made available and subcontracting or additional investment is feasible.

At any rate, since the main local producer, SMECMA, is to be restructured and privatized, it will probably increase its production to satisfy the existing demand. Owing to the low capacity utilization in SMECMA, there should not be a need for new investment in the foreseeable future. This conclusion has been also reached, independently, by Brandon (December 1987), not only for agricultural implements but also for agro-inputs in general.

Project Areas

One idea worth exploring is the possibility of local assembly of *moulin a mil*, which is increasingly being used in large villages where it constitutes a welcome means of easing the back-breaking work of women. According to M. Dramane, the annual demand capacity is 250-300 units.

In addition a study by UNIDO (1986) proposed the following:

- **Panneaux isothermiques** for insulation of warehouses for fruit and vegetables; it could be produced as a by-product of the existing firms in the fabrication of metal furniture. The required equipment would cost 30-40 million CFA.
- **Standardized wooden packing crates for fruit and vegetable transport**; these would be used in transport and stocking, replacing baskets and transport in bulk. They can be stacked and used in cold storage.
- **Wooden handles for hand tools (long)**: Malian market is sufficient for small-scale industrial production.

Import Substitution of Agricultural Inputs

According to Brandon (December 1987) there is little scope for investment in the local production of inputs, owing to the subsidized prices of fertilizers and other agro-chemical products supplied in the *zones encadreées* such as in Opération Haute Vallée. Some importers are, however, considering the possibility of doing simple mixing operations, using the locally available vegetable oil as a solvent.

Milk-Processing Industry

There is one milk processing plant in Bamako, the ULB. In the early 1980's, up to 1984, it was producing at its capacity of 30,000 liters a day. It was making a profit, using powdered milk imported from the EEC (granted at subsidized prices). Today it is producing at less than 50 percent of capacity and lost 319 million CFA in 1986 and 265 million CFA in 1987. In addition, it holds a monopoly right over the processed milk market because the government refuses to let other dairies open. The characteristics surrounding its current predicament warrant some investigation.

In 1985, to stimulate local milk production by dairy herds, the purchase price of fresh milk at the dairy was raised to 238 CFA per liter and the store price was raised to by 25 percent to 250 CFA for fresh milk and 150 CFA for processed powdered milk. It was believed that the profits made on the processed powdered milk of 19 CFA per liter would subsidize the loss on the fresh milk. However, the cost of processing the fresh milk is calculated at 116 CFA per liter, or a loss of 104 CFA per liter sold.

As milk production increased to 8,000 liters per day in 1985, the dairy could not make up for the difference in margin, but refused to lower the producer price of milk. To limit losses, it imposed a quota, limiting purchases of fresh milk to 4,000 liters a day at 238 CFA per liter. Meanwhile the rest of the milk is sold locally at a price 150 - 200 CFA per liter by the producers, after they have boiled it. The local milk cooperative, COLAIBA, with 141 members, was given 64.2 percent of this allocation to distribute among its members, and the other 35.4 percent was allocated to local 134 other producers. Another small milk producer's cooperative, SOLAIBA received 0.4 percent.

Why is the producer price of milk still so high when the market price is lower? One can only make assumptions based on data gathered. Seven producers, out of 285 subscribed suppliers, provide about 900 liters per day (25 percent of the total amount), while the vast majority provide 10 - 20 liters a day. These large producers are well connected.

Dropping the price of fresh milk to 150 CFA would make it cost effective both to process the milk and to open up the market to new sources of supply. The effect most likely would be to increase the overall production of milk by local herders and lower the sales price to the consumer at the expense of imported products from Europe.

ASSESSMENT OF OPPORTUNITIES FOR PRIVATE SECTOR DEVELOPMENT

One outcome of USAID's EPRP program has been the computerization of the customs operation. It is now possible to use the data contained in customs declarations not only for faster economic reporting and policy making but also to gain insight into possibilities for import substitution.

An example of the information that is available is provided in Annex 6. This table has been compiled from the raw customs data, by aggregating individual operations (shipments) of the same product category. As the examples show, the classification system, *Nomenclature de Bruxelles*, provides extensive detail. It is therefore possible to determine import volumes and values for each individual transaction, including the total amount of import duties and taxes, which appears separately in the third column. Each transaction is also identified by the country of origin of the shipment.

A simple additional operation calculates the unit value of the given import transaction as well as the value of duties as a percentage of CIF value of imports-- that is the unit import price. These two operations should be executed routinely at customs to check the recording procedure as well as the likelihood of fraud. A unit value too low in the case of imports (underinvoicing) or a value too high (overinvoicing) in the case of exports should be suspect. Annex 6 provides an example of the potential for detection of fraudulent imports: No.5543747 -- Other cotton fabrics 85 percent from GUINEA; the unit price of 48.85 appears suspiciously low in comparison with other transactions and should be investigated. It is a mistake in the recording of data (unlikely because unit value for all imports from Guinea are very low) or a case of fraudulent underinvoicing.

In terms of identification of a potential for import substitution, the data suggest further study of several products that are imported and whose production in Mali is technically conceivable: dairy products such as dried and or condensed milk (see above), tea, some fertilizers, ordinary soap (which is already produced in Mali but continues to be imported in large quantities), some plastic containers that are not yet produced locally, bedsheets and table linen of cotton, and jute sacks. Perhaps other less obvious prospects could be identified by local businessmen.⁴

Criteria for Assessment of Economically Viable Import Substitution

Aside from a proper identification and study of the technical as well as financial feasibility study, products considered for domestic production should pass the simple economic test of an acceptable level of domestic resource cost of foreign exchange DRC and the related effective protection EPR and/or subsidy ESR, based whenever possible on calculations using observed price differentials between the domestic (producer) price and the international (border) price.

The reader is referred to AIRD (1987) report for details on the EPR and DRC calculations for a series of products. Unfortunately, these calculations are probably obsolete because the modification of import duties and taxes in the framework of the policy reform program changed the rates used in calculations. The EPR should be updated to take into account the new tariffs and resulting new domestic prices.

Increased Exports

Increased exports will have to come from both traditional and nontraditional exports. The traditional ones are primarily cotton, gold, livestock, and skins and hides. Cotton still represents Mali's best hope for a large increase in exports among its current products. Cotton has the additional advantage of spreading its benefits to the mass of the population, leading to increased purchasing power in the rural

⁴ We have discovered errors in the entries that are of such a magnitude that they seriously bias the total value of imports by country. Without a proper cross-checking, the computerized trade figures are likely to be even a less reliable source of information on foreign transactions than the existing figures based on import and export licenses.

areas and greater economic activity. Gold, in contrast, is a high value export that would have relatively little direct impact on consumer consumption but would help ease government fiscal problems. Although livestock exports to neighboring countries are threatened by imported beef from Latin America, the skins and hides industry shows some potential.

A major government initiative will be required to develop nontraditional exports, including export subsidies and many other policies. A series of meetings, organized by the Center for Exterior Commerce, are now studying this subject to determine what product areas should be favored and the kinds of technical assistance that will be required. The areas examined, however, have been concentrated more on the traditional African exports, and no revolutionary policy changes have been requested.

At present, the government does not have the resources to finance the development of its export markets. Nor has it taken the policy decision that it will heavily favor the development of export industries through subsidies and other export incentives. The discussion of the skins and hides industry below presents a possibility for increased exports with minimal requirements within Mali, other than rationalization of the policies governing the industry.

Skins and Hides Industry

The skins (from goats and sheep) and hides (from cattle) industry has long been a traditional source of export income for Mali. A close look at the industry, however, exposes several distortions that limit its economic benefits to the economy. These distortions occur at two levels, each designed to benefit a few people, resulting in economic losses to Mali. The first level is with the trade of raw skins and hides. Entry into the skins and hides trade is restricted by the OMBEVI, who must approve anyone wishing to trade in skins and hides. There are currently nine registered traders of which four large ones control 90 percent of the market with buying centers throughout the country.

The individuals selling them the skins and hides are free to sell to anyone of them, but the traders still manage to keep the prices low. Purchase prices for hides are between 100 and 250 CFA per kilogram, which they can either sell to the

tannery (TAMALI) for 1,500 CFA per hide (fixed price for a top quality 5-kilogram hide) or sell on the world market for 3,000-5,000 CFA per hide depending on the quality. With transport costs of about 100 CFA per kilogram to Europe, it is clear that the trade of hides is a very profitable business. Goat and sheep skins purchased for 750-850 CFA per kilogram can be sold in Europe for twice that price.

The second level of distortion, and the more serious one, enters at the tannery level. TAMALI has control of the award of export licenses to trade skins and hides. To ensure that it gets a sufficient quantity of high quality skins (the machinery is poor and can handle only high quality skins), TAMALI has instituted a quota system whereby the traders must meet their monthly quotas at the tannery before they will be allowed to export. Since the licensed quantity of exports is linked to the quantity of skins provided to TAMALI, gaining a large portion of this quota further strengthens the market position of the traders. The four largest traders divided the majority of the quota among themselves, based on their ability to supply the hides.

The distortion at the tannery level is the most costly one to the Malian economy. Because skins and hides is a protected industry, the government has granted TAMALI the right to buy at a low price. TAMALI's purchase price is less than one-third of the world price. This considerably reduces the revenue to be earned by the traders. For example, a load of skins divided 20-40-40 percent high, medium, and low-quality hides sells for fixed price of 5,000 CFA per kilogram. A load of 50 percent - 50 percent medium and low quality sells for 3,000 CFA per kilogram. Reducing the quality by 20 percent therefore leads to a 40 percent drop in price. This problem is exacerbated because TAMALI then sells its top quality finished product (Wet Blue) to the Chinese for 4,800 CFA per hide, a price that does not compare with the world price of 11,000 CFA per hide. The big winners are the Chinese and TAMALI. The big losers are the producers of the skins and hides who have forced low prices and, to a lesser extent, the traders.

TAMALI controls export licenses not just for the top quality hides it can use, but also for all skins and hides, most of which it cannot use. The Chinese are particularly selective with the hides they will accept from the traders, and some traders have had difficulty meeting the quotas of quality skins. Traders who cannot meet their quotas, are not allowed to export any skins and hides, including those the

tannery cannot use. More than once, the Chinese have blocked exports of many skins because a trader could not meet his or her quota.

It is clear from the prices listed above that there is a lot of money in the raw and tanned skins and hides industry. But Mali is capturing just a small portion of the benefits. The Chinese profits from the 105,000 hides it bought last year is estimated to be 600 million CFA at today's prices.

The largest private trader exported 1 billion CFA in skins in 1985 but has decreased his sales since the Chinese restarted the tannery to 800 million in 1986 and 600 million in 1987. His primary constraints are the sales to TAMALI, which have cut the value of his exports, and the heavy working capital requirements (he has over 700 million CFA in advances to the different butchers and collectors who supply him). He hopes to build his own tannery, which will allow him to compete effectively with TAMALI and reduce the monopoly profits of the Chinese. A freer trade would theoretically lead to a higher increase in the price of raw skins at the producer level because the tanneries would be paying more to the traders. The question then would be whether the traders would pass along those profits.

Removal of TAMALI's control of the export of all skins and hides it cannot use (it is not even capable of tanning skins) would free many blocked skins for export. Easing the restrictions on entry into the trader's market may result in a greater number of traders, although this is doubtful in the short run; half of the registered traders do not even trade now, and there is a very large entry cost into the trade.

CHAPTER SIX

UNEMPLOYMENT AND ITS LIKELY EVOLUTION

The level of unemployment in the urban areas is the result of the supply of labor given by the demographic trend, by school, and by training, and the demand for labor services, determined by the requirements of the market and public service. In Mali, the labor supply increasingly exceeds the demand for labor, resulting in high unemployment. The situation in the rural area, representing by far the major part of population (83 percent in 1976), eludes the simple economic categories of supply and demand. Work in the countryside, especially in the *zones nonencadrees*, is part of the traditional lifestyle, and to apply modern economic theory to it does not make much sense. Moreover, the information on rural life in general, and on work in particular, is limited. The emphasis of this chapter is, therefore, on the employment situation in urban areas.

Recent, reliable data on employment are scarce. Sources are not always mutually consistent. Fortunately, the authors of a timely document PNUD/BIT (June 1988) gathered and analyzed the labor market data, and the reader is referred to it for detailed information. Unless stated otherwise, the figures used in the text can be found in the PNUD/BIT study.

THE DEMOGRAPHIC TRENDS

The annual overall rate of demographic growth is estimated at 2.6-2.8 percent. The estimates of the total population vary between 8.1 million (PADEM/DNSI, 1986) and 7.6 million (BCR-PNUD-FNUAP, 1987). The latter, more recent estimate is used throughout this chapter.

Although Mali is one of world's least urbanized countries, urbanization is proceeding rapidly; population in cities and towns increases at 5 percent per year. See Table 9 in the previous chapter for the estimate of the recent urban-rural population figures.

THE ACTIVE URBAN POPULATION

Total urban population in 1985	1,830,000 inhabitants
Estimated active urban population	475,000 inhabitants

Figure 3 shows both the breakdown of the active urban population by occupational status as of 1976, the only reliable data available, and estimates for 1987. The following statements and forecasts are based on numbers in Figure 3.

The Self-Employed

The self-employed, referred to as independents in Figure 3, represent the bulk of the informal sector and are by far the most significant group within the active population category. It is estimated that the number of self-employed persons grew at 4 percent per year, to reach about 180,000 by 1987. A small minority of the independents are employers or members of liberal professions (lawyers, doctors, etc.); their number was estimated to be about 4,500 in 1987.

Most self-employed people fall into the categories of storekeepers, artisans, and the rest of the informal sector. The definition of the latter remains vague and the number of people to be included varies significantly according to definitions used. According to a recent BIT study by Cabrera-Gomez (1987), the *secteur non-structuré* includes artisans, apprentices and independent non-artisans. Their number in 1986 was estimated to be about 98,000 by the BIT, while the PNUD/BIT study claims that according to the same definition, the number does not exceed 60,000.

Wage Earners

According to their sector of employment, employees fall in one of the following groups:

FIGURE 3
SITUATION OF URBAN EMPLOYMENT IN MALI

	Census 1976	Estimate 1987
TOTAL POPULATION OF MALI	6 395 000	7 620 000
TOTAL ACTIVE POPULATION	2 235 000	2 675 000
RURAL ACTIVE POPULATION	1 960 000	2 200 000
ACTIVE URBAN POPULATION	275 706	475 000
WORKING	256 593	353 000
SELF EMPLOYED INDEPENDENTS	118 370	180 000
APPRENTICES	7 386	13 000
SALARIED	69 406	90 000
FAMILY ASSISTANTS	44 695	70 000
NOT DECLARED	16 736	
UNEMPLOYED	19 111	122 000

Civil Service.	50 000
State Owned Companies.	20 000
Private Companies.	12 000
Other Employers.	8 000

TABLE 14
WAGE EARNERS ACCORDING TO SECTOR

	1980/1	1986/7
State and administration	45,733	46,151
State enterprises	19,819	20,135
Modern (formal) private sector	9,313	11,888
Other employers*		8,000
Total modern sector #		86,174

Source: Oppenheim (June 1987) and PNUD/BIT (June 1988).

- * Other employers: non-Malian foreign employers 3,000, households 5,000.
- # The total in Figure 3 approximates the employment in State Administration to 50,000, compared to a more accurate figure of 46,151 on page 24 of the PNUD/BIT report (June 1988).

Adding two large but insufficiently known categories -- domestic help and apprentices, estimated at 70,000 and 13,000, respectively -- to the self-employed and wage-earners brings the total breakdown of active population to 353,000.

Unemployment

For the purposes of this report, the number of unemployed persons -- 122,000 -- is equal to the difference between the estimated active population -- 475,000 -- and the number of actively occupied persons, estimated above 353,000.

The number of unemployed persons -- 122,000 -- represents 26 percent of the active urban population in 1987.

EMPLOYMENT OF WOMEN

There is little hard data on the breakdown of employment by sex. The latest, very general, figures go back to 1976 and summary data are presented in Tables 15 and 16. More detailed figures are available in PNUD/BIT report and in 1976 census. The figures tend to underestimate women's contribution to national production, especially when the low rate of their share of active population in rural areas is contrasted with the essential role women play in traditional agriculture.

As for the occupational structure of female employment, the most interesting finding is their high relative importance in the category of *Patrons*, confirming the good reputation of Malian businesswomen. This seems to be corroborated by the BIAO which reported an increase of loans to women.

FUTURE EVOLUTION OF EMPLOYMENT IN THE MODERN URBAN SECTOR

Before considering possible scenarios for the future evolution of employment and the capacity of the labor market to absorb the growing urban population, a reference to the recent evolution of relevant variables from 1976 to 1987 is instructive. The variations are presented in index numbers, 1976=100.

The figures are self-explanatory. The growth of employment opportunities (employed urban population) in the past ten years did not keep up with the increase of urban population. Even though many of the 1987 figures are only estimates, the problem is a real one and it will not disappear, even if more reliable figures become available.

Employment in the Modern Private Sector

Due to its limited size, the modern private sector can be expected to play only a modest role in employment creation in the near future. This can be seen by studying employment figures for 1974, 1981, and 1987 and their variations, presented in Table 18, which lead to following conclusions:

TABLE 15
FEMALE EMPLOYMENT IN MALI (1976)

	Both Sexes	Women	Percentage of Women
Total Population Mali	6,394,000	3,271,000	51.0
Active Population Mali	2,235,000	378,000	17.0
Active Urban Population	275,000	35,000	13.0
Active Rural Population	1,960,000	343,000	17.5
Working Urban Population	256,000	31,000	12.0
Working Rural Population	1,936,000	337,000	17.4

TABLE 16
DISTRIBUTION OF WORKERS BY CATEGORY

	Both Sexes	Women	Percentage of Women	Breakdown by Percent
Managers	6,876	2,058	30.0	9.6
Self-employed	1,031,989	49,441	4.8	13.4
Apprentices	8,914	303	3.4	0.1
Salaried	92,963	10,492	11.3	2.8
Family Assistants	963,356	286,572	29.7	77.8
Other	9,160	1,468	16.0	0.4
Nondeclared	79,909	18,123	22.6	5.0
Total	12,193,167	368,457	1.68	100.0

Census 1976 (T1, T2, T8).

TABLE 17
COMPOSITION AND VARIATIONS IN THE URBAN EMPLOYMENT
VARIABLES, 1976-1987
(Index numbers, 1976=100)

Total active population	120
Total active population -rural	112
Total active population -urban	172
Employed urban population	138
- Urban population employed in the modern sector	137
- Urban population employed in the informal sector	
- Self-employed	152
- Apprentices	176
- Wage earners	130
- Domestic help	156
Unemployed urban population/Total active urban population	371

Source: Numbers in Figure 3.

- The overall employment in the modern private sector, including industry, trade, and other services, grew from 1974 to 1987 by 48 percent, significantly less than the active urban population, which increased by 91 percent;
- During the 1974-1981 period, the rate of job creation was only marginally inferior to the increase of urban population, but the unemployment problem increased dramatically during the 1981-87 period, when the government had to abandon the unsustainably high rate of employment creation in the public sector; and
- In 1981, the modern private sector replaced the administration as the largest generator of new employment, even though it was a period of stagnant economic growth. However, owing to the fact that the modern private sector employed only 3.4 percent of the actively employed urban population, the rate of new job creation in the modern private sector was not sufficient to stem the severe deterioration of the urban unemployment problem.

TABLE 18
EVOLUTION OF EMPLOYMENT IN THE MODERN SECTOR
 (in thousands)

Sector	1974	1981 (81/74)		1987 (87/81) (87/74)		
State Administration	17.4	31.0	78%	33.5	8%	93%
Modern Sector						
Industry & Services	26.8	29.1	9%	32.0	10%	19%
State-owned	18.4	19.8	8%	20.1	2%	9%
Private	8.5	9.3	11%	11.9	28%	40%
Total Employment	44.2	60.1	36%	65.5	9%	48%
Urban Population	248.8*	351.8*	41%	475	35%	91%

Source: PNUD/BIT (June 1988, T10 & p. 24).

* Extrapolated from 1976 census figures, assuming 5 percent per year increase in urban population.

POSSIBLE SCENARIOS OF FUTURE EMPLOYMENT EVOLUTION

The figures in Table 18 provide a basis for the evaluation of several possible scenarios of future evolution of urban unemployment.

Scenario 1

The macroeconomic situation of stagnant per capita growth will continue; no growth in market demand except for that reflected in population growth, employment in private sector, modern and informal will grow at the same rate as in the last 6 years, i.e., 4.5 percent per year. The employment in state and mixed enterprises will increase 1.5 percent per year.

Additional hypotheses

- All employees laid off from state-owned enterprises (3,600) will be either self-employed or absorbed by the private sector;
- The modern private sector will employ 1,800 persons; the rest will be either absorbed by the informal sector or start their own businesses; and
- The rate of job creation in the government will be limited to 500/year for the foreseeable future.

Projections of employment evolution under this scenario are presented in graphic form in Figure 4. Owing to the faster growth of urban population than the rate of overall employment, the gap between the total employment and active urban population inevitably increases.

Scenario 2

The macroeconomic situation improves, an increase of productivity and aggregate demand leads to a healthy rate of employment creation which is, however, limited to the modern sector. The private sector grows at 6 percent per year and the state and mixed enterprises at 4.5 percent per year. The additional hypotheses remain the same as in Scenario 1 (see Table 21).

This rather optimistic scenario regarding the performance of the modern sector is intended to illustrate the limited impact of this sector on the overall employment level. Its impact on the unemployed/active urban population ratio (i.e., unemployment rate) declines from 34.4 percent to 33.7 percent in 1995. See Figure 5 for the comparison of the evolution of the number of unemployed persons under Scenarios 1 and 2.

FIGURE 4
EVOLUTION OF EMPLOYMENT AND POPULATION

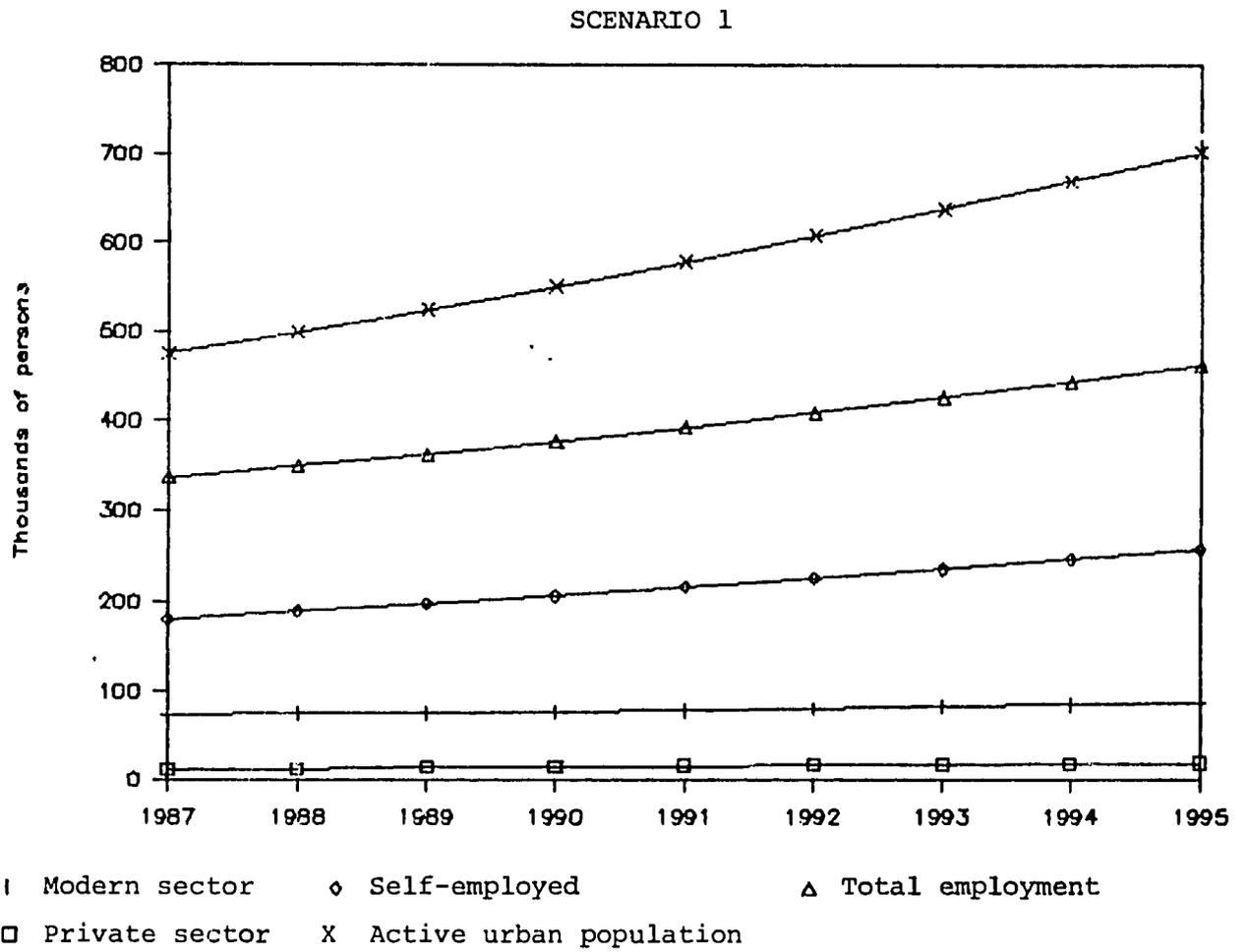
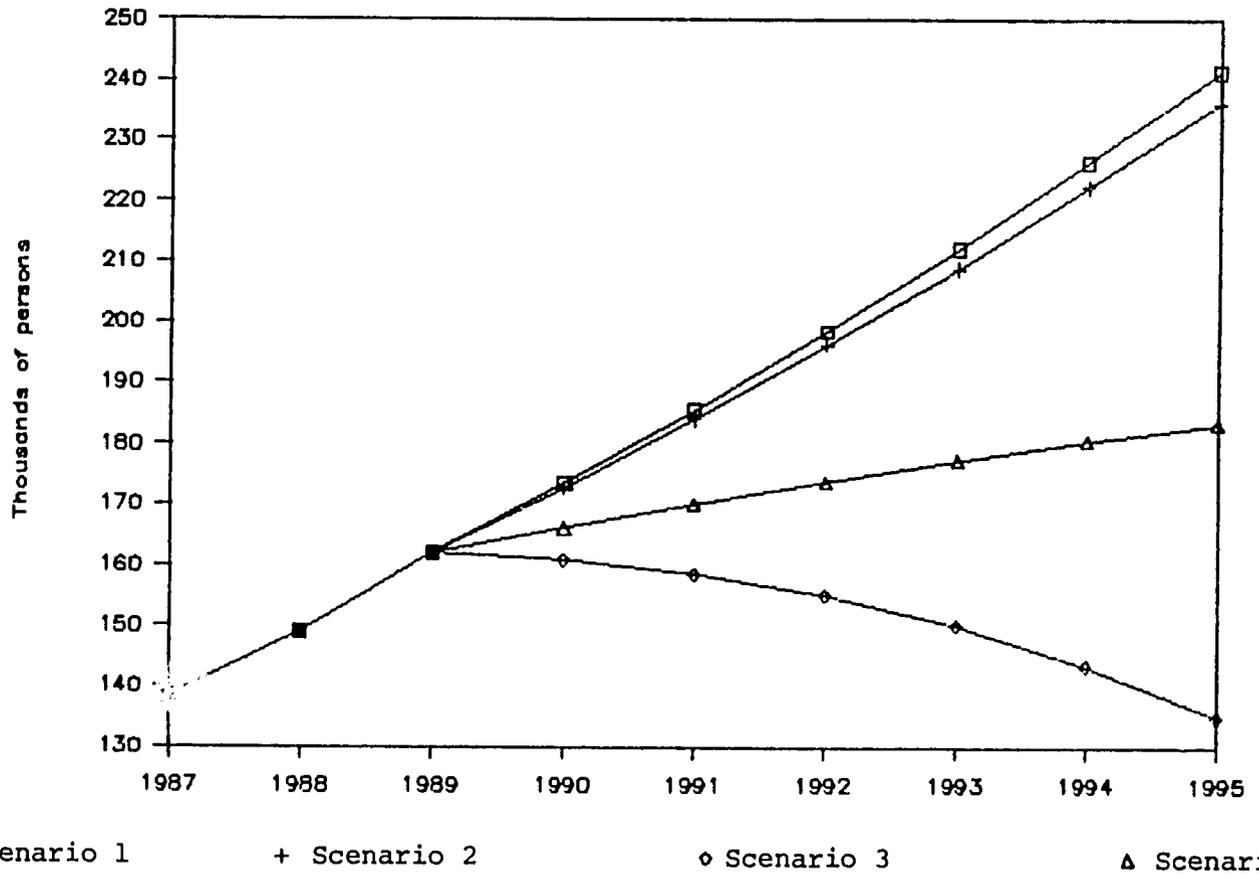


FIGURE 5
EVOLUTION OF UNEMPLOYMENT



Scenario 3

The macroeconomic situation improves very significantly, and an increase of productivity and aggregate demand that could conceivably¹ be triggered by extraordinarily favorable conditions both in domestic agriculture and in world cotton market leads to a rapid rate of employment creation which is, however, not limited to the modern sector. The private sector and the informal (self-employed) employment grows at 10 percent per year and the state and mixed enterprises at 4.5 percent per year. The additional hypotheses remain the same as in Scenario 1.

Under this very optimistic scenario, it is assumed that the boom affects both the modern and the self-employed portion of the informal sector. Owing to the large size of the informal sector, the employment situation improves dramatically. There is a radical decline in the number of unemployed persons and the rate of unemployment falls from 29 percent in 1987 to 19 percent in 1995. In contrast to Scenario 2, this one is presented as an illustration of the potential impact on employment creation achieved by the mobilization of the informal sector (see Table 22).

Scenario 4

This scenario attempts to present the optimal conditions necessary to stabilize the increase of the number of unemployed persons and thus create conditions for a gradual decrease of the unemployment rate. As demonstrated in Scenario 2, the contribution of the informal sector is indispensable. It is assumed that the modern

¹ Simulations with the PNUD Computable General Equilibrium Model (April 1988) have examined other possible scenarios resulting in substantial increases of GDP and consumer spending, the most interesting was a simulation of a 10 percent increase in agricultural production of staples, which results in 10 percent increase in the production of the modern sector. Unfortunately, the informal sector is supposed to play only a passive role, increasing production only by 1 percent and it does not, therefore, illustrate Scenario 3 in this report. Surprisingly, the PNUD study does not simulate effects of a substantial export growth (cotton, cattle, gold) which should not be excluded *a priori* as a potentially interesting strategy.

and informal sector both grow at 7.5 percent per year. Again, the additional hypotheses remain fixed (see Table 23).

Under these conditions, the rate of unemployment starts to decrease and the number of unemployed levels off after 1995. Although ambitious, the rate of 7.5 percent per year has been achieved in many developing countries, and it is in the realm of attainable objectives, provided conditions are created for the development of the informal sector.

EMPLOYMENT OF YOUNG GRADUATES

Aside from being a macroeconomic phenomenon, unemployment is usually also a structural problem; the labor market in Mali is no exception. The discrepancy between the qualifications demanded by the labor market and their supply appears to be particularly severe for young graduates. This category includes the graduates with "short technical training" i.e., qualified workers; those with "long technical training" who are technicians; and finally, the graduates of higher learning, coming out of the university and other institutions of higher education.

The annual flow of all three categories is evaluated at approximately 3,400 persons, distributed approximately equally among the three types of education. According to the PNUD/BIT (1988) study, approximately 55 percent of all graduates found employment, most of them in the public service and in state-controlled enterprises.

As can be seen in Table 19, however, the GRM's employment capacity has decreased significantly since the implementation of the economic reforms. Although it hired 1,900 graduates in 1983, the number in 1987 was only 600 and it will decrease further if the GRM respects the agreements negotiated in the framework of the economic reform.

Assuming realistically that the labor market outside public service continues to absorb young graduates at the same rate as in the past, and that the education system goes on to turn out more than 3,000 fresh graduates annually, the already

TABLE 19
INTEGRATION OF YOUNG GRADUATES IN THE LABOR MARKET

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
EDUCATION SYSTEM													
University	877	1026	883	1078	1078	1078	1078	1078	1078	1078	1078	1078	1078
Long tech. education	1300	1300	1300	1300	1300	1300	1300	1300	1300	1300	1300	1300	1300
Short tech. education	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100
EMPLOYMENT													
-government	1900	1418	1086	746	600	300	300	300	300	300	300	300	300
-public enterprises	150	150	150	150	150	150	150	150	150	150	150	150	150
-private enterprise	250	250	250	250	250	250	250	250	250	250	250	250	250
-agriculture	50	50	50	50	50	50	50	50	50	50	50	50	50
-new enterprises	0	0	0	85	50	50	50	50	50	50	50	50	50
-emigration	50	50	50	50	50	50	50	50	50	50	50	50	50
-other	200	200	200	200	200	200	200	200	200	200	200	200	200
Total employment	2600	2118	1786	1531	1350	1050	1050	1050	1050	1050	1050	1050	1050
Unemployment	677	1308	1497	1947	2128	2428	2428	2428	2428	2428	2428	2428	2428
Cum. unemployment	677	1985	3482	5429	7557	9985	12413	14841	17269	19697	22125	24553	26981

Source: Calculations based on figures from PHUD/BIT (June 1988).

Note: It is assumed that the government will hire 300 graduates annually while the total employment increase in the public service will be limited to 500 new jobs/year. The annual flow of graduates on the labor market is assumed to continue at the same rate as in the recent years.

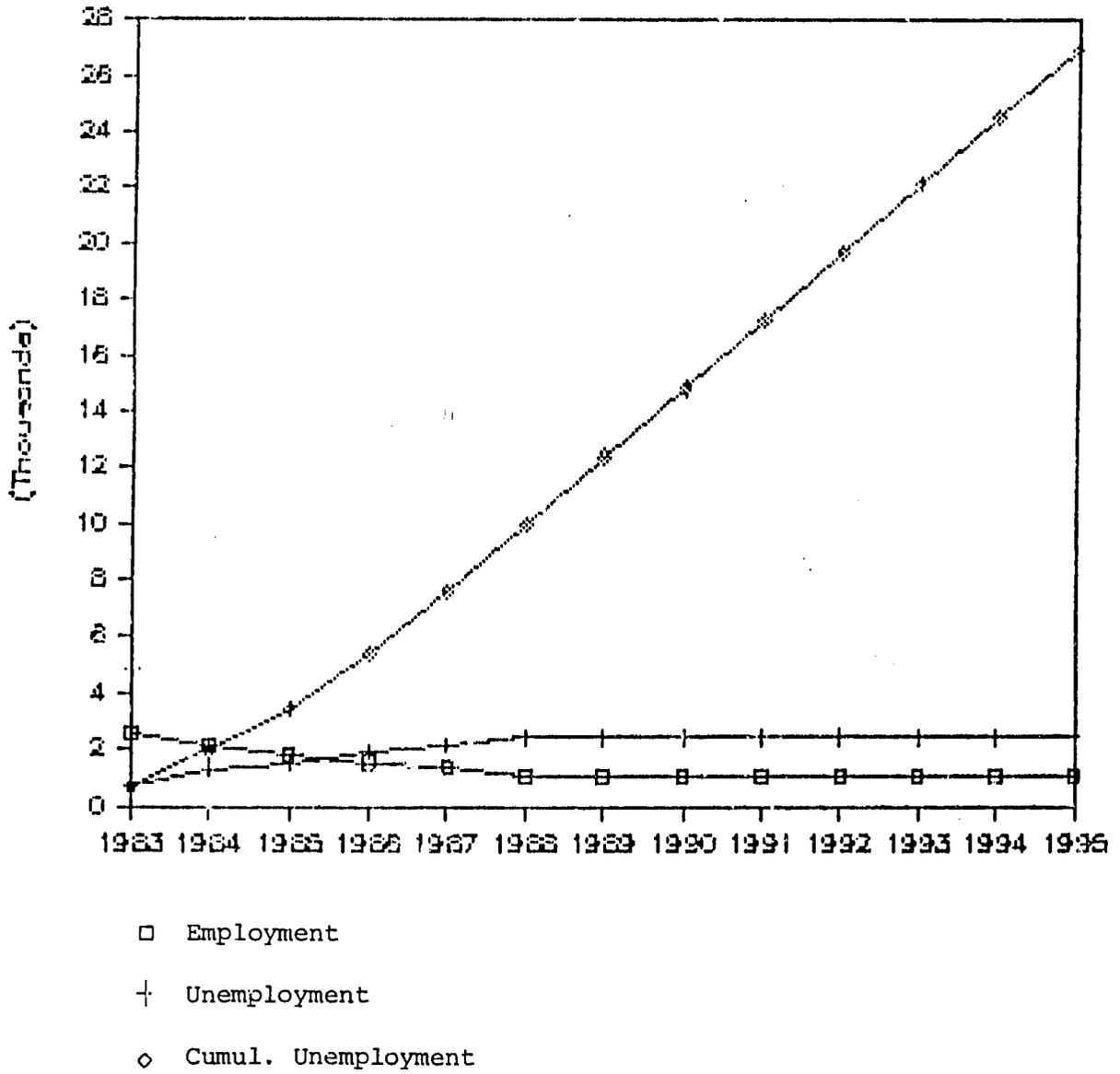
high rate of unemployment within this particular group is bound to continue rising. Figure 6 demonstrates the likely order of magnitude of the problem, and its evolution in the foreseeable future: By 1995, there should be a total of more than 27,000 unemployed graduates.

Needless to say, this is a particularly costly waste of one of the rarest resources in this largely illiterate country. Aware of the problem, several donors have launched programs exclusively or partly oriented to employment creation for the young graduates as follow:

PNUD/BIT	<i>Programme des jeunes diplômés</i> associated with the Ministère de l'Emploi et de la Fonction Publique;
BNDA	<i>Programme d'installation des jeunes diplômés</i> in agriculture;
FED	Creation of entreprises and integration of young graduates;
Germany	A credit line at the BNDA for rural population and young graduates; and
Canada	Integration of young graduates into CIDA's project identification, evaluation, and management processes, in view of providing them practical training for the creation of their own consulting and management services.

All programs, except the one at the BNDA, started very recently; it is not yet possible to evaluate their effectiveness. Since the education received by most of the young graduates does not appear to be well adapted for the requirements of the free market economy, their integration into the labor force and/or into the self-employed or small business group is particularly difficult. It requires not only financial means, which they do not have, but also practical training to make them more employable or better prepared for their own business careers. The task is not made any easier by the generally difficult economic conditions.

FIGURE 6
GROWING UNEMPLOYMENT OF GRADUATES



Conclusions

1. Even using the basically optimistic forecasts of the World Bank and the IMF, real economic growth appears unlikely to continue at a rate significantly superior to the increase in population.

2. As was pointed out in previous chapters, the modern sector is probably working at less than 50 percent of its capacity. It is therefore understandable that most firms do not consider new investments and employment creation for some time, even if the overall demand conditions improved markedly. They must first take up the existing slack before employing new resources.

3. Owing to the faster rate of population growth in urban areas than in the countryside, and owing to the slow real economic growth since the early 1980s, the number of unemployed persons has been increasing dramatically and will continue to grow unless a sharp improvement of economic conditions reverses this dangerous trend.

4. The relatively small size of the formal sector necessarily limits its impact on overall employment creation. Any economic strategy aimed at the increase of employment should, therefore, be targeted not only at the formal sector but also by necessity at the informal sector, and especially at the segments that are the most likely candidates for entering the ranks of "formal" enterprises. Due to their large numbers, these businesses probably offer the best employment potential and their integration in the formal sector is likely to improve employment opportunities for the young graduates.

TABLE 20

EVOLUTION OF EMPLOYMENT AND UNEMPLOYMENT
SCENARIO -- 1 CONTINUED STAGNATION

SECTOR	1987	1988	1989	1990	1991	1992	1993	1994	1995
Government	33.5	34	34.5	35	35.5	36	36.5	37	37.5
Modern Sector	40.00	40.90	40.03	41.34	42.70	44.11	45.57	47.10	48.69
-State-owned	20.10	20.10	16.50	16.75	17.00	17.25	17.51	17.78	18.04
-Private	11.90	12.44	14.80	15.46	16.16	16.88	17.64	18.44	19.27
-Other projects	8.00	8.36	8.74	9.13	9.54	9.97	10.42	10.89	11.36
Total empl. M.Sec.	73.50	74.90	74.53	76.34	78.20	80.11	82.07	84.10	86.19
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Self-employed	180.00	188.10	196.56	205.41	214.65	224.31	234.41	244.96	255.98
Dom. help	70.00	73.15	76.44	79.88	83.48	87.23	91.16	95.26	99.55
Apprentices	13.00	13.53	14.20	14.84	15.50	16.20	16.93	17.69	18.49
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total employment	336.50	349.73	361.73	376.46	391.83	407.85	424.57	442.01	460.20
Urban population	475.00	498.75	523.69	549.87	577.37	606.23	636.55	668.37	701.79
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Unemployment	138.50	149.02	161.95	173.41	185.54	198.38	211.98	226.37	241.59
Unemp. rate	0.291578	0.298785	0.309256	0.315359	0.321352	0.327235	0.333011	0.338683	0.344252
=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

Note: Scenario 1 all sectors except government and state-owned firms grow at the same rate as during the stagnant period 1982-1985.

TABLE 21

EVOLUTION OF EMPLOYMENT AND UNEMPLOYMENT
SCENARIO 2 -- GROWTH LIMITED TO THE MODERN SECTOR

SECTOR	1987	1988	1989	1990	1991	1992	1993	1994	1995
Government	33.5	34	34.5	35	35.5	36	36.5	37	37.5
Modern sector	40.00	40.90	40.03	42.05	44.18	46.42	48.77	51.25	53.85
-State-owned	20.10	20.10	16.50	17.24	18.02	18.83	19.65	20.56	21.49
-Private	11.90	12.44	14.80	15.68	16.62	17.62	18.68	19.80	20.99
-Other projects	8.00	8.36	8.74	9.13	9.54	9.97	10.42	10.89	11.38
Total empl. M.Sec.	73.50	74.90	74.53	77.05	79.68	82.42	85.27	88.25	91.35
Self-employed	180.00	188.10	196.56	205.41	214.65	224.31	234.41	244.96	255.98
Dom. help	70.00	73.15	76.44	79.88	83.48	87.23	91.16	95.26	99.55
Apprentices	13.00	13.58	14.20	14.84	15.50	16.20	16.93	17.69	18.49
Total employment	336.50	349.73	361.73	377.18	393.31	410.17	427.77	446.15	465.36
Urban population	475.00	498.75	523.69	549.87	577.37	606.23	636.55	668.37	701.79
Unemployment	138.50	149.02	161.95	172.69	184.05	196.07	208.78	222.22	236.43
Unemp. rate	0.291578	0.298785	0.309256	0.314055	0.318776	0.323419	0.327985	0.332476	0.336891

Note: Scenario 2 modern private sector employment grows from 1990 on 6%/year; and modern mixed sector employment grows from 1990 on 4.5%/year.

TABLE 22

EVOLUTION OF EMPLOYMENT
SCENARIO 3 -- STRONG GROWTH

SECTOR	1987	1988	1989	1990	1991	1992	1993	1994	1995
Government	33.5	34	34.5	35	35.5	36	36.5	37	37.5
Modern Sector	40.00	40.90	40.03	43.14	46.51	50.16	54.11	58.40	63.05
-State owned	20.10	20.10	16.50	17.74	19.07	20.50	22.04	23.69	25.46
-Private	11.90	12.44	14.80	16.27	17.90	19.69	21.66	23.83	26.21
-Other projects	8.00	8.36	8.74	9.13	9.54	9.97	10.42	10.89	11.38
Total empl. M.Sec.	73.50	74.90	74.53	78.14	82.01	86.16	90.61	95.40	100.55
Self-employed	180.00	188.10	196.56	216.22	237.84	261.63	287.79	316.57	348.23
Dom. help	70.00	73.15	76.44	79.88	83.48	87.23	91.16	95.26	99.55
Apprentices	13.00	13.58	14.20	14.84	15.50	16.20	16.93	17.69	18.49
Total employed	336.50	349.73	361.73	389.08	418.83	451.22	486.49	524.92	566.81
Urban population	475.00	498.75	523.69	549.87	577.37	606.23	636.55	668.37	701.79
Unemployment	138.50	149.02	161.95	160.79	158.53	155.01	150.05	143.45	134.98
Unemp. rate	0.291578	0.298785	0.309256	0.292418	0.274580	0.255699	0.23573	0.214625	0.192335

Note: Scenario 3 private sector and self-employed employment grows from 1990 on 10%/year; and state and mixed enterprises at 7.5%/year.

TABLE 23

EVOLUTION OF EMPLOYMENT AND UNEMPLOYMENT
SCENARIO 4 -- MODERN AND INFORMAL SECTOR
8.5%/YEAR

SECTOR	1987	1988	1989	1990	1991	1992	1993	1994	1995
Government	33.5	34	34.5	35	35.5	36	36.5	37	37.5
Modern Sector	40.00	40.90	40.03	42.77	45.71	48.85	52.21	55.82	59.67
-State-owned	20.10	20.10	16.50	17.74	19.07	20.50	22.04	23.69	25.46
-Private	11.90	12.44	14.80	15.90	17.10	18.38	19.76	21.24	22.83
-Other projects	8.00	8.36	8.74	9.13	9.54	9.97	10.42	10.89	11.38
Total empl. H.Sec.	73.50	74.90	74.53	77.77	81.21	84.85	88.71	92.82	97.17
Self-employed	180.00	188.10	196.56	211.31	227.15	244.19	262.51	282.19	303.36
Dom. help	70.00	73.15	76.44	79.88	83.48	87.23	91.16	95.26	99.55
Apprentices	13.00	13.58	14.20	14.84	15.50	16.20	16.93	17.69	18.49
Total employment	336.50	349.73	361.73	383.80	407.34	432.47	459.31	487.96	516.57
Urban population	475.00	498.75	523.69	549.87	577.37	606.23	636.55	668.37	701.79
Unemployment	138.50	149.02	161.95	166.08	170.03	173.76	177.24	180.41	183.22
Unemp. rate	0.291578	0.298785	0.309256	0.302027	0.294485	0.286625	0.278440	0.269927	0.261080

Note: Scenario 4 modern sector and self-employed employment grows from 1990 at 7.5%/year.

CHAPTER SEVEN

CONCLUSIONS ON THE BUSINESS CLIMATE IN MALI

The preceding chapters have analyzed Mali's current situation vis-à-vis the creation of a healthy business environment. The private sector is going to be called on more and more to replace the government by providing some services that the government or state-owned enterprises have provided to date. The government is also hoping that the private sector will provide employment for the increasing number of underemployed and unemployed people in the urban areas. Two critical questions are whether the private sector will be capable of doing so, and whether it has any incentive to do so. The following conclusions will lay out the basic conditions for enhancing private sector development and the role that it can play in getting Mali over a very bad, stagnant economic period and into a growth economy.

The primary condition necessary for the development of private sector activity is the existence of markets for its goods and services. The prospects for growth of these markets are a critical factor to the development potential of the private sector. They may come either through an increase in production, primarily of export products to bring new revenue into the economy, or from increased market efficiency (resulting from the removal of market distortions) and the development of infrastructure and commercial tools that reduce costs and that ease the transfer of resources.

THE MARKET FOR PRIVATE SECTOR GOODS AND SERVICES

- **Conclusion:** Markets for private sector goods and services will grow very slowly over the next five years under current conditions and predictions.

Per capita income is highly unlikely to increase significantly over the next five years, even under optimistic scenarios, so that increases in consumption will come primarily from the steady population growth. Increased disposable income and purchasing power will be very limited. There will be little demand for new goods and services, but rather a steady demand for the same goods and services. Real growth in the market will be very limited, providing limited space for increased private sector activity.

- **Conclusion:** The market niches for formal sector activity are so small that, for the near future, they cannot profitably contain more than a few formal sector firms at the same time.

The Malian market for many goods is so small that one small automated production line can often provide 80 percent of the country's consumption requirements. Under these conditions, the presence of more than two firms can lead to excess capacity, wasted investment funds, and the failure of one of the businesses (leading to total loss of the investment). There is little room for additional growth in the formal industrial sector. By contrast, niches easily filled by small business will become apparent if the businesses can access the resources necessary to enter the market.

- **Conclusion:** Even under the optimistic scenario for per capita income growth, there is little likelihood of increased employment in the formal private industrial sector. Growth in employment will have to come from increased economic activity by small firms.

The best managed formal sector companies are currently producing at less than 70 percent of capacity and most of the others at less than 50 percent. Increasing production to 100 percent capacity in these industries would result, in the best cases, in a marginal increase in direct employment and in many others in no additional direct employment. Considering the GRM program to liquidate or privatize 29 companies, there will most likely be a net decrease in employment in the near future. This will not, however, result in a similar decrease in purchasing power, because those employees laid off under the World Bank program will continue to receive salaries for the next three years. The critical point will be whether those who are laid off have found new employment at the end of the three-year period.

Yet, employment generation is a major goal of the government. The problem of unemployed and underemployed people in the urban areas will be increasingly urgent. Estimated at 29 percent today, it could easily reach 35 percent by 1995. Though precise definitions may be argued for underemployment and unemployment, the problem will be a significant one under any scenario, and deserves attention for the potential problems it may bring.

If there is to be any real growth in employment, it must come from small enterprises exploiting small market niches as they develop. Access to financing, in conjunction with sound management, is one of the principal constraints to small business growth, and informal sector firms are virtually excluded from formal financial sector. However, at present, the incentive system encourages small companies to remain out of the formal sector, where they will be heavily taxed and subject to the controls of several government services.

- **Conclusion:** Significant growth in overall levels of disposable income and purchasing power over the next several years will have to come mainly from increased production in the agricultural sector.

Because of the employment problems and limited capacity for increased consumption in the urban areas, there is a little prospect for increasing production among the formal sector to provide a steady source of economic stimulation. The only real source to generate increased income is the export market of the agricultural sector or in mineral exploitation. While the latter may have important budgetary implications, it will have a minimal impact on increased consumption among the population.

THE POLICY ENVIRONMENT

- **Conclusion:** Many inappropriate government policies interact to restrict market efficiency. This has a double impact: first, to create distortions that lower demand and consumption (that is, the market); and second, to provide barriers to private sector development. These must be eliminated or rationalized before a flourishing private sector with growth potential will develop in Mali.

Given the current level of economic activity, there are few opportunities, limited resources, and little incentive for new private businesses to start or for existing ones to grow. Tax rates are oppressive and provide little incentive to invest but substantial incentive to defraud the government. Government regulations are often confusing and randomly applied. Distortionary government intervention is common in many markets, providing monopoly profits for a few while lowering market efficiency. Credit policy is distortionary, favoring the already established firms and preventing access to credit for the majority of businesses. Finally, labor

laws are overprotective. There is little reason for businesspeople to enter the formal sector market unless they have the connections to make it work and unless they try to reap the available monopoly profits. These policies are the source of significant market inefficiency, which in turn leads to reduced demand and consumption. This is an area in which USAID's work is having a positive impact.

- **Conclusion: Policy changes made at the national level need to be followed to the implementation at the local level to ensure that they are put into effect.**

The policy changes made to date are gradually improving the environment for the private sector by reducing some distortions and by simplifying procedures, but implementation by government agencies is often slow. Communication down through the system is a major problem both because of insufficient resources (i.e., limited copies of the Code de Commerce), ignorance on the part of agents of the changes made, or the recalcitrance of the agents who prefer the old rules, which may have given them more power.

- **Conclusion: Influence peddling, fraud, and corruption designed to create or make use of policy distortions present a handicap to the development of a competitive, productive private sector.**

The current policy environment creates an atmosphere that is conducive to abuses both by private businessmen and by government officials, at the expense of the government and the Malian people. Elimination of many of the policy distortions and simplification of regulatory procedures would remove many of the incentives and opportunities for fraud and corruption.

INDUSTRIAL STRUCTURE AND ACCESS TO CREDIT

- **Conclusion: The bi-modal structure of Mali's secondary (productive and manufacturing) sector limits the potential for the overall growth of the sector.**

With fewer than 200 firms, including 40 bakeries, in the formal industrial sector (that is, with access to credit) and about 100,000 artisans and small productive units, it is obvious that there is a large gap to be filled by small progressive businesses that are now kept out of the formal system. This missing middle is often the source

of the greatest innovation, employment generation, and new market identification and development. Because the informal sector does not have access to the necessary resources for growth, and is often intentionally kept small by formal sector competitors, it is not allowed to grow and fulfill its potential.

- **Conclusion: Banks lack the capacity to evaluate loans and provide follow-up with all but their best clients, seriously limiting general access to credit.**

To date, most banks have been virtually inactive in successful lending to the productive agricultural sector and small enterprises. This stems from a lack of understanding of those areas, underdeveloped systems, and shortage of staff to work with them. Small enterprise and agricultural lending are very labor intensive to evaluate, monitor, and collect loans. In addition, the banks have seen, and felt, the poor quality of feasibility studies carried out by local consulting firms particularly in the area of market research, so they are hesitant to believe any study they get without verifying it.

- **Conclusion: Lack of access to accurate market information and the inability to analyze market information, when available, present a serious constraint to enterprise development.**

Consulting firms hired to prepare feasibility studies and to analyze investment opportunities often use incomplete and sometimes dubious information, resulting in poor investments. There is virtually no reliable, up-to-date information or statistics available at any level on local production, apparent consumption, or actual imports and exports. Customs has just finished computerizing their system and will start providing accurate import and export figures for the first time in five years, but in difficult-to-use forms.

PROSPECTS FOR INCREASED LOCAL BUSINESS DEVELOPMENT

- **Conclusion: Based on the best available information, regression analysis shows that if per-capita income increases, four products will be in greater demand: transportation, furniture, entertainment, and health care.**

Detailed urban consumption patterns are available in raw data format and in very superficial summaries, but they are able to produce approximate figures to show that these items will increase in demand should incomes increase. By contrast, should the actual net income decrease, which is very possible in Mali, then demand for those same items will be the fastest to decrease while less elastic items such as food, clothing, and lodging will increase in relative importance. The following sectors appear to be the most promising growth areas in Mali.

Service Sector

Transportation. Primarily small transport between towns and villages and within the large towns. Increase here should lead to greater links with the auto industry for service and parts.

Donor community services. The donor community is the consumer with the greatest amount of expendable income in Mali. Much of the artisan craft has developed around this, but there is room for substantial improvement in the services provided to this segment of the population. Quality services and skills required are as follows:

- **Computer repair.** Not yet in great demand in the local Malian market, but as the repair facilities become available, demand for the product should also increase rapidly.
- **Electrical services** to maintain the air conditioners, video cassette recorders, communications equipment.
- **Business services.** Photocopying could be in high demand, but is now practically eliminated by the cost of photocopying, up to \$1.00 per page. Reliable telex service, phone service, delivery service, and procurement services are in high demand but not met with the quality service required.
- **Staff requirements.** Good reliable extension agents, office staff, and managerial staff are needed to keep systems going.

Business consulting services. The success rate of consulting firms in getting business plans approved is very small (under 10 percent in many cases). This is due to the poor quality of the service which, if improved to meet the needs of the market rather than just filling a gap with a poor quality product, would provide a

positive benefit all around. Quality consulting services have a role to play both in strengthening small business management and in getting them access to the proper resources.

Health care services and pharmaceutical marketing. Pharmaceutical products are always in demand, but until recently distribution has been in the hands of an inefficient state monopoly, the PPM. The PPM is being reorganized and is to be privatized. Provided that the new version is not granted a monopoly, there will be lots of room for increased services in delivery of products as well as in diagnosis.

Garbage removal and maintenance in the industrial zone. The physical condition of the industrial zone in Bamako is a serious problem with regular flooding during big storm and build up of trash. Large industries may be interested in contracting out such maintenance services to private individuals.

Manufacturing Linkages and Possibilities

Furniture and household articles. Small businesses (carpenters and metal workers) provide a large amount of the local needs, but this will be a growth area in the future, particularly if quality can be improved.

Textiles. The relatively inefficient textile industry now accounts for about 80 percent, so there is little expected growth potential overall, but there are specific areas that could be expanded, such as apparel production. In addition there should be room to create horizontal linkages into the production process if imported elements of the final product (for example, dyes) can be replaced.

Agricultural machinery. The agricultural machinery industry has a lot of room for import substitution and increased local value added.

Agricultural equipment. Other agricultural equipment areas worth exploring include local assembly of a millet grinder more appropriately designed for Mali's environment; manufacture of standardized wooden crates and long wooden handles for hand tools; and isothermic panels for storage facilities.

Packaging materials. Imported packaging materials that could be manufactured in Mali include plastic bags and cups for the dairy industry, jute sacks, and cans.

Agriculture and Livestock

This sector has traditional exports that have been hampered by government intervention. USAID and other donors can play a role in freeing up this sector to allow it to reach its capacity by working, as they have in the cereals market, to eliminate the distortions.

Skins and hides. This industry is tied up in a knot over the issue of local tanning versus export. Virtual monopoly control of the industry to the government tannery (TAMALI) has forced the shut down of the second tannery and reduced the value of raw exports considerably while increasing profits to the Chinese who run the tannery.

Dairy. The dairy plant is losing money and is producing at less than half of its capacity because it is subsidizing a limited number of dairy farmers at a very high producer price. The surplus of dairy production (more than two thirds) is sold at drastically reduced rates on the open market. Elimination of the fixed producer price at the dairy would probably lead to a large increase in overall production and sales of local dairy products.

Karite nuts. The Karite nut export market has disappeared because all local production went to a local plant that has now shut down because it had too great a capacity for available supply. Installation of a smaller plant with one tenth the capacity of the existing one may present a good investment, if the government would allow it.

Fresh fruits and vegetables. This subsector suffers primarily from a lack of good reliable air transport to markets in Europe. The market is controlled by one firm (a mixed state/Malian/French company), which is unable to export all of its production. The result is a surplus of unused fruits that could be exported or

canned under the proper conditions. The canning factory, however, is closed because of poor management.

Edible oils. Local consumption of margarine and prepared fats in 1981 showed that none was locally produced. The current situation is unclear, but there should be potential for local production, particularly given the availability of surplus vegetable oils.

Minerals and Natural Resources

Gold is the third largest export out of Mali, following cotton products and livestock. The Soviets are working with the GRM in their principal mine. An American company and a Canadian firm are also present, among others, doing explorations and preparing to exploit known deposits. This area appears to be functioning smoothly at present, but distortions may develop in time, particularly as the profitability of the ventures develop.

Of all the different areas available for development, mineral exploitation will have the least direct impact on the population, as a whole, and on stimulating the business environment because the revenues would accrue to the government with minimal effect on the local economy.

CHAPTER EIGHT
RECOMMENDATIONS FOR A PRIVATE SECTOR
STRATEGY FOR USAID/MALI

Based on the conclusions from the first part of this report, USAID/Mali should pursue a multi-faceted approach to private sector development designed to simultaneously increase purchasing power, remove policies detracting from market efficiency, and improve the operations and links within the private sector. The three major areas are:

- Continued concentration on the development of the rural agricultural productive sector with a focus on exports and on the introduction of privately supplied financial and commercial services to rural areas;
- Continued emphasis on the removal of policy distortions in the legal, trade, fiscal, regulatory, labor, and banking sectors to increase market efficiency; and
- Provide technical assistance directly to the private sector businesses, consulting firms, and to the banking system to help bridge the gap between the formal and informal sectors and to assist ongoing activities in the private sector.

PRIVATE SECTOR INVOLVEMENT IN RURAL DEVELOPMENT

With 80 percent of all economic activity relating to agriculture, large increases in the market for goods and services will depend on the success of agriculture to provide increased disposable income and revenue to the greatest number of consumers. The rural productive sector will be the greatest source of revenue generation for the Malian economy over the coming 7-10 years and therefore cannot be ignored in the plan for development of the Malian private sector. In fact, the rural/agricultural sector could become one of the major markets for the private sector to provide goods and services once the channels of communication are opened between the two sectors.

For many years, the formal private service sector (banking and input supply) has largely ignored the agricultural market due to high perceived risk and low anticipated returns. In addition, the government (or parastatals) controlled the distribution of inputs and credit, the marketing of the crops, and the access to most of the resources in the rural areas. One hopes that this is changing. The

government's strengthening of village associations appears to be creating a more self-reliant rural sector. Some rural areas are now able to interact directly with the formal private sector to gain access to credit and direct supply of inputs and marketing of their crops.

As a case in point, USAID/Mali's Operation Haute Vallée (OHV) Project, which has been going on for nine years, has finally succeeded in getting direct bank financing for certain of the pre-cooperative village associations. It is also exploring the use of private suppliers for agricultural machinery and has begun contracting out the transport of the cotton harvest to the factories by a private transporter. This will reduce the need for OHV to maintain its own fleet of vehicles which are needed only for part of the year.

Reaching this stage of decentralization has not been easy and still has a long way to go before it is completely integrated into the Malian economy. The commercial banks will not lend to village associations unless they are formally recognized by the project, and only a small number of villages have functional associations. Financial institutions are still very wary of lending for agricultural activities in the villages, remembering the millions of CFA loaned out in past years which have not been repaid. Solid training of the village associations is necessary to raise them to the quality required for them to be entrusted with a bank loan. But the training has been successful, with more than a 99 percent repayment rate by those associations who have received loans.

The transport of cotton to the factory is a very special issue and requires a large capacity transporter and passable roads to move the cotton. Development of the road system and careful analysis of the problems faced by a private transporter have led to a successful first attempt to integrate the private sector into the marketing of cotton.

The improved road system, access to credit, and availability of other services will create more room for lateral growth and with luck will spill over into other productive activities. The lessons learned from this activity also provide an important base from which to grow and to duplicate this success in other areas. Gradual replacement of government projects with the private sector for the delivery of agriculturally related services will make the delivery of those services less

expensive by removing unnecessary intermediaries as well as create greater continuity for the delivery of services.

Recommendations

In the area of rural development, USAID/MALI should:

- Continue to devote significant efforts to improving the physical infrastructure in the rural areas to facilitate the marketing of agricultural products;
- Promote private sector participation in all of its projects in rural areas replacing inefficient government services for delivery of inputs, services, and marketing production;
- Increase its emphasis on income generating activities in the rural areas particularly in the areas of export crop production or the production of goods whose by-products can be exported;
- Continue the successful work begun in the OHV project, creating specific links with the private sector to deliver credit and inputs, and ensure the transportation of marketable crops;
- Continue to strengthen village-level organizations and assist them to interact directly with government services, the banks, and other private sector suppliers;
- Continue to identify new market niches, currently occupied by the GRM or donor projects, that can be turned over to the private sector. Invest the time and resources necessary to establish the link between the private sector and the services to be provided; and
- Continue to strengthen the development of private sector capability to market cereals in the rural areas at the appropriate time.

POLICY INTERVENTION

The second phase of the strategy is the identification and elimination of policy distortions that lead to market inefficiency in Mali. Under the EPRP, USAID/Mali already made some solid progress. There are, however, many additional policy changes to be made; there is also some indication that technical assistance may be required to help in the implementation of the changes with different services. The additional policy changes can be studied and promoted through the EPRP.

Tax Policy

Preliminary observation of the tax code reveals multiple taxation of profits and very high marginal tax rates for personal companies and corporations doing business in Mali, as well as a 50 percent marginal tax rate on income above \$6,000. It also reveals a tax on employees, a heavy sales tax, and a turnover tax usually borne by the company. A closer look, however, reveals some other rules that ease this burden a little. There is a "part system" for determining taxable income which has a regressive effect for those with large incomes and large families. There is also, at this time, no taxation of the profits of large agricultural firms. The impact of these different elements of the code, which pull it in different directions, both on revenue and on equality needs to be scrutinized.

Recommendations

- As discussed in the section on taxation, the tax code needs to be simplified to encourage firms to record their profits and invest in business. Folding of double and triple taxation of revenue from buildings, corporate and company income, and dividends into a single tax would be a positive step forward;
- The EPRP work on specific elements of the tax structure should include an in-depth analysis of the impact of simplifying the tax code and creating greater equity in taxation of different areas particularly agricultural businesses. Specific recommendations on tax rates should only be made after careful analysis; and
- The "family part" system of tax calculation has a regressive effect and should be redesigned in a more equitable fashion.

Regulatory Policy

Although simplified under the new Code de Commerce (1986), regulatory policy is still complex and allows for potential distortions because of the number of steps to be followed to become involved in economic activities. The tax codes, customs codes, and economic laws are so complex for a country such as Mali that they can be used as a source of penalty. The complexity and restrictiveness of the codes provide tremendous incentives for the private sector to bypass them, which can lead to the corruption of the agents involved. Other agents use the complexity to their advantage to exact a bribe.

Another policy that introduces distortions is the granting of special privileges and protection to many industries simply because of their influence. Some get special producer prices and others get control of export or import markets while the majority, without influence, are left with no access to the markets. The existence of more than one hundred items on the restricted import list (contingente) provides broad scope for legal limitation of competition to protect special companies or people.

Many changes have already been made, as noted above. However, implementation of the changes is often slow because of poor communication between elements of the service to inform them of the changes. In other cases the agents themselves are recalcitrant, refusing to adopt the changes because they know that there is little an illiterate businessman can do to him, particularly outside of Bamako.

Recommendations

- USAID/MALI should work with the GRM to further simplify the procedures required to be an economic actor in Mali, eliminate complicating procedures and incentives and opportunities for fraud;
- A simple brochure, similar to the 10-page one available on the tax system, should be developed on the basic procedures to be followed for starting a business and on import and export requirements;
- Steps must be taken to limit the ability of government agents to block smooth business creation and economic activities for their personal gain through increased pressure by the government on the services exercising control;
- The provision in the commercial code requiring women who register a business and who hold communal property with their husbands to furnish a letter granting his consent should be removed;
- The judicial structure must be reinforced to include a means of contesting unjust penalties and to speed bankruptcy and bank claims on unpaid loans. This should also include the means to protest against unjust and arbitrary government actions to restrict or monopolize markets;
- Price controls should become gradually deregulated;
- More information must be made available to the private sector on the legal fines that can be charged as well as on the administrative process to be followed for the start-up of a small business.

Customs Policy

Trade policies, and in particular the import tariffs, are being reformed. The GRM has agreed with the IMF to gradually limit the number of items on the restricted import list, and import tariffs are being rationalized between those on imported inputs and final products to favor local production over imports.

Recommendations

- If quotas are to be used, calculate the volume of the quota by numbers of units to be purchased rather than by the total price;
- Continue to lower the rate of import tariffs on both inputs and finished products;
- Broaden the base of tariff reductions to include the whole spectrum of inputs, including those products used by small producers, purchased locally rather than imported by themselves;
- Implement a system of either duty-free imports, temporary admission, or a drawback system upon export to eliminate duties on imports that are subsequently re-exported;
- Remove export taxes on all traditional and nontraditional goods to promote exports and to protect the integrity of Malian export markets;
- Investigate the possibility and cost of implementing export subsidies equal to the rate of effective protection in the domestic market; and
- Facilitate the process for delivery of export licenses.

Credit Policy

Two principal causes of the scarcity of lending by Malian financial institutions to the investment sector are the credit ceilings and interest rate ceilings imposed by the BCEAO.

Recommendation

- Active dialogue must take place with the BCEAO to revise the credit ceiling structure and to remove interest rate ceilings on small loans to allow banks to remove discriminatory practices against small enterprises.

Implementation of Policy Reform

Communicating the changes down to the agents in the services responsible for carrying out the activities is often as difficult as achieving the changes in the first place, particularly in something as complex as the Code de Commerce. Likewise, communicating the changes to the private sector actors who may be unaware that the rules they have dealt with for years have been changed, is also very difficult. A recent survey by Cherif Gueye on the impact of the fiscal and regulatory changes reveals that many of the operators of the smaller industrial firms are not even aware of which price regime they fall within or of the essence of the changes.

Recommendations

- Technical assistance should be provided through the EPRP to collect all the changes implemented under the program and to ensure that this information is distributed to the private sector; and
- Technical assistance may also assist the DNAE, DN Imports, and DN Douanes to organize seminars for their agents on the changes, why they were made, and the implications for their activities.

AREAS FOR PROJECT INTERVENTION TO STRENGTHEN THE PRIVATE SECTOR

The Malian private sector needs assistance in many different areas. However, USAID/MALI must carefully select its interventions because the capacity of the private sector to properly use assistance is still only fledgling. The large number of firms that have failed after receiving donor assistance indicates the difficulty of identifying and selecting viable projects to be assisted.

Mali is receiving assistance from many different sources and the private sector is now one of the main areas of focus. Duplication and triplication of donor projects must be avoided, but there is room for the trial of different techniques to achieve similar results. Given the limited number of viable project areas and private sector groups to receive assistance, it is possible for programs to end up competing among themselves, rather than providing a program in the best interest of their target groups.

In addition, a poorly designed credit program that gives subsidized credit will hamstring a better designed program which is using market rates of interest for its credit. Already the FED, ILO, French, Canadians, Germans, World Bank, and others have private sector development projects that are providing credit to small firms or that work with the informal sector. USAID/MALI must take all these elements into consideration and must focus on a niche that is not yet occupied and that will complement the economic and banking sector policy reforms being implemented under its other programs.

Policy incentives to date have favored large firms over informal sector firms, skewing the development of the private sector and the systems that make it function.

While many of these distorting policies are being changed at the national level, it may take a very long time for the private sector to respond to them. This is felt most poignantly in the area of the development of formal sector services for the private informal sector. Mali's industrial sector is bi-modal with a few large modern sector firms that have access to all privileges and many more very small informal sector firms with no access to resources.

However, we have shown that this privileged modern industrial sector will not be the source of major direct employment generation in the near future. Therefore, Mali must look to its informal productive sector, which is currently outside of the formal system, to provide innovation, efficient use of resources, employment generation, new market development, and more equal distribution of benefits, among others. However, these firms lack access to the resources necessary to grow and to take advantage of all of the positive elements that progressive small enterprises can bring to the economy.

The primary needs of the firms in the informal sector are lack of markets and lack of access to credit. The first is difficult to respond to directly, unless one can redefine the market for the entrepreneurs -- that is, the creation of new niches. The second is an element that USAID/MALI can entertain: access to credit. The main problem is that the banks do not want to lend to the SMEs; these banks are limited by credit ceilings and interest rate ceilings that provide them with no incentives to lend to the SMEs. In addition, they do not have the resources or systems necessary to lend profitably to small enterprises and to the informal sector.

Some banks have begun lending to village associations. The banks considered this lending too risky to attempt just a couple of years ago, because new systems have been created to help them select sound borrowers and to ensure repayment. To help broach the problem of the missing middle, similar systems must be developed and a link must be created between the formal banking sector and existing firms. Such a link will last after the technical assistance leaves. The only donor project in this sector at present is the FED project in Segou, and it will be unlikely to leave behind the cost-effective systems required for banks to continue lending to progressive small firms after the technical assistance portion is completed.

Export promotion is required for the revitalization of the Malian economy and cannot be ignored. A project to promote export businesses must have a market orientation and would require a major government effort with gradual results over the first several years. However, USAID/MALI should let the FED (which is currently providing assistance to the CMCE) or the ILO (which is working on the creation of new businesses for the Jeunes Diplomes) develop this project. Any such program must involve transport issues and the development of a local canning/packaging factory, and would require a minimum of two to three long-term advisors to create the international marketing links. Such a project must also stem from a decision by the GRM that this is a priority and that they will provide the necessary resources. Until the GRM makes this a priority, USAID/MALI should leave the development of such a program to the other donors already active in the area.

Recommendations

USAID/MALI should thoroughly investigate the creation of a small business lending program whose goal is to graduate existing, progressive, small businesses (not start-ups) into the formal financial sector. The project should be managed by a PVO or by a private consulting firm with extensive experience in small business lending, and should not be implemented directly by USAID. The project would develop systems for evaluating loan requests which will be tried on small businesses using a USAID line of credit (revolving loan fund), initially, and can then be transferred to the banking system. Specific criteria for the program should include the following:

- Target only existing businesses, as they are the least risky and most likely to succeed in the long run in getting bank lending;

- Spend a minimum of 3-4 months implementing a credit survey and studying the target market to determine the interest rates now being paid by the target firms on the informal credit markets and to understand the specific needs of the firms;
- Select as high an interest rate as possible, even if it means getting special government permission (it is always easier to lower the rates later than it is to raise them) to allow the project to cover nearly all of its costs. No bank will be interested in lending or in adopting systems that do not pay for themselves;
- Use very strict lending criteria for the first loans to ensure a high payback rate and to establish credibility early. Lend small amounts (up to 3 million CFA) for short periods of time (less than one year), to projects with a very high projected payback;
- Expect that 80 percent of loans will be for working capital purposes and 20 percent for investment purposes (primary needs are often to make best use of existing capital investments);
- Do not require formal training or books from firms requesting loans; instead, the fund should rely on a few very strong local loan officers who will work with the borrowers to develop an income statement, balance sheet, and cash flow analysis of the firm as it stands pre-loan and the expected increases after the loan. This will lead to less required follow-up by project staff;
- Work closely with members of the banking system and involve them in all phases of project development to ensure that they will be able to use and adapt the new systems. Several banks (BIAO, BNDA, and BOAM) have already expressed interest in participating because they are seeking to diversify their portfolios; and
- Maintain a precise focus and do not branch into too many different areas, or the project will become spread too thinly. Getting banks to lend to existing small enterprises will be hard enough and will require the full energies of the project staff.

The above project will also be an excellent source of information on other problems facing private sector firms, regarding both regulatory and policy issues as well as practical problems they face. In addition, though aimed primarily at businesses in urban areas, it will be able to accept the more advanced of the entrepreneurs from the OHV and CMDT zones who have gained insight in using credit from their village association experiences.

USAID/MALI should provide assistance to larger firms with access to bank credit but which encounter serious problems of market information and sound management practices. Local consulting firms that can provide assistance in both

areas are available. However, they are not fulfilling their appointed roles at present because of both poor organization and a lack of access to good market information.

Other Recommendations include the following:

- Continue to provide equipment and technical assistance to the customs office and to the DNSI so that accurate information on the actual production and consumption statistics in Mali can be gathered and published in usable form for the private sector to use;
- Fund an in-depth study to analyze data that are available from the urban household consumption study from 1984 to provide a better understanding of income elasticities of demand for manufactured products. This study should be made available to the private sector to allow them to determine the most appropriate market niches to enter; and
- Organize a seminar for local consulting firms to discuss the role, organization, and work quality of a consulting firm. This seminar should be reserved for the heads of the local consulting firms and should be led by a senior partner in a major U.S. consulting firm. Then, management issues that formal sector firms think are important can be addressed by the consulting firms (private or government).

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ANNEX 1
STATEMENT OF WORK

~~ARTICLE III: STATEMENT OF WORK~~

The contractor shall perform the following tasks:

A. Environment for Foreign Investment. Contractor personnel shall assess the policies that specifically encourage or constrain international investment in Mali (this does not include the broader set of policies, already extensively analyzed by USAID, affecting all businesses in Mali whether domestic or international). To be included are policies related to repatriation of profits, foreign exchange, government approval, import and export restrictions on foreign-owned firms, trade agreements, etc. Much of this information will be available from the US Embassy commercial office.

B. General Policy Environment for All Firms, Foreign and Domestic. Contractor personnel shall include in their final report a summary of the extensive and detailed A.I.D. assessments done to date on the policy environment for business, business expansion, and investment in Mali. No new research or assessment in this area is called for under this PIO/T, unless it is specifically determined to be necessary by the contractor personnel, and concurred in by the Mission. Possible areas for focus include:

- (a) The specific policy-induced disadvantages present in Mali when compared to other CEAO countries, i.e., are there policy reasons why an investor, committed to economic activities inside the CEAO tariff wall, would rule out Mali?
- (b) Detailed information on marginal rates of tax, especially if firms were to shift from the informal to the formal sector. Details should be provided on the requirements for policy changes.
- (c) Specific data on import penetration for products which:
 - (i) are important in Malian consumption.
 - (ii) can be manufactured domestically even in early stages of industrialization (i.e., slightly less primitive methods of metal-bending).
- (d) Comparison of Malian patterns of production and consumption with those in other African countries. Burkina and Niger are possible points of comparison, which should take place at the 3 or 4 digit level of disaggregation. What are the lessons for the Mission from this comparison?
- (e) Implications of the public enterprise program for private sector activity.
- (f) Market structure. Have certain groups tied up particular markets? Other than policy reasons, are there other reasons why markets work poorly? How much competition exists in the cereals import market, and how important is this?
- (g) A better assessment of the possible target client group of a proposed Business Advisory Center.

118

C. Market and Demand Prospects for Goods and Services.

1. Domestic Demand. The contractor personnel will assess the short-term and medium-term prospects for expansion of the domestic markets and the demand for domestically produced goods and services. This should include goods and services that are currently produced domestically, as well as those that potentially could be. Criteria for assessing the likelihood of domestic production should include low management requirements, experience to date of Malians and Malian firms in the same or related areas, reliance on locally available resources and skills, and high employment content. The assessment will include, but not be limited to, the following kinds of goods and services: processed food products, processed feed products, modern agricultural goods and services, professional services (accounting, engineering and economic consulting, clerical and secretarial, etc.), housing, transport and vehicle repair, general repair and maintenance, clothes, and shoes. This assessment will include the following sources of increased domestic demand:

- a. Expected growth in national and per capita incomes, and marginal propensity to consume domestically produced goods and services. This assessment should be done for reasonable high and low scenarios of income growth and should include the impact of growth on population, including urban population. It should also assess the demand for intermediate, as well as consumer goods and services.
- b. Expected increase in market demand for goods and services due to growth linkages with the agriculture sector. Assuming reasonable high and low scenarios for agricultural growth and change, the contractor personnel will assess likely demand for locally made animal traction equipment, pumps, other agricultural equipment, Tilemsi fertilizer, processed food, processed feed, etc.
- c. Market niches for technical or managerial or product improvement changes to increase demand or sales for local goods and services.
- d. Possible economically efficient import substitution activities which could take place in an improved policy environment, using existing skills and resources.

2. Export Prospects. The contractor shall assess the prospects for increased exports of traditional Malian exports (excluding meat and cotton), non-traditional exports now being pursued, and other possible export opportunities not presently being explored in Mali. For those exports fitting in with the USAID portfolio criteria discussed in item E below, contractor personnel will set out a recommended plan of action to more thoroughly explore the feasibility of new export opportunities.

D. Employment Impact. The contractor shall assess annual and cumulative growth in the labor force in general, and growth in the non-agricultural labor force and the educated labor force in particular, over the next fifteen years. The contractor staff will make an assessment based on whatever limited data is available in Mali, as well as on experience in other similar Sahelian countries, of unemployment and underemployment levels (overall, for educated unemployed, and for urban unemployed) over the next fifteen years under the following scenarios, based on item C above:

- a. No growth in incomes and in market demand, except for that reflected in population growth.
- b. Increased demand for domestic production as a result of increased per capita incomes (under the two scenarios of item C.1.a and C.1.b above)
- c. Increased demand for domestic production as a result of the several domestic demand factors hypothesized in item II.1, but without increased exports.
- d. Increased domestic demand and increased exports.

The purpose of this analysis is to get a very rough assessment of the magnitude of the unemployment problem that can be expected in the absence of major policy and strategy changes for the private sector over the next several years. This assessment will relate especially to the urban and educated unemployed.

E. Promising Business Development Opportunities. The contractor staff will make recommendations based on item C above of the most promising opportunities for expanded private sector development in Mali. They will then match up this list of promising industries or activities with two other sets of criteria. The first set of criteria will be based on the analysis in item D above, and will be the employment intensity of various opportunities and activities (including indirect employment linkages). The second set of criteria involve consistency and fit with existing USAID programs. After matching opportunities against employment intensity, the consultants will make a presentation to USAID staff no later than ten days before departure. At this presentation, USAID staff will assist the contractor staff in matching up the promising opportunities identified with the second set of criteria. USAID staff will also work with the contractor staff in this meeting to identify those priority private sector business opportunities of greatest interest and utility to USAID.

F. Summary Analysis of Promising Opportunities. For the last eight days of the business climate review, the contractor staff will identify, in a summary, promising key attributes and problems of those priority areas jointly identified with USAID staff in item E above. Although this work will need to be supplemented with further detailed analysis of specific sectors, industries, and activities, the contractor staff input at this point will be extremely useful in directing USAID attention to key opportunities and key problem areas. The attributes and problems of the priority business opportunity areas should include the following:

- a. The match with existing skills, experience, or activities of Malian employees and enterprises.
- b. Availability of inputs.
- c. Infrastructure and marketing requirements.
- d. Participation of formal and informal micro enterprise sector.
- e. Location of the market in rural areas, non-Bamako urban areas, or Bamako.
- f. Location of production in rural areas, non-Bamako urban areas, or Bamako.
- g. Possible vertical integration of joint venture linkages with Bamako-based or international firms.
- h. Credit requirements and adequacy of existing credit sources.
- i. Industry or activity-specific policy constraints.
- j. Management skills or technical constraints.

G. Recommended Private Sector Development Strategy. Based on the above analyses, activities, and discussions, the contractor staff will prepare a recommended strategy for USAID's private sector development activities during the next five years.

ANNEX 2
LIST OF PEOPLE INTERVIEWED

ANNEX 2

LIST OF PEOPLE INTERVIEWED

GOVERNMENT OF THE REPUBLIC OF MALI

Mr. Cheick O. Sidibe,	Directeur des Etudes, Dir. Natl. des Affaires Economiques
Mr. Kadari Bamba,	Directeur National des Industries
Mr. Moise Kodio	Adjoint au Directeur, Direction Nationale des Industries.
Mr. Cabbera	Conseiller Technique. Direction Nationale des Impots
Mr. Abdoulaye Sanoko	Chef Division, Etudes et Echanges Commerciaux, Centre Malien du Commerce Exterieur
Mr. Camara	Sec. Generale, Chambre de Commerce et Industrie
Mr. Dhaba Traore	Chambre de Commerce et Industrie
Mr. Suleiman Traore	Directeur Comptes Nationales, Direction Nationale de Statistique et Informatique, Min. Plan
Mr. Sissoko	Dir Statistique Generale, DNSI
Mr. Abdoul Fane	Chef Du Service des Etudes, BCEAO
Mr. Dambele	Chef du Service Credit, BCEAO
Mr. Sanogo	Service du Credit, BCEAO
Mme. Sidibe	Service du Credit, BCEAO
Mr. Traore	Directeur Generale, Banque National de Developpement Agricole.
Mr. Diop	Chef de Service Credit et Epargne, BNDA
Mr. Bah	BNDA
Mr. Dicko	Chef de Division Etudes, Douanes
Mr. Axel Sanne	Conseiller Technique au Cellule d'Appui a l'Industrie, DNI
Mlle. Emma Kourouma	Cellule d'Appui a l'Industrie, DNI

INTERNATIONAL DONOR AGENCIES

Mr. Peter Gill,	Interim Representative, IBRD
Mr. Reza Vaaz-Zadeh	Resident Representative, International Monetary Fund
Mr. Roger Freeman	Economics Officer, U.S. Embassy
Mr. Hakim Hossenmamode	Dir. Projet "Assistance a l'emploi des Jeunes Diplomes", PNUD.
Mr. Serge Coelo	Directeur Projet pour la Reforme des Marches Ceraliers
Mr. Kamis-oko	Commercial Office, U.S. Embassy.
Mr. Schultz	Conseiller Technique a la SRIFI (loan fund KFW)
Mr. Lenckner	Conseiller Technique a la SRIFI (loan fund KFW)
Mr. Theodore Ahlers	Country economist, The World Bank
Mr. Moussa M. Kanoute	Dir.Adj. Projet FED, Segou
Mr. Mamadou Aguibou	Coordonnateur, Projet SERVULART, Segou

PRIVATE ENTERPRISES IN BAMAKO

Mr. Derreumaux	Dir. Generale, Bank of Africa, Mali
Mr. Rudy De Wulf	Directeur SABENA, Mali
Mr. J. Breitenstein	Admin. Director, SMEEPC, Mali
Mr. Ibrahima Sima	Director General, Industrie Malienne du Cycle et du Cyclomoteur
Dr. Kane	Directeur commerciale, Usine Malienne de Produits Pharmaceutique
Pere Albert	Directeur, Ecole Technique, Mission Pere Michel
Mr. Madani Traore	Directeur Commerciale, SIPAL
Mr. Amare Traore	Directeur Administratif, Usine Laitiere de Bamako (ULB).
Mr. Malle	Directeur Technique, ULB
Mr. Modibo Dombia	Directeur, Tannerie du Mai (TAMALI)

Mr. Mamadou Camara	Directeur Commerciale, Societe Etablissements Sada Diallo
Mr. Mamadou Ndiaye	Directeur Generale, SOPROMA
Mr. Mohamed Traore	Directeur du Credit, BIAO
Mr. Niang	Dir. Generale, SOMACUB
Mr. Maiga	Agent Commercial, SOMACUB
Mr. Camara	Agent Commercial, SOMACUB
Mr. Cherif Gueye	Inspecteur, DNAE
Mr. Bathily	Directeur Generale, Palais des Vetements
Maitre Haidara	Notaire, fiduciaire d'Afrique, Bamako.
Mr. El Hadj	Mamadou Macalou Administrateur, TOLMALI
Mr. Moctar M. Diakite	Directeur, SOGETI, Bamako
Mr. Issa Konda	Dir. Adjoint, SMECMA, Bamako
Mr. Hubert Leblanc	Coordonnateur, COOPERATION CANADA-MALI, Bamako
Mr. Michel A. Pierron	Dir. General, UNEGOCE, Bamako
Mr. L-P.E. Cidibe	Dir. Com. adj. COMATEX, Segou
Mr. B. Kane	Dir. Adj. -"- -"-
Mr. B. Dumbia	Representant reg. COMATEX, Bamako
Sory Ib. Konadji	Deputy, President Chambre de Commerce, Hardware&Constr. Mat. Store owner, Segou

ANNEX 3
KEY MACRO ECONOMIC INDICATORS

Table 1. MALI: KEY MACROECONOMIC INDICATORS

	1983	1984	1985	1986	1987 est.	1988(projected).....	1989	1990
GDP Growth Rate	-5.2%	0.2%	-0.7%	18.6%	3.9%	-0.8%	5.0%	4.1%
GDP/Capita Growth Rate	-7.5%	-1.5%	-3.1%	15.7%	1.4%	-3.3%	2.4%	1.6%
Consumption/Capita Growth Rate	-0.7%	-2.3%	-1.6%	2.8%	1.0%	-0.0%	1.0%	1.0%
Debt Service (US\$ million) (a)	39.5	40.2	43.3	79.4	88.0	89.8	93.8	95.1
Debt Service/XGNS (a)	19.1%	17.3%	21.0%	30.2%	27.1%	26.8%	27.4%	25.4%
Debt Service/XGNS (b)	19.1%	17.3%	21.0%	30.9%	27.1%	34.8%	35.0%	30.6%
Debt Service/GDP (a)	3.7%	3.0%	4.4%	5.1%	4.5%	4.2%	4.1%	3.8%
Gross Investment/GDP	14.6%	15.2%	19.5%	22.2%	18.4%	18.4%	17.4%	17.5%
Domestic Savings/GDP	-4.9%	-2.2%	-14.2%	-2.1%	1.5%	0.1%	0.1%	1.6%
Public Investment/GDP (c)	14.6%	14.6%	17.6%	15.7%	13.8%	14.7%	14.0%	13.7%
Private Investment/GDP (c)	3.6%	3.7%	4.4%	3.9%	3.2%	3.7%	3.3%	3.8%
Ratio of Public/Private Inv.	4.1	3.9	4.0	4.0	4.3	4.0	4.2	3.6
Government Revenues/GDP	13.3%	13.3%	14.9%	17.4%	15.2%	17.2%	17.2%	16.8%
Government Expenditures/GDP (d)	16.2%	15.3%	30.2%	29.5%	25.5%	26.4%	25.1%	24.1%
Deficit (-) or Surplus (+)/GDP	-2.9%	-2.0%	-15.2%	-12.2%	-10.3%	-9.1%	-7.8%	-7.3%
Export Vol. Growth Rate	21.0%	14.0%	-18.2%	13.6%	9.4%	-4.1%	2.8%	3.4%
Exports (fob)/GDP	15.3%	13.1%	16.6%	15.1%	13.3%	13.2%	12.7%	12.8%
Import Vol. Growth Rate (e)	1.3%	6.2%	16.2%	-0.0%	-5.5%	5.2%	3.6%	2.5%
Imports (cif)/GDP	32.5%	34.7%	44.3%	31.5%	25.3%	26.6%	25.4%	24.3%
Current Account (US\$ million)	212.4	195.5	320.5	358.6	313.1	383.4	395.8	394.7
Current Account/GDP	-19.7%	-18.5%	-51.1%	-22.8%	-16.0%	-17.7%	-16.8%	-15.6%

- (a) Excluding China and the USSR; including exclusions for interest on new disbursements.
(b) As per (a), plus debt service arrears to be settled in 1988-90.
(c) Fixed capital formation, i.e., excluding changes in stocks.
(d) Data for 1983-4 exclude foreign-financed investment and are not comparable with data for subsequent years.
(e) Excluding cereals imports, which consist largely of food aid and tend to vary inversely with GDP.

Annex Table 2

COMPOSITION OF GNP IN CURRENT PRICES
(In percent of GNP)

	1982	1983	1984	1985	1986
PRIMARY SECTOR	58.8	55	51.9	49.9	52.3
Traditional agriculture	32.7	33.7	34	30.3	32.3
Modern agriculture	4.4	3.4	3.0	3.2	3.7
Livestock	21.8	17.9	14.9	16.5	16.4
SECONDARY SECTOR	9.7	11.0	11.7	13.4	13.4
Industry & mining	3.6	4.1	5.7	6.9	6.9
Construction & public wks.	5.1	5.8	4.8	5.2	5.3
Handicrafts	1	1.2	1.1	1.3	1.3
TERTIARY SECTOR	31.4	34.1	36.3	36.7	34.2
Public administration	7.1	8.0	8.0	8.1	7.6
Trade	14.3	15.1	15.5	15.5	14.1
Transportation	3.6	4.1	5.1	5.5	4.9
Other services	6.4	7.0	7.7	7.6	7.6

Source: IMF, (1987), Mali - Recent Economic Developments, BCEAO (1988), Statistiques économiques et monétaires.

ANNEX 4
MALIAN EXPORTS BY CATEGORY

EVOLUTION DES EXPORTATIONS DU MALI PAR CATEGORIES DE PRODUITS ET DES
VALEURS MOYENNES

Tableau 1

Source : Chiffres de la BCEAO-MALI compilés (1982-1986)

Quantités en tonnes, valeurs en milliards F.CFA, Part du produit ou Groupe dans le total pourcentage-indéterminé Cessation d'exportation
*Estimation **Prévision

Groupe/Produit	1982			1983			1984			1985			1986		
	Q	V	Part %	Q	V	Part%									
<u>COTON</u>	-	18,6	38,8	-	28,1	45,0	-	42,9	51,1	-	35,6	46,1	-	27,9	37,2
dont															
- Coton fibre	35.870	17,0	35,5	47.130	25,9	41,4	52.500	39,4	47,0	53.348	32,5	42,5	65.000	25,5	34,0
- Coton graine	5.500	0,3	0,6												
- Tourteaux	2.873	0,2	0,4	12.246	0,9	1,4	9.081	0,7	0,8						
- Tissus et fils	2.545	0,7	1,5	3.574	1,2	1,9	5.000	2,3	2,7	4.750	2,3	3,0	5.000	2,5	3,3
- Huile	2.000	0,4	0,8	628	0,1	0,2	2.000	0,5	0,6	2.000	0,5	0,6			
<u>ARACHIDE</u>	-	0,9	1,9	-	0,7	1,1	-	0,5	0,6	-	0,5	0,6	-	0,5	0,7
dont															
- Graine	-	-	0	5.000	0,5	0,8	5.000	0,5	0,6	5.000	0,5	0,6	-	0,5	0,7
- Huile	2.743	0,6	1,3	508	0,1	0,2									
- Tourteaux	4.723	0,3	0,6	1.068	0,1	0,2									
<u>KARITE</u>	-	2,3	4,8	-	1,3	2,1	-	3,2	3,8	-	1,4	1,8	-	4,0	5,3
dont															
- Amandes	18.000	2,1	4,4	7.000	0,8	1,3	12.000	1,3	1,5	10.000	1,4	1,8			
- Beurre	646	0,2	0,4	1.400	0,5	0,8	4.340	1,9	2,3				10.000	4,0	5,3
<u>RESSOURCES ANIMALES</u>	-	18,4	38,4	-	23,5	37,6	-	26,1	31,1	-	22,1	28,6	-	19,3	25,8
dont															
- Bétail	37.900	17,1	35,7	42.600	21,3	34,1	49.550	24,7	29,4	37.800	20,8	26,9	30.800	17,9	23,9
- Poissons	2.400	0,7	1,5	2.886	1,5	2,4	1.240	0,7	0,8	1.200	0,7	0,9	1.500	0,9	1,2
- Cuirs et Peaux	700	0,6	1,3	800	0,7	1,1	750	0,7	0,8	750	0,6	0,8	650	0,5	0,7
<u>GOMMES ARABIQUES</u>	800	0,2	0,4	1.000	0,4	0,6	1.100	0,5	0,6	1.000	0,5	0,6	1.150	0,6	0,8
<u>ARTISANAT (VANN)</u>	1.300	0,2	0,4	1.400	0,2	0,3	1.650	0,3	0,4	1.650	0,3	0,4	1.700	0,3	0,4
<u>DIVERS</u>	-	7,3	15,3	-	8,7	13,9	-	10,4	12,4	-	16,8	21,8	-	22,2	29,6
dont or	-	-	-	-	-	-	-	10,0	11,9	-	15,0	19,4	-	20,4	27,2
TOTAUX	-	47,9	100	-	62,5	100	-	83,9	100	-	77,2	100	-	74,9	100

ANNEX 5.1
METHODOLOGY FOR CALCULATING
ELASTICITIES OF DEMAND

ANNEX 5.1

METHODOLOGY FOR CALCULATING
ELASTICITIES OF DEMAND

In order to provide a very rough estimate of the probable demand trends for the main product categories, we proceeded in the following way.

1/ The private consumption expenditure in urban and rural areas in the base year (1985) has been projected assuming, that the per capita consumer expenditures of the urban population will grow faster than in the rural areas. See Table A-5.1 in Annex for details.

2/ The structure of urban consumption by city area, and its weighted average for urban population in general, is presented in Table 5.2. Using the heroic but indispensable assumption that the variation of the consumer expenditures between cities reflects the likely trend of urban consumption patterns, the expenditures per product category were regressed on the total expenditure, each column in Table 5.2, i.e. each city constituting one observation.

The estimated expenditure elasticities of demand are presented in annex, Table A-5.2. Most are statistically significant and are comparable to similar estimates for a sample of poor countries of the per capita range \$100- \$500, presented for comparison in the last column. More significantly, the estimates of the expenditure elasticity for food items are well within the range of estimates by Rogers and Lowdermilk (1988, June, Table 5.1), which is the only existing serious piece of evidence for Mali, using the same survey data complemented by an additional databank on food consumption and prices. Our estimate of exp. elasticity for food =.631, theirs range from .383 for peanut paste to .701 for beef.

3/ The observed urban consumption pattern (1985) was extrapolated for the period 1986-1995, using the expenditure elasticities from Table A-5.2 and the forecasted evolution of urban consumer expenditures in constant prices (1985) presented in Table A-5.1.

4/ There is no serious and comprehensive data available for rural consumption. A small survey on health expenditures by Brunet-Jailly and Diarra (1987, Juillet) gives however rudimentary structure of expenditures observed in three rural "concessions". This being the only available data, it was used to establish the structure of rural expenditures in 1985. The projection of expenditures by product categories was done in the same manner as for the urban consumption, using the expenditure elasticities from Table A-5.2. Thus the forecasted expenditure trends of rural consumption are very approximate indeed but given the unavailable information there was no better way.

5/ Aggregation of urban and rural expenditures and their probable evolution over the 1985-1995 period is presented in Table 5.3.

6/ The urban consumer's expenditure survey contains more detailed data within each product category and time permitting, demand patterns could be forecasted for many products following the same methodology. Given the almost total lack of this type of information, a further exploitation of the available data would provide valuable information for market studies.

TABLE A-5.2
REGRESSION RESULTS

Product category	Constant	Expenditure elasticity	R2	Expenditure elasticity * (LLUCH & al)
Food	3.74 (2.1)	0.631 (4.2)**	0.699 (17.2)	0.66
Clothing & footwea	-6.69 (-1.87)	1.39 (4.5)**	0.735 (20.4)	0.97
Lodging	-16.88 (-1.67)	2.14 (2.45)*	0.42 (6.03)	1.01
Energy, water, fue	-2.89 (-1.14)	0.988 (4.5)**	0.736 (20.5)	
Furniture &	-8.84 (-1.2)	1.5 (2.4)*	0.41 (5.9)	1.98
Health care	-17 (-1.6)	2.06 (2.2)	0.349 (4.8)	1.53
Transportation	-18.9 (-1.4)	2.34 (2.0)	0.288 (3.8)	2.46
Entertainment	-10.55 (-1.6)	1.54 (2.7)*	0.48 (7.6)	1.81
Other consumption	-0.985 (-1.3)	1.55 (2.4)*	0.4 (5.8)	1.8

Source: - Authors calculations based on data
from the survey on urban household expenditures
DNSI(1987, Juin)
- Last column from LLuch, Powell and Williams (1977)

Notes: 1/ t and F statistics in (), 8 observations.
2/ * Indicates elasticity coef. significant at 5%, ** at 1% level.
3/ Expenditure elasticity indicates in percentage terms
the increase of expenditure on the given product category
for a given increase in total consumer expenditure.
Example-a 10% increase in total consumer spending is
expected to lead to a 6.3% increase in spending on food.

TABLE A-5.3

STRUCTURE OF ANNUAL EXPENSES BY "CONCESSION"
(in percents)

	Didieni	Dioila	Kangaba	Weighted mean
Food	9.38	3.72	14.03	9.23
Textile-clothing	4.51	8.41	5.37	5.77
Household maintenance	25.95	23.99	25.66	25.36
Health care	3.98	3.55	4.89	4.13
Entertainment	19.15	16.93	13.75	17.04
Other consumption	28.77	31.77	28.65	29.51
Production cost	8.26	11.64	7.64	8.96
TOTAL annual expenses	786824	447340	490225	100.00
Share in tot. an. expenses	45.63%	25.94%	28.43%	

ANNEX 5.2
APPARENT CONSUMPTION OF MANUFACTURED
PRODUCTS IN MALI AND OTHER NEIGHBORING COUNTRIES

TABLE A-5.6

APPARENT CONSUMPTION OF MANUFACTURED PRODUCTS 1973-1975 AND 1981-1983

Average annual apparent consumption

Country	Total (thousand tons)		Growth Rate (percent) 1973-83	Per 1,000 inhab (tons)		Growth Ratio (percent)	Production as % of Apparent Consumption		Imports as % of Apparent Consumption	
	1973-75	1981-83		1973-75	1981-83		1973-75	1981-83	1973-75	1981-83

Condensed milk and cream (3112-01)										
Burkina Faso										
Cote d'Ivoire										
Mali	3.3	1.2	-3.9	0.56	0.17	-6.5	--	--	100	100
Niger	0.7	2.3	16.4	0.16	0.41	13			100	100
Senegal										
Milk and cream, dried (3112-04)										
Burkina Faso										
Cote d'Ivoire										
Mali	2.9	1.9	-1.2	0.48	0.26	-3.8	--	--	100.8	101.5
Niger										
Senegal										
Butter (3112-07)										
Burkina Faso	1.4	1.5	2.6	0.23	0.21	--	50.3	74.6	49.7	25.5
Cote d'Ivoire										
Mali	1.2	5.6	17.7	0.2	0.77	14.5	90.6	94.5	9.9	5.5
Niger	3.2	5.2	6.5	0.72	0.93	3.4	98	97.8	2.2	2.2
Senegal	1.2	2.9	9.4	0.25	0.48	6.5	28.3	17	72.3	83.1

TABLE A-5.6 -- (Continued)

APPARENT CONSUMPTION OF MANUFACTURED PRODUCTS: 1973-1975 AND 1981-1983 (continued)

Average annual apparent consumption

Country	Total (thousand tons)		Growth Rate (percent) 1973-83	Per 1,000 inhab (tons)		Growth Ratio (percent)	Production as % of Apparent Consumption		Imports as % of Apparent Consumption	
	1973-75	1981-83		1973-75	1981-83		1973-75	1981-83	1973-75	1981-83
Fish tinned (3114-07)										
Burkina Faso	0.3	0.4	9.5	0.05	0.06	6.7			100	100
Cote d'Ivoire	3.6	10	10.5	0.55	1.17	6.7	206.1	269.1	53	29.9
Mali	0.1	0.4	13.1	0.02	0.05	10			100	100
Niger										
Senegal	3.5	9.4	13.3	0.72	1.58	10.3	344.5	223.3	3.2	2.8
Margarine, imitation lard and other prepared fats (3115-01)										
Burkina Faso		0.1	11.9	0.01	0.01	9			100	100
Cote d'Ivoire	1.2	1.8	6.5	0.19	0.21	2.8	27.8	141.5	74.5	3.4
Mali		0.2	26.4	0.01	0.03	23			100	100
Niger										
Senegal	0.2	0.4	2.5	0.05	0.06	-0.2	57.6	65.7	47	34.5
Oils of vegetable origin (3115-10,13,16,19,22,25,28,31,34,37)										
Burkina Faso	12.2	25.6	9.7	2.05	3.5	6.8	107.4	69.7	8.4	33.7
Cote d'Ivoire	47.9	166.6	16.4	7.39	19.4	12.4	290.5	151.5	3.3	0.6
Mali	33.2	30.2	-0.8	5.62	4.1	-3.5	107	109.8	1.9	4.4
Niger	18.8	23.5	5.6	4.19	4.14	2.7	156.2	69.9	5.7	30.5
Senegal	66.7	119.8	7.8	13.8	20.01	4.9	287.2	157.5	5.7	34.6
Flour, wheat (3116-01)										
Burkina Faso	16.8	23.2	4.8	2.84	3.17	2.1	93	83.5	7.1	16.5
Cote d'Ivoire	82.4	138.6	6.5	12.73	16.15	2.8	98.7	99.5	1.5	0.9
Mali	17.4	42.5	15.1	2.94	5.77	12	17.5	61	82.5	39
Niger	4.9	27.3	23.5	1.1	4.81	19.9	34.7	32.6	65.3	67.4
Senegal	79.7	84	0.4	16.49	14.03	-2.3	101.6	97.2	9	3.1

TABLE A-5.6 -- (Continued)

APPARENT CONSUMPTION OF MANUFACTURED PRODUCTS 1973-1975 AND 1981-1983 (continued)

Average annual apparent consumption

Country	Total (thousand tons)		Growth Rate (percent) 1973-83	Per 1,000 inhab (tons)		Growth Ratio (percent)	Production as % of Apparent Consumption		Imports as % of Apparent Consumption	
	1973-75	1981-83		1973-75	1981-83		1973-75	1981-83	1973-75	1981-83

Refined sugar (3118-04)										
Burkina Faso	18.1	30	5.4	3.06	4.11	2.7	55.1	90.7	45	9.5
Cote d'Ivoire	55.4	74.5	1.4	8.56	8.68	-2.1	14.7	91.7	85.9	10.1
Mali	28	31.7	0.4	4.73	4.3	-2.3	15.5	24.2	84.5	75.8
Niger	8	10.8	5.1	1.79	1.93	2.1	0	2.6	100	97.5
Senegal	91.4	53.4	-7.3	18.91	8.91	-9.7	30.6	79.3	70.4	20.7
Beer (3133-04)										
Burkina Faso	116.9	713.9	25.1	19.7	97.72	21.9	106.1	100	0.2	0
Cote d'Ivoire	606.1	1314.6	10	93.6	153.09	6.2	99.4	102.3	3.9	0.8
Mali	34	51.4	2.8	5.75	6.99		27.4	18.1	72.7	81.9
Niger	43.5	104.1	11.9	9.7	18.36	8.7	93.6	88.4	6.4	11.6
Senegal	146	185.9	3.3	30.19	31.05	0.6	96.6	97.4	4.4	2.6
Soft Drinks (3134-04)										
Burkina Faso	58.8	180.5	14.5	9.92	24.71	11.5	99.7	100.1	0.3	0
Cote d'Ivoire	446	580.8	4	68.87	67.64	0.4	100.1	99.7	0.2	0.7
Mali	22.1	24.4	1.2	3.74	3.31	-1.6	97.9	82.1	2.1	18
Niger	24.7	89.4	18	5.52	15.78	14.6	98.4	96.2	1.6	3.8
Senegal	223.6	296.2	3.9	46.25	49.47	1.2	102.3	98.4	0.4	1.7
Cotton, woven fabrics (3211-28)										
Burkina Faso										
Cote d'Ivoire	122	133.5	0.1	18.86	15.54	-3.4	66.4	94.4	43.2	20.3
Mali		22.5			3.11			94		6.5
Niger	12.7	20	9.1	2.84	3.65	6	86.2	39.9	15.5	62.1
Senegal	20.8	25.8	5.3	4.31	4.37	2.5	41.6	29.1	76.1	72

TABLE A-5.6 -- (Continued)

APPARENT CONSUMPTION OF MANUFACTURED PRODUCTS 1973-1975 AND 1981-1983 (continued)

Average annual apparent consumption

Country	Total (thousand tons)		Growth Rate (percent) 1973-83	Per 1,000 inhab (tons)		Growth Ratio (percent)	Production as % of Apparent Consumption		Imports as % of Apparent Consumption	
	1973-75	1981-83		1973-75	1981-83		1973-75	1981-83	1973-75	1981-83

Footwear, excluding rubber footwear (3240-00)										
Burkina Faso	0.4	0.5	2.2	0.07	0.06	-0.4	84.8	80.4	17.4	21.1
Cote d'Ivoire	8.8	7.7	-1.4	1.36	0.9	-4.8	81.6	83.2	19.7	26.3
Mali	0.4	0.6	4.6	0.07	0.08	1.8	70.5	90.7	30.1	9.4
Niger	0.3	0.8	10.1	0.07	0.14	7	60.8	83.3	39.3	18.1
Senegal	3.7	4.1	0.6	0.77	0.68	-2	119.3	95.6	5.9	13.1
Kraft paper and kraft paperboard (3411-25)										
Burkina Faso	0.4	0.7	4.9	0.07	0.1	2.2			100	101.4
Cote d'Ivoire	23.1	31.7	4.5	3.56	3.69	0.9			100	100.2
Mali	0.1	0.3	20	0.01	0.04	16.8			100.5	100
Niger	0.1	0.1	-2.6	0.02	0.01	-5.4			100	100
Senegal	5.7	6	-0.5	1.19	1	-3.2			100.1	100
Nitrogenous fertilizers (3512-01)										
Burkina Faso	0.5	3.5	24.3	0.08	0.2	21.1			100	100
Cote d'Ivoire	6.6	10.6	9.2	1.02	1.23	5.4	77.5	22.1	60.3	92.7
Mali	3.2	5.6	5.7	0.54	0.76	2.8			100	100
Niger	0.2	1.6	23.8	0.04	0.28	20.3			100	100
Senegal	8.6	5.4	-6	1.78	0.91	-8.5	86.9	71.1	47.1	73
Phosphatic fertilizers (3512-04,07)										
Burkina Faso	0.5	5	40.9	0.05	0.68	37.3			100	100
Cote d'Ivoire	6.6	9.4	5.2	1.01	1.1	1.6	78.2	28.3	56	104.9
Mali	2.8	3.1	3.1	0.47	0.43	0.03			100	100
Niger	0.2	1.3	21.1	0.03	0.22	17.6			100	100
Senegal	14.3	11.6	-1.2	2.95	1.94	-3.8	148.9	204	13.9	0.5

APPARENT CONSUMPTION OF MANUFACTURED PRODUCTS 1973-1975 AND 1981-1983 (continued)

Average annual apparent consumption

Country	Total (thousand tons)		Growth Rate (percent) 1973-83	Per 1,000 inhab (tons)		Growth Ratio (percent)	Production as % of Apparent Consumption		Imports as % of Apparent Consumption	
	1973-75	1981-83		1973-75	1981-83		1973-75	1981-83	1973-75	1981-83

Potassic fertilizers (3512-10)										
Burkina Faso	0.2	2.7	38.9	9.04	0.037	35.4	0	0	100	100
Cote d'Ivoire	18.6	26.4	4.3	2.87	3.07	0.7	0	0	104.1	100.1
Mali	0.2	2.8	39.7	0.04	0.38	36	0	0	100	100
Niger	0	0.6	34.4	0.01	0.1	30.5	0	0	100	100
Senegal	13.3	8.1	-6.5	2.75	1.36	-9	0	0	100	100
Soap (3523-01)										
Burkina Faso	3.6	17.7	20.8	0.6	2.42	17.7	94.6	97	5.4	3.1
Cote d'Ivoire	20.8	34.1	6.9	3.22	3.97	3.2	95.9	114.5	6	2.4
Mali	4.9	4.7	0.4	0.83	0.64	-2.3	98.2	38.5	7.2	61.9
Niger	2.9	6.5	9.8	0.64	1.17	6.6	97.5	97.6	2.6	2.4
Senegal	18	36.4	9.1	3.72	6.08	6.2	106.5	100.5	1.4	1.4
Motor gasoline (3530-07A)										
Burkina Faso	24.3	55.7	11.5	4.1	7.62	8.7	0	0	100	100
Cote d'Ivoire	181.7	254.7	4.7	28.05	29.06	1.1	128.4	94.6	3.9	33.9
Mali	33.7	55.3	5.9	5.69	7.62	3.1	0	0		
Niger	19	38.7	9.2	4.24	6.82	6	0	0	100	100
Senegal	90.3	121	3.2	18.68	21.21	0.5	114.8	76.6	10	48.2
Cement (3692-04)										
Burkina Faso										
Cote d'Ivoire	1219.9	1580.9	2.7	188.38	184.11	-0.09	54.8	62	51.6	50.3
Mali	56.4	156.8	11.2	9.52	21.31	8.2	82.8	18.3	17.4	81.7
Niger	26.4	134.5	26.6	5.9	24.49	23	84.5	30.5	15.6	69.6
Senegal	248.1	340	6.8	51.31	73.5	4	132.6	87.8	3.7	12.3

ANNEX 6
IMPORT/EXPORT STATISTICS
BY COUNTRY AND SIC CODE

1987

EXPORTS, BY COUNTRY

COUNTRY	Weight	%	Val. Customs	%	Tot Taxes	%	Val. FOB	%
France	4601651	4.92%	348,328,258	0.87%	13,391,406	1.14%	361,719,664	0.83%
Belg. Luxembourg	206535	0.22%	41,283,809	0.10%	1,524,002	0.13%	42,807,811	0.10%
Pays-Bas	285359	0.31%	51,810,820	0.13%	900,000	0.08%	52,710,820	0.13%
Italie	112765	0.12%	31,046,425	0.08%	2,087,083	0.18%	33,133,508	0.08%
Royaume-Uni	73550	0.08%	5,356,300	0.02%	63,800	0.01%	6,420,100	0.02%
Danemark	1920	0.00%	130,560	0.00%	0	0.00%	130,560	0.00%
NORvege	21620	0.02%	1,470,160	0.00%	0	0.00%	1,470,160	0.00%
Suede	96261	0.10%	11,074,880	0.03%	0	0.00%	11,074,880	0.03%
Suisse	2732387	2.92%	2,776,368,550	6.96%	94,517,293	8.06%	2,870,885,843	6.99%
Espagne	97756	0.10%	32,349,700	0.08%	1,749,584	0.15%	34,099,284	0.08%
Soviet Union	9011	0.01%	1,158,100	0.00%	92,668	0.01%	1,250,768	0.00%
Maroc	4056	0.00%	365,000	0.00%	10,950	0.00%	375,950	0.00%
Algerie	520720	0.56%	99,390,000	0.25%	8,532,200	0.73%	107,922,200	0.26%
Libye	8400	0.01%	2,800,000	0.01%	224,000	0.02%	3,024,000	0.01%
Mauritanie	575304	0.62%	63,364,900	0.16%	2,346,217	0.20%	65,711,117	0.16%
Burkina Faso	889678	0.95%	193,109,250	0.48%	17,095,713	1.45%	210,204,963	0.51%
Niger	53852	0.06%	67,805,480	0.17%	2,028,764	0.17%	69,834,244	0.17%
Tchad	11500	0.01%	13,236,900	0.03%	397,107	0.03%	13,634,007	0.03%
Senegal	13962242	14.93%	14,073,183,688	35.26%	535,617,983	45.70%	14,608,801,671	35.55%
Gambie	6000	0.01%	1,200,000	0.00%	96,000	0.01%	1,296,000	0.00%
Guinee	10936	0.01%	20,822,015	0.05%	475,788	0.04%	21,297,803	0.05%
Liberia	105260	0.11%	28,850,000	0.07%	2,036,500	0.17%	30,886,500	0.08%
Cote d'Ivoire	68698813	73.48%	21,846,474,871	54.73%	482,934,322	41.20%	22,329,379,193	54.35%
Etats Unis	2664	0.00%	18,269,000	0.05%	218,070	0.02%	18,487,070	0.04%
Others	404537	0.43%	185811700	0.47%	5781096	0.49%	191592796	0.47%

	93492777		39,916,060,366		1,172,090,546		41,088,150,912	100%

6/1

IMPORTS BY MAJOR COUNTRY

Country	Weight	Value	%	Taxes	%
France	56,128,350	25,775,443,170	3.8%	5,874,962,906	19.4%
Belgique-Luxembourg	8,721,886	3,789,965,588	0.6%	725,646,657	2.4%
Pays-Bas	48,806,457	7,891,801,882	1.2%	547,552,285	1.8%
Rque Fed. d'Allemagne	15,523,997	6,942,927,272	1.0%	1,557,416,422	5.2%
Italie	5,607,540	3,709,971,969	0.5%	1,065,290,724	3.5%
Royaume Uni	1,430,955	2,887,127,051	0.4%	666,731,881	2.2%
Danemark	2,551,171	918,611,104	0.1%	100,669,188	0.3%
Grece	637,576	236,785,440	0.0%	185,961,995	0.6%
Suisse	2,036,307	1,397,736,669	0.2%	146,183,545	0.5%
Espagne	13,198,166	2,450,448,094	0.4%	528,313,740	1.7%
Union Sovietique	3,919,410	572,581,126,401	83.6%	191,731,157	0.6%
Rep. Democ. d'Allemagne	247,588	114,362,889	0.0%	65,046,837	0.2%
Maroc	321,418	123,252,141	0.0%	82,968,448	0.3%
Mauritania	1,544,099	297,485,224	0.0%	88,559,712	0.3%
Burkina Faso	64,814	44,459,469	0.0%	4,154,448	0.0%
Niger	240,363	22,716,838	0.0%	6,839,899	0.0%
Senegal	71,068,654	9,367,291,735	1.4%	4,661,614,402	15.4%
Gambie	161	152,325	0.0%	0	0.0%
guinee	628,178	31,742,992	0.0%	21,124,473	0.1%
Sierra Leone	2,499	5,850,000	0.0%	81,755	0.0%
Cote d'Ivoire	218,730,520	20,586,732,013	3.0%	6,510,115,011	21.5%
Ghana	135,227	16,836,685	0.0%	9,170,374	0.0%
Togo	2,933,137	418,887,075	0.1%	213,479,275	0.7%
Benin	767,764	118,733,625	0.0%	70,487,875	0.2%
Nigeria	32,221,402	1,222,025,664	0.2%	613,249,282	2.0%
Etats Unis	17,174,633	5,613,921,570	0.8%	1,204,971,605	4.0%
Canada	9,631,210	2,857,327,494	0.4%	2,446,840	0.0%
Thaillande	7,660,095	504,806,340	0.1%	163,693,222	0.5%
Chine	10,112,223	3,023,850,342	0.4%	1,454,596,030	4.8%
Japon	4,199,446	3,737,350,609	0.5%	614,136,551	2.0%
Taiwan	261,382	125,503,479	0.0%	84,618,680	0.3%
Hong Kong	1,935,566	599,675,549	0.1%	377,131,445	1.2%
Other	33,013,798	7,547,530,315	1.1%	2,395,725,252	7.9%
	571,455,992	684,956,419,703		30,235,071,916	

IMPORT STATISTICS FOR SELECTED PRODUCT CATEGORIES 1987
(From customs computer printout)

Nom.	Product	Poids net	Value	Tot. taxes %taxes	Unit imp. value
40220to40	Milk dried- Total	3320217	1883465274	43232665	2.30% 567.27
40260	Milk-non dried, Total	1068641	407361186	50715990	12.45% 381.20
902	Tea Total	199737	322353197	226915770	70.39% 1613.89
901	Coffee Total	116806	6816878	3194748	46.87% 58.36
1006	Rice Total	15566991	835071707	288803890	34.58% 53.64
1701	Sucre	24251133	8197081604	1053991470	12.86% 338.01
31	Fertilizers sulf. Fertilizers urea,other Urea others Total	335300 29815382 8069468 37884850	27358200 2953004239 659911000 3612915239	1798090 19733760 33167050 52900810	6.57% 0.67% 5.03% 1.46% 95.37
	Superphosfates etc	18881795	1881324221	82955501	4.41% 99.64
340110	Soap-(ordinaire)	792632	230572493	147130846	63.81% 290.89
340120	soap (de toilette)	31174 489546	6862320 178877265	6074621 142319614	88.52% 79.56% 220.13 365.39
	Total	1313352	416312078	295525081	70.99% 316.98

TABLE -- (Continued)

Nom.	Product	Poids net	Value	Tot.taxes	%taxes	Unit imp. value
3402	Detergents	172321	103073314	26020282		25.24% 593.15
55	COTTON TEXTILES					
550502	Cotton thread for sawing	1500	2213970	0		
55061	Cotton thread for sawing-retail	29	100485	0		0.00% 3465.00
						ERR ERR
						ERR ERR
55069	dtto for weaving	123867	210248691	60325845		28.69% 1697.37
550901-28	Other cotton fabrics	56099	104538765	56494879		54.04% 1863.47
	"toiles"	68008	117952615	33088943		28.05% 1734.39
	"blanchi ou teint"	117784	225685937	59791782		26.49% 1916.10
	dtto	18232	19837383	8252682		41.60% 1088.05
	dtto	17090	46939700	26635350		56.74% 2746.62
	wax-printed; < 200g	14872	86533636	26151340		30.22% 5818.56
	dtto > 200 g	22313	83224854	29367546		35.29% 3729.88
	Total	314398	684712890	239782522		35.02% 2177.85
						ERR ERR
550922	printed"toile"fancy	29850	100976920	33196950		32.88% 3382.81
	from CEAO	143990	498362400	184497000		37.02% 3461.09
	from Guinee	182	343255	232605		67.76% 1886.02
	other "toile"printed					ERR ERR
55092520	from CEAO	14960	48850800	15906540		32.56% 3265.43
		9750	37863745	1266430		3.34% 3883.46
						ERR ERR
	dtto outside CEAO	31663	50756578	61013305		120.21% 1603.02
	Total	230395	737153698	296112830		40.17% 3199.52

Nom.	Product	Poids net	Value	Tot. taxes %taxes	Unit imp. value		
550934-36	Basin, Damasses	4963	41968019	9179336	21.87%	8456.18	
		146418	1102090029	238779472	21.67%	7527.01	
		33405	281583147	64134789	22.78%	8429.37	
		3188	22804600	5500754	24.12%	7153.26	
		9382	87575500	17764655	20.28%	9334.42	
		from Guinea	300	75000	52250	69.67%	250.00
		2161	23862373	4555632	19.09%	11042.28	
		2670	2,100346	5118482	19.61%	9775.41	
		Total	202487	1586059014	345085370	21.76%	7832.89
550940-48	Other cotton >85%	2808	21962150	3229903	14.71%	7821.28	
		2676	14787600	5249107	35.50%	5526.01	
		1418	3098100	2305345	74.41%	2184.84	
		from Guinea	506	301175	206410	68.53%	595.21
		from Germany	686	1280896	368033	67.77%	1867.20
		from Czech.	4000	3995503	199775	5.00%	998.88
		from Guinea	43747	2136921	1342526	62.83%	48.85
Total	55841	47562345	13401099	28.18%	851.75		
550950-960	cotton <85% CEAO	8585	79654117	20608025	ERR	ERR	
	cotton <85%,outside	29648	225226213	54864891	25.87%	9278.29	
				24.36%	7596.67		

IMPORT STATS FOR 1987

Numero	Product	Poids Net	Value	Total Taxes	% Taxes	Unit Imp
39071011	Plastic	69,638	50,886,951	12,630,890	24.82%	731
39071012	containers	236,270	85,695,742	6,049,125	7.06%	363
39071021		1,633	743,800	417,143	56.08%	455
39071022		1,670	6,371,549	2,857,751	44.85%	3,815
39071030		6,415	3,850,756	2,333,925	60.61%	600
39071040		77,785	56,253,171	2,812,658	5.00%	723
39071050		137,219	109,759,274	28,047,564	25.55%	800
	Total	530,630	313,561,243	55,149,056	17.59%	591
39071511	Plastic Hosp.	20,411	17,908,182	5,127,659	28.63%	877
39071512	containers	15,260	14,441,413	5,070,090	35.11%	946
39071521		114	492,476	189,285	38.44%	4,320
39071522		900	1,098,900	54,945	5.00%	1,221
39071530		106	295,300	181,401	61.43%	2,786
	Total	36,791	34,236,271	10,623,380	31.03%	931
39072500	Plastic pipes	3,891	4,751,700	0	0.00%	1,221
39072510		227,958	165,009,812	502,929	0.30%	724
39072520		14,402	27,334,688	2,909,263	10.64%	1,898
	Total	246,251	197,096,200	3,412,192	1.73%	800
39074000	Plastic Office School Suppli	5,847	19,885,080	11,780,783	59.24%	3,401
39079010	Misc. Plastic	1,065	2,177,700	119,023	5.47%	2,007
39079020		6,624	11,217,740	1,945,868	17.35%	1,693
39079040		57,459	90,053,717	18,814,700	20.89%	1,567
	Total	65,168	103,449,157	20,879,591	20.18%	1,587

146

IMPORT STATS FOR 1987

Numero	Product	Poids Net.	Value	Total Taxes	% Taxes	Unit Imp
60042500	Cocton	2,889	687,458	24,644,290	3584.84%	238
60042510	Underwear	1,882	1,093,400	879,493	80.44%	581
60042522		7,054	7,704,843	4,114,576	53.40%	1,092
60042531		485	352,782	440,190	124.78%	727
60042532		1,584	1,571,200	1,459,380	92.86%	992
		-----	-----	-----	-----	-----
	Total	13,894	11,409,683	31,537,929	276.41%	821
62021000	Bedsheets (cotton)	204,535	100,093,642	91,857,358	91.77%	489
62023000	Table Linen (Cotton)	29,446	7,738,588	7,124,396	92.06%	263
62025000	Linens	3,946	2,982,800	1,826,669	61.24%	756
62025010		46,259	20,129,195	18,850,712	93.65%	435
62025020		24	22,500	0	0.00%	938
		-----	-----	-----	-----	-----
	Total	50,229	23,134,495	20,677,381	89.38%	461
62031000	Jute Sacks	1,051,515	365,419,743	19,502,301	5.34%	348
62032000	Other empty sacks	66,279	70,309,689	3,413,170	4.85%	1,061
62039000	Other sacks	620,794	10,477,919	20,782,429	198.35%	17
63011000	2nd hand	1,734,476	315,094,956	216,918,034	68.84%	182
63012020	clothing	95,527	70,317,700	0	0.00%	736
		-----	-----	-----	-----	-----
	Total	1,830,003	385,412,656	216,918,034	56.28%	211
63021000	Rags	99,275	28,394,351	10,822,324	38.11%	286
64011000	Plastic sandals	636,078	255,792,611	252,863,662	98.85%	402

11/10

IMPORT STATS FOR 1987

Numero	Product	Poids Net	Value	Total Taxes	% Taxes	Unit Imp
64012000	Other sandals	84,824	36,356,861	35,105,435	96.56%	429
69020000	Const'n Ceram	96,720	11,535,950	5,360,318	46.47%	119
69070000	Tiles	195,342	57,944,221	8,859,965	15.29%	297
69080000	Other tiles	1,376,504	197,225,070	65,276,642	33.10%	143
70060000	Window Panes	85,061	23,012,804	6,589,364	28.63%	271
70099000	Mirrors	97,298	26,574,685	13,327,965	50.15%	273
70101030	Plain Glasses	396,246	108,165,116	6,898,654	6.38%	273
82019020	Agric. tools	7,955	10,002,842	1,038,195	10.38%	1,257
83071000	Storm lamps	76,046	45,593,160	25,456,468	55.83%	600
84	Agric. Mach.					
84101000	Pumps <10Kw	6,754	22,201,605	984,242	4.43%	3,287
84101500	Pumps > 10 Kw	11,869	35,709,125	875,720	2.45%	3,009
84101520		2	12,800	6,730	52.58%	6,400
	Total	18,625	57,923,530	1,866,692	3.22%	3,110
84101800	Centrifuge pumps	1,037	7,824,834	393,104	5.02%	7,546
84107300	Other water pumps	139,346	342,675,260	611,846	0.18%	2,459
84108510	Hand pumps	1,339	11,180,066	1,225,922	10.97%	8,350
84108520	< 50Kg	4,888	5,845,015	219,496	3.76%	1,196
	Total	6,227	17,025,081	1,445,418	8.49%	2,734

150

IMPORT STATS FOR 1987

Numero	Product	Poids Net	Value	Total Taxes	% Taxes	Unit Imp
84109000	Spares (handpump)	56,156	70,305,140	1,007,810	1.43%	1,252
84241000	Charrues	146,587	38,259,961	607,863	1.59%	261
84242000	Semoirs	75,134	96,065,263	278,992	0.29%	1,279
84243000	Scarifiers	2,278	2,982,800	167,140	5.60%	1,309
84245000	Other ag mach	1,000,522	349,551,525	193,717	0.06%	349
84246000	Spares	129,766	177,712,241	8,968,760	5.05%	1,369
	Total	1,354,287	664,571,790	10,216,472	1.54%	491
84253010	Other harvest	2,145	4,979,200	41,300	0.83%	2,321
84253020	machines	37,325	125,466,443	123,840	0.10%	3,361
	Total	39,470	130,445,643	165,140	0.13%	3,305
84291000	Seed treat machines	55,860	52,217,633	4,247,905	8.14%	935

191

1. IMPORTS													
PRODUITS	YEAR												
	1982	1982	1983	1983	1984	1984	1985	1985	1986	1986	1987	1987	
CURRENCY	6	FM	%	FM	%	F CFA	%	F CFA	%	F CFA	%	(to 4/30) F CFA	(to 4/30) %
TOTAL	195.3		236.1		169.93		184369		141257		52020		
ALIMENTATION	48.7	24.94%	51.48	21.80%	49.15	28.92%	42326	22.96%	25903	18.34%	8859	17.03%	
Sucre	8.6	4.40%	10.93	4.63%	8.75	5.15%	2957	1.60%	1820	1.29%	323	0.62%	
Cola	18	9.22%	0.62	0.26%	0.54	0.32%	254	0.14%	335	0.24%	51	0.10%	
Boissons	1.4	0.72%	1.14	0.48%	0.69	0.41%	849	0.46%	525	0.37%	106	0.20%	
Cereales	15.5	7.94%	19.15	8.11%	24.97	14.69%	23420	12.70%	16064	7.12%	3521	6.77%	
Lait	4.1	2.10%	3.55	1.50%	3.07	1.81%	2062	1.12%	2538	1.80%	1359	2.61%	
Farine	4	2.05%	0	0.00%	0	0.00%	0	0.00%	284	0.20%	29	0.06%	
The	4.3	2.20%	2.42	1.02%	0.56	0.33%	1936	1.05%	381	0.27%	131	0.25%	
Tabac	4.9	2.51%	4.8	1.95%	2.13	1.25%	3663	1.99%	2633	1.86%	14	0.03%	
Sel	1	0.51%	1.28	0.54%	1.14	0.67%	372	0.53%	196	0.14%	1331	2.56%	
Autres	4.1	2.10%	1.19	0.50%	7.3	4.30%	6240	3.38%	6128	4.34%	1992	3.83%	
BONNETERIES - TEXTILES	19.7	10.09%	24.02	10.17%	12.75	7.50%	13236	7.18%	12727	9.01%	6125	11.77%	
VEHICULE- PIECES DETACHEES	30.4	15.57%	44.24	18.74%	30.85	18.15%	41078	22.28%	31132	22.04%	11740	22.57%	
Machines, appareils electriques et engines mecanique	na	na	15.03	6.37%	10.92	6.43%	16000	8.68%	18200	12.89%	na	na	
Vehicules	na	na	4.65	1.97%	2.94	1.73%	5180	2.81%	3000	2.12%	na	na	
LIBRAIRIE- PAPETERIE	3.2	1.64%	3.06	1.30%	2.11	1.24%	1688	0.92%	2071	1.47%	613	1.18%	
MATERIAUX de CONSTRUCTION	14.3	7.32%	19.91	8.43%	19.59	11.53%	27709	15.03%	16878	11.95%	5516	10.60%	
Ciment	3	1.54%	1.26	0.53%	3.65	2.15%	11353	6.16%	5214	3.69%	1534	2.95%	
CHIMIQUES et PHARMACBUTIQUES	21.4	10.96%	25.5	10.80%	17.98	10.58%	21994	11.93%	18630	13.19%	5969	11.47%	
Pharmaceutiques	na	na	4.5	1.91%	3.06	1.80%	na	na	na	na	na	na	
Engrais	na	na	4.8	2.03%	6.1	3.59%	na	na	na	na	na	na	
Extrants tannants	na	na	na	na	1.14	0.67%	na	na	na	na	na	na	
Plastiques	na	na	3.6	1.52%	2.45	1.44%	na	na	na	na	na	na	
Divers	na	na	na	na	3.15	1.85%	na	na	na	na	na	na	
HYDROCARBURES	54.6	27.96%	64.52	27.33%	33.37	19.64%	34925	18.94%	32776	23.20%	12902	24.80%	
DIVERS	3	1.54%	3.37	1.43%	4.13	2.43%	1409	0.76%	1141	0.81%	295	0.57%	
REPARATION PAR SECTEUR													
PUBLIC				20.16	11.86%	20770	11.27%	13800	9.77%	na	na		

152

RECEASEMENT INDUSTRIAL - 1982-2 - DMI/DMSI/CEPI

1. EMPLOYMENT DATA

INDUSTRY	1968	1972	1977	1981	1977(%)	1981(%)
TOTAL	10316	14353	11820	14192		
ALIMENT/AGRIC	na	na	3347	4092	28.32%	28.83%
ELECTRICITY	na	na	756	844	6.40%	5.95%
CONSTRUCT MATERL	na	na	399	469	3.38%	3.30%
MECH ENGNRNG	na	na	1034	1304	8.75%	9.19%
CHEM PRDCTS	na	na	122	300	1.03%	2.11%
TXTLS/GRMNTS	na	na	5598	6503	47.36%	45.82%
WOOD/PAPER	na	na	564	682	4.77%	4.81%
STATE	9028	9836	6785	7315	57.40%	51.54%
MIXED (inc mixed)	(inc mixed)	(incl mixed)	2758	4084	23.33%	28.78%
PRIVATE	1288	4517	2277	2793	19.26%	19.68%

2. VALUE ADDED

INDUSTRY						
TOTAL	5891	13334	23999	33244		
ALIMENT/AGRIC	na	na	7912	11622	32.97%	34.96%
ELECTRICITY	na	na	2555	3612	10.65%	10.87%
CONSTRUCT MATERL	na	na	700	754	2.92%	2.27%
MECH ENGNRNG	na	na	1954	3966	8.14%	11.93%
CHEM PRDCTS	na	na	355	1020	1.48%	3.07%
TXTLS/GRMNTS	na	na	9085	11026	37.86%	33.17%
WOOD/PAPER	na	na	839	1244	3.50%	3.74%
STATE	3757	8303	11164	13748	46.52%	41.35%
MIXED (inc mixed)	(inc mixed)	(inc mixed)	8657	11344	36.07%	34.12%
PRIVATE	2134	5031	3577	8148	14.90%	24.51%

3. WAGE BILL

TOTAL	1698	3852	7153	10962		
ALIMENT/AGRIC	na	na	1704	4090	23.82%	37.31%
ELECTRICITY	na	na	713	1070	9.97%	9.76%
CONSTRUCT MATERL	na	na	265	469	3.70%	4.28%
MECH ENGNRNG	na	na	641	1134	8.96%	10.34%
CHEM PRDCTS	na	na	81	189	1.13%	1.72%
TXTLS/GRMNTS	na	na	3508	6503	49.04%	59.32%
WOOD/PAPER	na	na	242	381	3.38%	3.48%

4. TURNOVER

TOTAL	14844	30494	76555	103875		
ALIMENT/AGRIC	na	na	27888	33875	36.43%	32.61%
ELECTRICITY	na	na	6111	7993	7.98%	7.69%

CONSTRUCT MATERL	na	na	1752	1378	2.29%	1.33%
MECH ENGNRNG	na	na	6956	11390	9.09%	10.97%
CHEM PRDCTS	na	na	1168	2736	1.53%	2.63%
TITLS/GRMNTS	na	na	31555	44585	41.22%	42.92%
WOOD/PAPER	na	na	1125	2129	1.47%	2.05%
STATE	7915	17112	30126	27876	39.35%	26.84%
MIXED (inc mixed)	(inc mixed)	(inc mixed)	35237	49425	46.03%	47.58%
PRIVATE	4929	13382	11192	26575	14.62%	25.58%

PRIVATE SECTOR ACTIVITY

2337 2680

1. EMPLOYMENT

			1977	% total	1981	% total	1977	1981
ALIMENT/AGRIC	na	666	452	13.50%	670	16.37%	19.34%	25.00%
ELECTRICITY	na	na	18	2.38%	18	2.13%	0.77%	0.67%
CONSTRUCT MATERL	0	0	0	0.00%	0	0.00%	0.00%	0.00%
MECH ENGNRNG	na	462	825	79.79%	825	63.27%	35.30%	30.78%
CHEM PRDCTS	na	337	122	100.00%	300	100.00%	5.22%	11.19%
TITLS/GRMNTS	na	na	646	11.54%	533	8.20%	27.64%	19.89%
WOOD/PAPER	na	na	274	48.58%	334	48.97%	11.72%	12.46%

2. VALUE ADDED

ALIMENT/AGRIC	na	447	352	4.45%	1552	13.35%
ELECTRICITY	na	na	67	2.6%	117	3.24%
CONSTRUCT MATERL	0	0	0	0.00%	0	0.00%
MECH ENGNRNG	na	540	1486	76.05%	2571	67.35%
CHEM PRDCTS	na	220	355	100.00%	1020	100.00%
TITLS/GRMNTS	na	na	908	9.99%	1333	12.09%
WOOD/PAPER	na	na	410	48.87%	766	61.58%

3. TURNOVER

ALIMENT/AGRIC	na	1956	1523	5.46%	7802	23.03%
ELECTRICITY	na	na	271	4.43%	461	5.77%
CONSTRUCT MATERL	0	0	0	0.00%	0	0.00%
MECH ENGNRNG	na	1783	5519	79.34%	8308	72.94%
CHEM PRDCTS	na	556	1168	100.00%	2736	100.00%
TITLS/GRMNTS	na	na	2164	6.86%	3087	6.92%
WOOD/PAPER	na	na	546	48.53%	1368	64.26%

ANNEX 7
LIST OF INDUSTRIAL ENTERPRISES OPERATING
IN MALI IN 1987 (JUNE)

155

LISTE DES ENTREPRISES INDUSTRIELLES EN FONCTIONNEMENT EN 1987
A LA DATE DU 10 JUIN 1987

E. ENTREPRISE ETATIQUEP. ENTREPRISES PRIVEESM. ENTREPRISES MIXTES
N.D. NON DISPONIBLE

DESIGNATION	LOCALITE (1)	ANNEE D'INSTAL. (2)	NATURE JURIDIQUE (3)	CAPITAL SOCIAL (F CFA) (4)
<u>ENTREPRISES AGRICOLES ET ALIM</u>				
1. Mali-Volaille de A. Boucoun	Bamako		P	ND
2. Ferme agricole de Mme. Pauline Diallo	"		P	ND
3. Ferme avicole de Massaman Konaté	"		P	ND
4. Ferme d'embouche bovine de Alphonse Rene à Zougoumé	Kalabancoura		P	ND
5. Abattoir frigorifique de Bamako	Bamako	1965	E	ND
6. Abattoir de Kayes	Kayes	1980	E	ND
7. Abattoir frigorifique de Séwaré (ODEM)	Séwaré	1980	E	ND
8. Abattoir de Ségou	Ségou		E	ND
9 et 10. Complexe Sucrier du Kala Supérieur (SUKALA) (2 usines)	Dougabougou Séribala	1967 1976	E	ND
11. Usine de thé	Sikasso	1967	E	382.000.000
12. Grand Con- fiserie du MALI (GCM)	Bamako	1971	P	50.000.000
13. Unité de conserces de poisson (Opération Pêche Mopti)	Mopti	1970	E	N.D.

4.	Ste. de Conserves Alimentaires du MALI.	BKO(Bagui- neda)	1978	M	152.500.000
5.	Fabrique de Boui- llons Cubes(SOMACUB)	Bamako	1986	P	200.000.000
6.	Fabrique de Cubes JUMBO de la SIPAL	Bamako	1986	P	N.D.
7.	SEPAMA	Kita	1976	M	550.000.000
8.	HUICOMA	Koutiala	1980	M	1.000.000.000
9.	HUICOMA (ex-Sepom)	Koulikoro	1962	M	
10.	SIKA-MALI	Bamako	1982	P	N.D.
	ULB(Union Laitiere de Bamako)	Bamako	1969	M	87.178.379
	Fabrique de boissons gazeuses(Tricon &Sutry)	Ségou	1958	P	1.500.000
	Ste. des Ets. Robert de Liny (LIDO)	Bamako	1957	P	12.500.000
	Ste. Azar et Frères(CDB- Boissons alcoolisés)	Bamako	1970	P	2.500.000
	BRAMALI(Ste des Bra- sseries du Mali.)	Bamako	1985	P	500.000.000
	Unité de glace ali- mentaire(SICMA)	Bamako	1980	P	4.000.000
	Fabrique de glace alimentaire des Ets. A. SIMAGA.	Ségou	1987	P	N.D.
	Fabrique de glace alimentaire de Kalilou Dabo dit Daffa.	Mopti		P.	N.D.
	Fabrique de sucette de la COCEXI.	Bamako	1987	P.	N. D.

30.	Grands Moulins du Mali.	Koulikoro	1982	P.	600.000.000 pour groupe Achcar
31.	SOMABIPAL	Bamako	1970	P	
2.	Rizerie de Kolongotoma- Office du Niger)	Kolongo- toma	1948	E	N.D
3.	Rizerie de Molodo (O.N)	Molodo	1952	E	N.D.
4.	Rizerie de N'Débougou(O.N)	N'Débougou	1977	E	N.D
5.	Rizerie de Dogofri (Kourouma) (O.N.)	Dogofri	1968	E	N.D.
6.	Rizerie de Diafarabé	Diafarabé	1977	E	N.D
7.	Rizerie de Dioro	Dioro	1981	E	N.D.
8.	Rizerie de Sewaré	Séwaré- (Mopti)	1972	E	N.D.
9.	SONATAM (Cigarettes)	Bamako	1965	E	
10.	SONATAM (Allumettes)	Bamako	1967	E	770.742.2
<u>Electricité et Gaz:</u>					
1.	Exploitation EDM-Bamako	Bamako	1961	M	50.000.000
2.	Expl. EDM de Ségou	Ségou	1961		
3.	Expl. EDM de Kayes	Kayes	1962		
4.	Expl. EDM de Sikasso	Sikasso	1963		
5.	Expl. EDM de Koutiala	Koutiala	1972		
6.	Expl. EDM de Bougouni	Bougouni	1976		
7.	Expl. Expl. de Fana	Fana	1980		
8..	Nouvelle Centrale Technique de Mopti	Mopti (Séwaré)	1987		

9.	Barrage de Sélingué (O.E.R.H.V.)	Sélingué	1976	M	ND
10.	Mali-Gaz (gaz industriel)	Bamako	1965	P	45.000.000
11.	Pétromali-Shell (gaz-domestique)	Bamako	1986	P	ND
12.	Ste.Total-Texaco Mali (gaz domestique)	Bamako	1986	P	ND
<u>Matériaux de Construction</u>					
13.	SOCIMA (marbre)	Bamako	1964	E	
14.	SOCIMA (ciment)	Diama	1969	E	3.200.000
15.	Usine de plâtre de Tessalit	Tessalit	1980	Non défini	ND
16.	SIRCOB	Bamako	1983	P	5.700.000
<u>Minerais et Métaux non ferreux</u>					
17.	Unité de broyage et- d'ensacilage de Phosphate de la SONAREM	Bourem	1980	E	ND
18.	Exploitation d'or de la- SOGEMORK	Kalana	1975 (1983)	E	ND
<u>Industries Mécaniques Electriques et Electroniques</u>					
19.	EMAF (Entreprise Malienne de Fonderie)	Bamako	1985	P	ND
20.	Métal-Soudan	Bamako	1956	P	51.660.000
21.	Ateliers Militaires- Centraux (AMC)	Markala	vers- 1929	E	ND
22.	Métal-Kouyaté	Bamako		P	ND
23.	Métal-Mali	Bamako	1953	P	50.000.000

64.	Fabrique de lits- métalliques et grillage de- (Tidon Kanté.	Bamako	1971	P	6.384.500
65.	SEGMA (Ste.d'Emaillage et Galvanisation du Mali)	Bamako	1972	M	40.000.000
66.	SMECMA (materiel agricole)	Bamako	1973	M	251.400.000
67.	TOLMALI	Bamako	1978	P	175.000.000
68.	FONCOMA	Bamako	1963	P	24.500.000
69.	SOMAFAM	Bamako	1967	P	150.000.000
70.	IMACY	Bamako	1969	P	125.000.000
71.	COMANAV	Koulikoro	1961	E	1.567.000
72.	EMAMA (Entreprise Malienne- de Maintenance).	Sikasso	1979	M	155.500.000
73.	BETRAM (Base pour Equipe- ment des Transport du Mali)	Bamako	1978	E	368.500.000
74.	Grand Garage "Mercedès- Mali de Tounkara (groupe- ment Grands Garage.	Bamako	1986	P	ND
75.	Garage Auto-Sport	Bamako	1981	P	25.000.000
76.	Garage Renov-Auto	Bamako	1977	P	ND
77.	Scierie Atelier Garage (S.A.G)	Bamako	1969	P	3.000.000
78.	Garage Moderne de Sogoniko (G.M.S.)	Bamako	1980	P	3.500.000
79.	Atelier de rebobinage de Seydou Diarra.	Bamako	1971	P	3.500.000
80.	EFICA (Maintenance-froid.	Bamako		P	ND
81.	Industrie Malienne de- Soudure (IMAS)	Kati	1985	P	40.000.000
82.	SOMAPIL	Bamako	1976	P	360.000.000
83.	FAMAC	Bamako	1977	P	3.500.000

Industries Chimiques, para
chimiques et pharmaceutiques

84. Ste. Mamadou Sada Diallo et Frères	Bamako	1970	P	190.000.000
85. Ste. des Détergents du Mali (SODEMA)	Bamako	1980	P	25.000.000
86. Usine de Produit Insecticides du Mali (PRIMA).	Bamako	1982	P	34.000.000
87. Générale Malienne de Peinture (GMP).	Bamako	1977	P	20.000.000
88. Ste. Malienne de Peinture et Colorants (SOMAPEC)	Bamako	1977	P	20.000.000
89. SOPARCO (Parfumerie)	Bamako	1972	P	43.00.000
90. SICOPAR (Parfumerie)	Bamako	1985	P	5.000.000
91. COMAFRIQUE	Bamako	1969	P.	91.987.500
92. COMAMOUSSE	Bamako		P	ND
93. Ste. Industrielles des Plastiques (SIP) (ex-Mali Plastique)	Bamako	1967	P	80.000.000
94. Ste. Industrielle de Sandales Plastiques(SISP)	Bamako	1985	P	ND
95. Ste. Africaine de Chaussures et d'Articles Plastiques	Bamako	1985	P	100.000.000
96. Industrie Malienne de Pneu (IMAP)	Bamako	1983	P	12.500.000
97. Usine Malienne de Produits Pharmaceutiques	Bamako	1983	E	N.D.
98 .Entreprise de nettoyage à sec (Cardinal Pressing)	Bamako	1986	P	N.
99. Laboratoire de develop. de Photos de Bakary Camara (Tokyo Color)	Bamako	1987	P	N.
100. Laboratoire de photos en couleur de Mamadou Flama Diakite (Photo cola)	Bamako	1983	P	N.
101. Fabrique de mèches de cheveux de Amadou Djigue.	Bamako	1987	P	N.

Textile - Cuir

102. Usine d'égrenage de Coton CMDT	Bamako	1974	M	N.D
103. Usine d'égrenage de Coton CMDT	Bougouni	1977	M	N.D
104.et 105. Usines d'égrenage de coton CMDT (I et II)	Fana	1969	M	N.D.
106 à 109. Usines d'égrenage de coton CMDT (I,II,III,IV)	Koutiala	1961/65 71 et 86	M	N.D.
110 et 111. Usines d'égrenage de coton CMDT (I et II)	Sikasso	1978	M	N.D
112. Usine d'égrenage de coton CMDT	Ségou		M	N.D.
113. Usine d'égrenage de coton CMDT	San		M	N.D
114. COMATEX	Ségou	1968	E	4.274.220
115. ITEMA	Bamako	1972	M	1.500.000
116. Entreprise de Confection de Waly Bathily (Palais de Vetements)	Bamako	1987	P	N.D.
117. Ste. Malienne de Friperie (SOMAFRI)	Bamako	1973	P	35.000.000
118. Ste. Malienne de Sacherie (SOMASAC)	San	1971	P	462.500.000
119. TAMALI	Bamako	1969	E	246.000.000
<u>Bois - Papiers - Divers</u>				
120. EMAB (Entreprise Malienne du Bois	Bamako	1968	E	146.000.000
121. SOMEPAC (Ste. Malienne d'Emballage en Papier Carton	Bamako	1979	P.	200.000.000
122. Fabrique de fourniture de bureau de la TRANSPA-Mali	Bamako	1984	P	100.000.000
123. Editions et Imprimerie du Mali (EDIM)	Bamako	1950	E	
124. Imprimerie Niambélé	Bamako	1962	P	ND

125.	Imprimerie Bakary Samaké	Bamako	1978	P	80.500.00
126.	Lino Imprimerie Nouvelle	Bamako	1977	P	N.D.
127.	Imprimerie Mali-Offset de Keita	Bamako	1973	P	7.500.00
128.	Imprimerie Mantala Coulibaly	Bamako	1969	P.	ND
129.	Ste. d'Imprimerie Semi-Artisanale (SISA)	Bamako	1970	P	ND
130.	Imprimerie Offset de Medina-Coura	Bamako		P	ND
131.	Continental Papyeraie de Ibrahim Nafo	Bamako	1987	P	5.000.00
<u>Céramiques et Verres</u>					
132.	UCEMA	Bamako	1966	E	135.133.81

Boulangeries et Pâtisseries: Le nombre des boulangeries est estimé à 42.

Savonniers artisanaux: 42 projets ont été agréés de 1980 à 8. On peut penser que 80% environ de ces projets (soient 34 projets) sont réalisés).

Autres unités artisanales:

1. Unité de conditionnement de café torréfié de la SOMACUB à Bamako (réalisé en 1986)
2. Unité semi-artisanales d'aliment de bétail (SMEEPC) à Bamako (réalisé en 82)
3. Coopérative artisanale de couture (COOPAC) à Bamako.

Conclusion:

Il existe actuellement 211 entreprises industrielles et artisanales en activité, dont 42 boulangeries et 36 entreprises artisanales.

Observations:

La Taproma est arrêtée depuis 1984.

Mali-Plastique est devenu la Ste. Industrielle des Plastiques (SIP depuis 1978.)

ANNEX 8
FIRM INTERVIEWS

1. NAME OF ENTERPRISE: FRUITEMA
2. BUSINESS AREA: Fresh fruit exports products: mangoes (95%), green beans (5%)
3. LEGAL REGISTRY: Mixte, 33% State owned, 67 % private (35% French), 15 Malians share other 32%
4. NO. OF EMPLOYEES: 33 fixed and up to 100 during season
5. SALES: NA, but must do between 1,500 and 1,800 tons to break even. Export 35 to France, 30% to Holland, 10 % to G.B., 10% to Belgium
6. MAJOR COMPETITORS: South America
7. SOURCE OF INPUTS: all local fruits and vegetables, import cartons
% cost of production: 35%

Effect of the change in import tariffs: none
8. MARKET: all export
9. SPECIAL INVESTMENT RIGHTS
10. MAJOR CONSTRAINTS:
Air Freight is limited during the season to about 120 tons per week, which they easily fill with mangoes. During the bean season, not enough beans. Are looking into other products to ship in the off season.
11. SOURCE OF TECHNOLOGY: NA
12. PERCENT OF CAPACITY USED: Could greatly expand exports (100%) if had more airfreight. Lots of excess raw materials.

165-

1. NAME OF ENTERPRISE: Hamet Konate Ebeniste
2. BUSINESS AREA: Carpentry, wood working products: furniture and upholstery
3. LEGAL REGISTRY: Individually owned company. Has about 10 mn CFA in equipment
4. NO. OF EMPLOYEES: 4 principal artisans, 26 apprentis (virtually unpaid). Paid by the work they actually perform.
5. SALES: Makes about 7-10 mn in sales per year
6. MAJOR COMPETITORS: 8 other ebenistes in Bamako, many smaller artisans
7. SOURCE OF INPUTS: wood and fixings.
 % cost of production: 70%
 % imported: 100%
 Effect of the change in import tariffs: none felt by him
8. MARKET: all urban, 25% for government orders, 75% for others
9. SPECIAL INVESTMENT RIGHTS: none
10. MAJOR CONSTRAINTS: Limited market. Could work more hours, but no demand. Gets credit from suppliers and if necessary gets a loan from a commercant at 40-50% interest (1 mn for 6 months, repays 1.2 mn CFA). Government slow to pay, then takes the 20% IAS out at time of payment.
11. SOURCE OF TECHNOLOGY: uses imported wood working machines
12. PERCENT OF CAPACITY USED: Only operating at about 50-60%. If could get more work, then would use people more efficiently.

1. NAME OF ENTERPRISE: Mali Reptile
2. BUSINESS AREA: Skins and Hides products: skins 60%, hides 40%
3. LEGAL REGISTRY: Created in 1968
4. NO. OF EMPLOYEES: 50, but buys from 1025 suppliers
5. SALES: 1985: 1 billion; 1986: 800 million; 1987: 600 million (exports)
6. MAJOR COMPETITORS: TAMALI, other traders
7. SOURCE OF INPUTS:
 - % cost of production: 50%
 - % imported: 1%

Effect of the change in import tariffs: none felt by him

8. MARKET: EXPORT and TAMALI
Sells to tannery at 300 cfa/kg top quality hide. In Europe sells 20-40-40 for 1,000 CFA/kg, or 50-50 for 600 cfa/kg. Skins for 1600 CFA/kg. Transport costs Hides: 100 cfa/kg, skins: 140 cfa/kg.

Tannery sells Wet Blue to Chinese for 4,800 CFA/hide, while world price is 11,000 CFA/hide.
9. SPECIAL INVESTMENT RIGHTS: NO
10. MAJOR CONSTRAINTS: Lack of working capital, forced sales to TAMALI at very disadvantageous prices. Purchases at 100-250 CFA/kg hides, 750-850 CFA/kg for skins.
11. SOURCE OF TECHNOLOGY:
12. PERCENT OF CAPACITY USED: Could do a lot more.

1. NAME OF ENTERPRISE: SOGETI
2. BUSINESS AREA: Import society (Centrale d'achat)
 - 1/ "Bon de commande" import on order, financed by themselves, direct shipment to the customer; need no warehouse.
 - 2/ Tenders; buy the "dossier", prepare tender-often in collaboration with their main French partner.
3. LEGAL REGISTRY Private-two Malian partners 50-50% date of creation 1984.
4. NO. OF EMPLOYEES 7
5. OVERALL LEVEL OF BUSINESS (SALES) 150 million FCFA in 1987 but 230 in 1986 and 600 million in 1985. For 1988 expect only 70 million CFAF. Profitable with high taxes.
6. MAJOR COMPETITORS: SOMACOF, UNIMEX, NOSOCOM, BOLIBANA and 6+ others in the same line of business Foreign contractors on large projects who import directly or using their own Purchasing departments abroad.
7. SOURCE OF INPUTS does not apply!

Effect of the change in import tariffs none
8. MARKET: to local firms and projects (tenders)
9. SPECIAL INVESTMENT RIGHTS? None
10. MAJOR CONSTRAINTS ENCOUNTERED

1/ Financial; they have, in case of tenders, deposit an important "caution" in the bank to cover the warranty; 2/ Taxes are prohibitive; In their case of two majority shareholders, their profit is subject to 45% BIC, then dividend to 18% and when received by the shareholder, he pays again 25% BIC which leaves him 33.75% of the original profit. On this balance is paid the regular income tax IGR, depending on family size etc. He declared that they are "obliged" to cheat in this over taxed system. He feels that the "young" businessmen are not well represented neither in the Chamber of Commerce nor in the Federation des employeurs, both being controlled by the "old and rich" traders, who are mostly operating without accounting and do not pay taxes.

PROPOSALS: 1/ to improve the situation in the CC and in the EdF, the state should subject all members of CC or of the FdE to an "Enquete de moralite economique", something that is apparently being used for important public service nominations. This should "clean" the business organisation.

2/ To force the foreign enterprises participating in public works (and tenders) to use Malian firm as their purchasing agent.

This apparently exists already for transitaires and insurance.

168

1. NAME OF ENTERPRISE: SOPROMA
2. BUSINESS AREA: Agricultural exports

products: before graines de coton, Karite nuts, and skins and hides. Now only skins and hides.
3. LEGAL REGISTRY: SARL, 100% private date of creation
4. NO. OF EMPLOYEES: 60 (down from 100)
5. SALES: NA

% EXPORTS: 100%, has potential to export 65 Tons of skins and hides per month, but the TAMALI has blocked all exports to ensure that they get the quantity they need for local tanning.
6. MAJOR COMPETITORS: TAMALI, 3 other large skins traders
7. SOURCE OF INPUTS: 99.9% local

Effect of the change in import tariffs: none
8. MARKET: TAMALI, England, France, Italy, Spain, Scandanavia
9. SPECIAL INVESTMENT RIGHTS: no
10. MAJOR CONSTRAINTS:

Lost rights to export Karite when local factory was built. Factory failed, but Mali lost its market in England for Karite nuts. CMDT took away his market for graine de coton when they saw him making money on it, since they controlled the source. TAMALI has forced them to stop exporting all skins and hides until they can supply the tannery with a sufficient number of quality hides. TAMALI cannot use the skins, but has included them in the export ban.
11. SOURCE OF TECHNOLOGY: none used
12. PERCENT OF CAPACITY USED: since not allowed to export, has had to curtail sales. Warehouse is overflowing with skins and hides. If export limits were removed, would hire another 20 or so people.

Has many ideas for other kinds of projects to be done, but is having trouble getting through the political machinations required to get approval (permission to locate factories, code d'Investissement, etc.).

1. NAME OF ENTERPRISE: IMACY
2. BUSINESS AREA: Bicycle production
products: bicycles, mobylettes, Honda motos, pushcarts.
3. LEGAL REGISTRY: SARL, 100% private, owned now by CFAO but before was a consortium including Peugeot among others.
date of creation: 1969, started producing in 1970.
4. EMPLOYEES: 76 permanent, 12 temps. Was over 100 3 yrs ago.
5. SALES: 1986: 1,356 million 1987: 1,272 million
Profits 1986: 43 million 1987: 2 million
No real capacity to export.
6. MAJOR COMPETITORS: Imports (legal and illegal), but still have 80% of total market.
7. SOURCE OF INPUTS: France and Ivory Coast
% cost of production: 65%
% imported: almost all
Change in import tariffs increased cost of inputs and final product.
8. MARKET: Urban 20%, Rural 60%, Large company orders 20%.
9. SPECIAL INVESTMENT RIGHTS: Got agreement in beginning, but now used up. Did not bother to get agreement for start-up of Honda operation, because takes up to 3 years to get.
10. MAJOR CONSTRAINTS: limited market and purchasing power of public.
11. SOURCE OF TECHNOLOGY: France
12. PERCENT OF CAPACITY USED: could do 30,000 bicycles and 20,000 mobylettes per yr if double shift. However, in 1987, did only 7,000 and 4,000 down from 13,000 and 11,000 in 1980. If were to reach single shift capacity (i.e. double actual sales), would hire additional 15 people.

1. **NAME OF ENTERPRISE:** Societe Sado Diallo et Fils
2. **BUSINESS AREA:** Chemical Products
products: Vinegar, Bleach, Plastic houseware, PVC tube, PVC bags, Soap.
3. **LEGAL REGISTRY:** SARL, 100% owned by Diallo family. Created in 1970, with capital investment of 195 mn CFA, increased to about 2 bn CFA.
4. **NO. EMPLOYEES:** about 500 at peak (temporary layoffs during slow periods).
5. **SALES:** 2 bn sales in 1987. Have increased each year. Profitable. Export about 80 mn CFA in vinegar to Burkina Faso.
6. **MAJOR COMPETITORS:** None for major lines (bleach, vinegar, PVC tubes). Imported plastic ware provides major competition, then from fraud rather than legal imports.
7. **SOURCE OF INPUTS**
 - % cost of production: 35%
 - % imported: Most imported except for alcohol for Vinegar (local from sugar refinery) and fatty materials for soaps (depends on prices here and abroad). All plastic granules imported.

Effect of the change in import tariffs inputs: are correctly taxed to allow them to be profitable.

final product: problem on fraud, not on taxes
8. **MARKET:** Sell Bleach to Energie du Mali (only supplier), produce as much as needed. Have virtual monopoly on vinegar market (produce more than capacity of Mali)
9. **INVESTMENT PRIVILEGES:** With each new line, get special dispensations for that product.
10. **MAJOR CONSTRAINTS:** Fraud, 2) limited market
11. **SOURCE OF TECHNOLOGY:** Germany (vinegar), Italy (bleach), France (plastic sacks).
12. **% OF CAPACITY USED:** Varies: 100% for Vinegar, 100% Bleach, 25% for plastic, 50% for PVC.

Limited capacity to expand employment with present technology.

1. NAME OF ENTERPRISE: SIPAL
2. BUSINESS AREA: Food Products
products: Bouillon Cubes (Jumbo)
3. LEGAL REGISTRY: SARL, 100% private, 5 partners created it in 1986 with a capital of 65 million CFA.
4. NO. OF EMPLOYEES: 70
5. SALES: 1.3 billion CFA in 1987, expected to increase to 2 bn in 1988. No exports, because of licensing agreement with Jumbo, which at the same time protects them from other Jumbo imports. Jumbo currently controls about 75% of the market but much loss to fraudulent imports of Jumbo from other countries. Profitable.
6. MAJOR COMPETITORS: Locally produced Viadox (7% of market), Magi (14.6%) imported and several other brands
7. SOURCE OF INPUTS
% imported: 100% of inputs imported from France (Jumbo powder).

Effect of the change in import tariffs on inputs:
will reduce the level of tariff by 30-40% on their raw materials, from 86.25% to 46%.

final product:
8. MARKETING: Total market for bouillon cubes is about 3,000 to 3,500 tons per year. SIPAL sold 1,000 tons in 1987. Sells mainly to wholesalers, but has distribution network of its own to reach isolated locations. Bamako district accounts for about 50% of sales, Kayes is second. Major drop in sales to Segou because of illegal imports of Jumbo from Togo.
9. INVESTMENT BENEFITS: No import tariffs until 1989 (pay only 5% CPS and IAS of 20%). No Income taxes
10. MAJOR CONSTRAINTS: Illegal imports from Guinea and Sierra Leone (solved) and Togo and Niger. Will face serious problem when investment privileges expire in 1989.
11. SOURCE OF TECHNOLOGY: License with Spanish company who sells raw material and gets 3% of sales but provides significant benefits.
12. PERCENT OF CAPACITY USED: about 65%, limited potential to increase employment.

1. NAME OF ENTERPRISE: SMECMA
2. BUSINESS AREA: Agricultural machinery for animal traction
 - products Ploughs(3 types), "multiculteur"
 - "1 ton charette"
3. LEGAL REGISTRY: mixte: Mali state 84%, French ACODAM and its subsidiary CEFAO; date of creation 1974
4. NO. OF EMPLOYEES 112 permanent and sometimes temporary
5. OVERALL LEVEL OF BUSINESS (SALES) 610 millions FCFA (1987) losses before from 1984 on (about 300 million/year)
EXPORTS occasionally to CEAO countries
PROFITS: 20 millions in 1987, but paid no taxes due to previous losses
6. MAJOR COMPETITOR: local -CREPA Conseil (imports unassembled eqpt. from France imports indirectly SISMA (imports from Senegal not for animal traction);
7. SOURCE OF INPUTS
 - % cost of production 75%
 - % imported 50% (Improved integration in 1987, before 80%)

Effect of the change in import tariffs inputs: no effect do not pay duties

MARKET: rural 100% to "zone encadres". However 2/3 of the potential market is outside zones encadres
9. SPECIAL INVESTMENT RIGHTS: yes (did not pay most taxes and duties; have and used the right to authorize imports of agricultural equipment, based on their vocation of being a "societe d'etude". Dir. du machinisme agricole test the equipment whether it is adapted for the local conditions and when found unsuitable its extension service (vulgarisation) does not recommend it - this makes it unsalable.
10. MAJOR CONSTRAINTS: Their prices were fixed (6 years) at a level that made them unable to cover costs in period of low demand due to drought. Prices of inputs to high due to taxes. State did not pay subsidies.
11. SOURCE OF TECHNOLOGY: Originally l'ACODAM, but no assistance from 1981. Negotiate now with MOUZON
 - Joint venture: SMCMA is in the process of privatisation and its capital is likely to be shared as follows: 30% private Mali, 35% CMDT, 35% CODAM and MOUZON France,
12. PERCENT OF CAPACITY USED 50-75%: Full capacity production would be 45 000 pieces of equipment; they could produce it with the existing staff working overtime.

1. NAME OF ENTERPRISE: Societe Malien d'Elevage, Engrais et Produits Chimique (SMEEPC)
2. BUSINESS AREA: Agricultural inputs
products: fertilizer, pesticide, animal feed (chicken)
3. LEGAL REGISTRY: 100% private (50% Malien, 50% French)
date of creation: 1981
4. NO. OF EMPLOYEES: 10 (down from 20 two yrs ago)
5. SALES: between 300 mn and 1 bn CFA depending if they supply goods or are simply handling them for parent company (no difference in profitability). Have 80 mn in retail sales in Bmko, of which 32 mn is animal feed.

Lost money in last 2 yrs, particularly 53 mn in 1987.
6. MAJOR COMPETITORS: Import agents for fert. and pest. No real competitor for animal feed. Few retailers in fertilizer, bring in by fraud from Nigeria. Hoechst was the only other quality competitor, but they closed.
7. SOURCE OF INPUTS: for chicken feed, 95% local

Effect of the change in import tariffs: none
8. MARKET for retail fert and chicken feed: mostly civil servants and small farmers near Bamako.

Real market is the large fertilizer orders by projects (OHV, CMDT, ON, Complex Sucrier) and supply of chemicals to Usine Industrielle d'Insecticide. Have no success with local government run contracting, must be contracted by Donors for them to have a chance.
9. SPECIAL INVESTMENT RIGHTS: benefitted from agreement, now expired.
10. MAJOR CONSTRAINTS ENCOUNTERED: Fraud on import of fertilizer and on the award of large contracts. They are the only firm which is "in order" which can provide good follow-up to sales, but still lose large contracts to agencies with politically impt. reps. As a result, have given 50% of company to an influential Malien who they hope will make them competitive for these contracts.
11. SOURCE OF TECHNOLOGY:
12. PERCENT OF CAPACITY USED: only 3% for animal feed.

1. **NAME OF ENTERPRISE:** TAMALI
2. **BUSINESS AREA:** Tannery
products: Wet Blue, some semi-processed skins for artisan sandals and belts (about 3,000 pairs of shoes/yr).
3. **LEGAL REGISTRY:** 100% State owned, statute: Societe d'Etat.
date of creation: 1970, but reborn in 1985 after bankruptcy.
4. **NO. OF EMPLOYEES:** 70 plus about 20 daily workers.
5. **SALES:** 450 million CFA in 1987, increased steadily since 1985.
% EXPORTS 87-90%, exported to P.R. China.
PROFIT: made profit in last years since co-gestion began with Chinese.
6. **MAJOR COMPETITORS:** no direct competitors for tanned goods in Mali. Have fixed price contract with Chinese for sale of goods.
7. **SOURCE OF INPUTS:** Local, but must be purchased from buying agents. Buy skins at About 1,500 CFA/skin. Skins are about 50-60% of cost of production.

Effect of the change in import tariffs: none.
8. **MARKET:** primarily export.
9. **SPECIAL INVESTMENT RIGHTS:** When began new management with Chinese, received agreement from government for no Tax privileges.
10. **MAJOR CONSTRAINTS:** Limited supply of quality skins to tan. Only bought 105,000 skins because that was available supply.
11. **SOURCE OF TECHNOLOGY:** China
12. **PERCENT OF CAPACITY USED:** About 65%, but would require additional investments to renew the equipment to reach this capacity. If production reached capacity of 150,000 skins/yr, then need to hire about 10 additional workers.

115

1. NAME OF ENTERPRISE: Union Laitiere de Bamako (ULB)
2. BUSINESS AREA: Dairy products
products: milk, yogurt, curdled milk, butter, cream
3. LEGAL REGISTRY: 100% state owned at present,
date of creation: 1977
4. NO. OF EMPLOYEES: 76-80
5. SALES: 750 mn in 1986 and 800 mn in 1987.
15,000 liters/milk/day from 1985-1987. In 1984, sold 30,000 liters/day.
Sales dropped by 50% when price rose and started buying local milk.

LOSS: lost 265 mn in 87, 319 mn in 86.
6. MAJOR COMPETITORS: Local milk producers(suppliers). Imports of cream and
butter from CEE countries.
7. SOURCE INPUTS: 25% local milk, 75% imported powder milk from CEE
(subsidized). Could buy up to 11,000 liters locally, but
price is too high, cannot afford to, so only buy 3-4000
liters of fresh milk per day

Plastic bags and containers for milk and yogurt from France and Italy: local
pdct too poor quality to use.

% cost of production: 70%
Effect of the change in import tariffs: none
8. MARKET: 95% Bamako, 5% Segou, Bougouni, Koulikoro.
9. SPECIAL INVESTMENT RIGHTS: yes, but expired
10. MAJOR CONSTRAINTS: Price of local milk is 238 cfa/liter leading to cost of
production of 354 cfa/liter, but sales price is only 250 cfa/liter. Therefore lose
104 cfa/l of local milk. Powdered milk costs only 131 cfa to produce
(subsidized CEE powder) with sales price of 150 cfa. Purchase price of local
milk is major constraint as local farmers sell at 150-190 in the towns after
boiling milk themselves.
11. SOURCE OF TECHNOLOGY: Italy
12. PERCENT OF CAPACITY USED: less than 50%. No change in employment to
reach 100%.

176

1. **NAME OF ENTERPRISE:** Usine Malienne des Produits Pharmaceutique
2. **BUSINESS AREA:** Pharmaceutical Production
products: Pills, Injectable powders, syrups, etc
3. **LEGAL REGISTRY:** State Owned
date of creation: 1973, began production 1983
4. **NO. OF EMPLOYEES:** 194, including 22 chinese. Managed by the Chinese
5. **SALES:** 1987, 1.123 bn CFA, no exports, profits of 126 mn CFA. Could export if become more competitive, but have lost several proposals. Large export contract would enable them to lower their costs, so could sell below legal price. Keep three month supply in inventory!!!!
6. **MAJOR COMPETITORS**
local/imports: benefit from import barrier on all of their products, no legal competition.
7. **SOURCE OF INPUTS:** China, Germany, France
% imported: 100%
Effect of the change in import tariffs: none
8. **MARKET:** Sell to Pharm. Populaire (47%), Army (.3%), Min Health (23%), INPS (6%) and to certain large Depots (22%). No private sales, must sell all to the Pharm. Populaire who then distributes.
9. **SPECIAL INVESTMENT RIGHTS?** Yes, Monopoly
10. **MAJOR CONSTRAINTS:** Distribution network unable to get products to market, limiting ability to produce. PPM purchases way down (expected to be 433 mn, only 258 mn in 1987). Believe that liberalized sales would increase amount sold.
11. **SOURCE OF TECHNOLOGY** China, is a joint venture.
12. **PERCENT OF CAPACITY USED**
Currently functioning at about 75%. Could easily produce more. Increase in production would not lead to more employment as the no. of employees is necessary to run the line.

ENTERPRISE QUESTIONNAIRE

1. NAME OF ENTERPRISE UNEGOCE
2. BUSINESS AREA Exclusive importer and representative of
Renault; Rhone-Poulenc and Union Carbide

Products: Automotive and agro-chemicals
3. LEGAL REGISTRY
Private-state-mixte (%) 100% private-One Malian
4. No. OF EMPLOYEES 30
5. OVERALL LEVEL OF BUSINESS (SALES) Automotive: 1 billion
Agrochemicals: 1 Billion

% Exports 0
6. MAJOR COMPETITORS Agro SMPC and other occasional importers

local/imports
7. SOURCE OF INPUTS
% cost of production
% imported
Effect of the change in import tariffs
inputs: positive effect on agro-chemicals
final products: 0
8. MARKET (TO WHOM SELL) Urban (%) RURAL (%)
9. SPECIAL INVESTMENT RIGHTS 0
10. MAJOR CONSTRAINTS ENCOUNTERED Everybody should pay taxes and tariffs. The fraud hits the legally operating firms. All constraints are still in place. Price liberalisation led to bankruptcies.
11. SOURCE OF TECHNOLOGY
12. PERCENT OF CAPACITY USED
Potential to increase employment with increase capacity use
13. COMMENTS: Automotive trade is plagued by fraud; The Government should take strict measures, enforce taxes and implement reductions later. Have problems to be paid for sales to the public sector and Government.
Reasons for optimism: 1. Have doubled their sales from 1986 and hope to triple them in 1989.
2. The old traditional traders are being replaced by young, modern well educated businessmen and technicians!
2. Hope to export to CEAO countries agro-chemical products which they will "assembly" in Mali, mixing imported chemicals with local cotton oil.

ENTERPRISE QUESTIONNAIRE

1. NAME OF ENTERPRISE TOLMALI
2. BUSINESS AREA Construction materials
Products: Galvanized sheet metal roofing, nails, aluminium,
3. LEGAL REGISTRY
Private-state-mixte (%) Mixte; 46% Malian, 54% IPS (Cote d'Ivoire)
4. No. OF EMPLOYEES 24
5. OVERALL LEVEL OF BUSINESS (SALES) 3000 tonnes; 1 billion FCFA
% Exports: negligible
6. MAJOR COMPETITORS SOMAFAM
local/imports
7. SOURCE OF INPUTS
% cost of production 80%
% imported 100 (Cote d'Ivoire - IPS)

Effect of the change in import tariffs:
inputs: -5%
final products: 0
8. MARKET (TO WHOM SELL) Urban (%) RURAL (%)
9. SPECIAL INVESTMENT RIGHTS Had them initially but had to abandon them and change the "regime".
10. MAJOR CONSTRAINTS ENCOUNTERED Low level of disposable income of workers, decrease in real wages led to decline in demand for housing.
11. SOURCE OF TECHNOLOGY
Their shareholder IPS provides technical and management assistance
12. PERCENT OF CAPACITY USED
Potential to increase employment with increase capacity use
Capacity 10 000 t/year with 2 shifts
"- 3 000 t/year with a single shift
If the production attained 5 000 t they could start paying overtime-they prefer this to hiring new workers.
13. COMMENTS Reduction of import tariffs ok! The cost of electricity should be also decreased, it is too high in comparison with the surrounding countries. In order to enhance exports the export tax should be eliminated!

ENTERPRISE QUESTIONNAIRE

1. NAME OF ENTERPRISE ITEMA Mr. TRaore PDG
2. BUSINESS AREA Textile
- Products: filature de cotton, weaving, printing
3. LEGAL REGISTRY
- Private-state-mixte (%)
- 66% 33% created in 1972
4. No. OF EMPLOYEES 815 permanent empl.+45 temporary empl.
5. OVERALL LEVEL OF BUSINESS (SALES) 5 535 million FCFA
- % Exports 23% (Togo, Cote d' Ivoire, Senegal)
- Profits: 111 million in 1987
- 548 million in 1986
6. MAJOR COMPETITORS
- local: COMATEX negligible
- imports: illegal imports chinese "fancy" via Guinea and
Mauretania caused 1 billion in lost sales in 87
7. SOURCE OF INPUTS
- % cost of production 47% cotton,
- % imported 20% chemicals
- Tariff reduction on inputs had small effect
do not pay duties
8. MARKET (TO WHOM SELL) URBAN 30%(wax, bazin)
RURAL 70% (fancy)
9. SPECIAL INVESTMENT RIGHTS Yes! Convention d'etablissement-do
not pay duties only the tax de prestation de services 5%
10. MAJOR CONSTRAINTS ENCOUNTERED
- Weak purchasing power, fraude, high price of cotton
11. SOURCE OF TECHNOLOGY
- Have hired technical personnel from France
12. PERCENT OF CAPACITY USED
- Potential to increase employment with increase capacity use
Function at 75% of capacity. If the sales increased 20%,
they would extend the capacity of the filature to 2100 t/year and
increase employment by 135 workers. They would invest in a new
printing machine if the sales exceeded 16 000 000 m/year. (The
capacity of the local market estimated between 16 000 and 20 000
thousand meters/year; some 2 000 000 covered by COMATEX, which
could produce more because they now have the same printing
machine like ITEMA (16 M.t/year)).
13. COMMENTS State did not pay its employees, this decreased the
level of demand. Illegal imports of cheap "fancy" from Guinea
made possible by the black market for convertible currency (FCFA)
in Guinea. State fixes salaries in public and mixed enterprises
irrespective of their performance-disincentive!

180-

ANNEX 9
MALIAN TAX SYSTEM

ANNEX 9

MALIAN TAX SYSTEM

MARGINAL TAX RATES ON INCOME TAX

The principal taxes of interest to business under the Malian tax code can be divided into direct taxes on the businesses and indirect sales taxes. Direct taxes are the Patente, Benefices Industriel et Commercial (BIC -- company taxes), Impot sur Revenus valeur Mobiliere (IRVM -- dividend taxes), the Impot General sur Revenus (IGR -- personal income tax), the Impots sur Revenus Fonciers (IRF -- tax on rental income), the Impot Minimum Forfaitaire (IMF -- minimum tax assessed on level of sales) the Contribution Forfaitaire sur Salaires (CF) and the Taxe de Main-Morte (property tax). The primary indirect taxes are the Impots sur Affaires et Services (IAS -- a cascading sales tax), and specific additional sales taxes on certain products such as tobacco, soft drinks, and alcohol.

The marginal tax on income earned from businesses is quite high in Mali. It is characterized by relatively high tax rates which are applied first at the business level and then again at the personal level. The specific tax rates are:

BIC: 45% (recently lowered from 50%) for incorporated firms and 25% (recently lowered from 30%) for personal liability companies;

IMF: .75% of the level of sales, is paid quarterly regardless of profits. If assessed taxes are greater than IMF then it is deducted from the final assessed tax, otherwise it becomes the amount owed in taxes;

IRVM: 18% for most business dividends, 25% for bond dividends. Taxed at the source, before distribution;

IGR: calculated on a sliding scale reaching a maximum of 50% on earnings over 2 million CFA (after deductions);

IRF: 30% of all revenue coming from the rental of properties, is not considered part of the tax base for general income revenue.

Assuming that all profits on earnings are passed on to the shareholders of an incorporated company and that their annual taxable income is greater than 2 million CFA, the marginal tax on business income for incorporated companies is 77.45%. The following fictitious example of Company A which earns 10 million CFA profits in 1987 demonstrates the calculation:

Profits:	10,000,000
BIC:	4,500,000

After BIC	5,500,000
Div. Tax	990,000

Actual Dist.	4,510,000
IGR	2,255,000

Remainder	2,255,000

The company keeps 22.55% of actual earnings, or an effective marginal tax rate of 77.45% on corporate earnings from the perspective of the investor. Dividend payments are taxed twice, first at the source (18%) and again as part of the overall tax base of the shareholder (50%).

For the unincorporated company, the marginal tax rate is lower, but still quite high at 62.5%. The example of Company B (also with 10 million CFA in pre tax profits) reflects this calculation.

Profits:	10,000,000
BIC:	2,500,000

After BIC	7,500,000
Div. Tax	none

Actual Dist.	7,500,000
IGR	3,750,000

Remainder	3,750,000

This equals 37.5% of actual earnings, or an effective marginal tax rate of 62.5% for the owner of the company. He pays taxes twice, first on the BIC and then again on the IGR, since all earnings from his company are considered to be his personal income. While the marginal tax rate for the incorporated company is higher than for the unincorporated company, there are several disadvantages to the latter. Because all earnings are considered part of his tax base any reinvestment he makes in the company comes out of his pocket after taxes (out of his remaining 37.5%), whereas with the incorporated company can reinvest after paying only the BIC (out of their remaining 55%). This provides a distinct disincentive to the small entrepreneur to reinvest.

Patente:

All firms wishing to do business in Mali must have a Patente. The amount is fixed by the state and is generally comprised of a fixed amount (droit fixe) and a proportional amount of 10% of the rental value (including equipment) of the locale

occupied by the firm. Estimating this latter may be difficult, but it cannot be lower than 25% of the droit fixe. For some select operations, there may be no droit fixe but will include a variable tax on the number of machines in operation or quantity of work executed. Amounts of Patentes vary from 1.2 million CFA in droit fixe for large import/export traders to as little as 10,500 CFA for a cattle trader selling fewer than 51 head of cattle a year.

Taxes on Revenue Generating Property

The IRF is a 30% tax on the value of rental income from any revenue generating property, including equipment. A firm which owns its own building pays taxes on the rental value of the space that it occupies within the building. There is a standard deduction of 40% of the rental value as operating costs. For a corporation, they pay an additional Mort-Main tax of 20% on the same base for all buildings owned by the company. After the IRF has been paid, the after tax earnings are considered part of the general revenue of the individual, to be taxed at a rate of up to 50%. This is an effective marginal tax rate of 39% on gross real estate earnings, or a 65% tax on net revenue, for an individual or company renting out apartments. If the company rents the apartments as part of its overall activities, then it can deduct the depreciation as an expense on company earnings, however if it belongs to an individual, he cannot.

Example: Firm A earns 1,000,000 cfa in revenue from rentals. They deduct 400,000 in expenses and pay 180,000 CFA in taxes and then 50% on the remaining 420,000 as individual income, leaving them with 610,000 CFA or 61% of their pre-tax income. Out of this sum, however, they must pay all maintenance costs for the rental properties.

For a corporation owning buildings, it must pay the IRF plus the Mort-main tax of 20% on the same base. This raises the tax rate on the properties to an even 30% on the gross revenues (whether real or imagined as in the case of a firm using its own building). This amount is then free from any other taxes within the corporation (BIC), but is subject to all dividend taxes and future IRG taxes after distribution. Since the mort-main and IRF also include the value of any equipment and machinery, they provide a strong tax disincentive to invest. The depreciation on the equipment and buildings can be deducted on earnings susceptible to the BIC, providing some relief, but it will not offset the actual amount paid by the companies.

This is a disincentive to a firm owning its own building in lieu of renting space from someone else.

Forfeitory Taxes

All firms must pay a forfeitory tax (IMF) of 0.75% of total sales, which is deducted whether or not the firm is profitable. If the firm is profitable, then the it pays the greater amount of the BIC or the IMF. This could mean that a firm just breaking even will have to pay income taxes greater than their profits.

Productive firms doing less than 5 million CFA in sales or commercial firms involved in resale activities of less than 10 million CFA are allowed to pay a forfeitary tax on income in lieu of the IMF. This is paid in advance with the patente and is figured at 100% of the value of the patente. As with the IMF, this is deducted from the taxes due at the end of the year.

Taxes on Agricultural Companies

The Benefices Agricoles (BA) are accounted for in the tax code to be applied to all agricultural companies. However, no tax rate has ever been assigned, so it has been ignored by the tax collectors. Therefore, at present, no taxes are collected on revenue from agricultural operations. If the company/individual does the actual selling to end users (as a commercant), then he may be considered as a commercial company subject to those taxes. If the agricultural income is a secondary source of income, then he must calculate his profits on the secondary income earned from his agricultural exploitation and pay taxes on them as part of his IGR, though no company taxes are applied. This strongly favors both primary and secondary investment in agricultural activities by individuals, but disfavors linking the agricultural and business ends of the operation. For example:

Individual A has a dairy herd with 30 cows and sells all his milk to the ULB. If this is his only source of income, then he is considered an agricultural company and pays neither a company tax nor an IGR on his revenue.

Individual B is a civil servant with his salary as principal source of income and a dairy herd which sells milk to the ULB, then he pays taxes on the profits from the dairy operation and his salary within the IGR.

Individual C has a dairy herd, no other occupations, but processes the milk (by boiling it) and sells it to local stores in the neighboring towns. He pays both a company tax on his operation plus an IGR.

Obviously, individual A pays the least taxes and has little incentive to expand into the processing end of the operation like his neighbor C. Individual B, however, is better off putting his money into agriculture than putting it into rental buildings or in a company where he will pay the 30% IRF or 25% BIC in addition to the IGR.

ANNEX 10

**CLASSIFICATION OF 35 ENTERPRISES UNDER THE PUBLIC
ENTERPRISE ADJUSTMENT PROGRAM**

196

Annex 10

Classification of 35 Enterprises under the Public Enterprise Adjustment Program

I. Companies which will be kept under the control of the government:

- | | | |
|----|---------|-----------------------|
| 1) | COMANAV | River Transportation |
| 2) | EDM | Electricity and Water |
| 3) | DERHN | Hydroelectric |
| 4) | OPT | Post and Telegraph |
| 5) | RCFM | Rail Transportation |
| 6) | SONATAM | Tobacco and Matches |

II. Companies whose capital will be opened up to outside shareholders for investment:

- | | | |
|-----|-------------|-----------------------------|
| 1) | COMATEX | Textiles |
| 2) | EDIM | Printing |
| 3) | EMAM | |
| 4) | Grand Hotel | Hotel/Restaurant |
| 5) | ITEMA | Textiles |
| 6) | PFM | Pharmaceutical Distribution |
| 7) | SEMA | Real Estate |
| 8) | SEFAMA | Groundnut Oil Pressing |
| 9) | SEPOM | Oil Refining/packaging |
| 10) | SMECMA | Agricultural machinery |
| 11) | SOCAM | Canning |
| 12) | SOCIMA | Cement |
| 13) | TAMALI | Tannery |
| 14) | UCEMA | Ceramics |

III. Companies which will be liquidated:

- | | | |
|-----|----------|------------------------|
| 1) | Air Mali | Air Transportation |
| 2) | CMTR | Trucking |
| 3) | EMAB | Furniture |
| 4) | LPM | Books |
| 5) | CCINAM | Cinema |
| 6) | SAT | Road Transportation |
| 7) | SCAER | Agricultural Equipment |
| 8) | SEBRIMA | Brick Manufacturing |
| 9) | SHM | Hotel/Tourism |
| 10) | SOCOMA | Food Processing |
| 11) | SOCORAM | Radio Manufacturing |
| 12) | SCMBEPEC | Livestock Products |
| 13) | SOMIEX | Import/Distribution |
| 14) | SONEA | Marketing of Hides |
| 15) | SONETRA | Public Works |

ANNEX 11
ACRONYMS

ANNEX 11**ACRONYMS**

AIRD	Associates for International Resource and Development
BA	Benefices Agricoles
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest
BIAO	Banque Internationale de l'Afrique de l'Ouest
BIC	Benefices Industriels et Commercial
BMCD	Banque Malien de Credit d'Epargne
BOAM	Bank of Africa Mali
CEAO	Communauté des Etats de l'Afrique de l'Ouest
CMCE	Centre Malien de Commerce Exterieur
DAI	Development Alternatives, Inc.
DFI	Droits Fiscal à l'Importation
DNAE	Direction Nationale des Affaires Economiques
DNI	Direction Nationale de l'Industrie
DNI	Direction Nationale des Impots
DNSI	Direction Nationale de la Statistique et de l'Informatique
DRC	Domestic Resource Cost
EPR	Effective Protection Rate
EPRP	Economic Policy Reform Program (PRE)
FED	Fonds Européen de Développement
GDP	Gross Domestic Product
GRM	Government of the Republic of Mali
GTZ	German Technical Assistance Organization
IAS	Impots sur Affaires et Services
IBRD	International Bank for Reconstruction and Development (World Bank)
IFC	International Finance Corporation

IGR	Impot General sur les Revenus
ILO	International Labour Organization (BIT)
IMEX	Import/Export Plan
IMF	International Monetary Fund
IMF	Impot Minimum Forfaitaire
IPS	Informal Productive Sector
IRF	Impot sur les Revenus Fonciers (property tax)
IRVM	Impot sur les Revenus en Valeur Mobilière (dividend tax)
MIS	Modern Informal Sector
PPM	Pharmacie Populaire du Mali
PRE	Programme de la Reforme Economique (EPRP)
SME	Small and Medium Enterprise
SMECMA	Société Malien d'Etudes et de Construction de Machines Agricole
SOMIEX	Société Malien Import Export
TCR	Taxe de Cooperation Régionale
ULB	Union Laitière de Bamako
UMPP	Usine Malienne des Produits Pharmaceutique
USAID	United States Agency for International Development
VAs	Village Associations