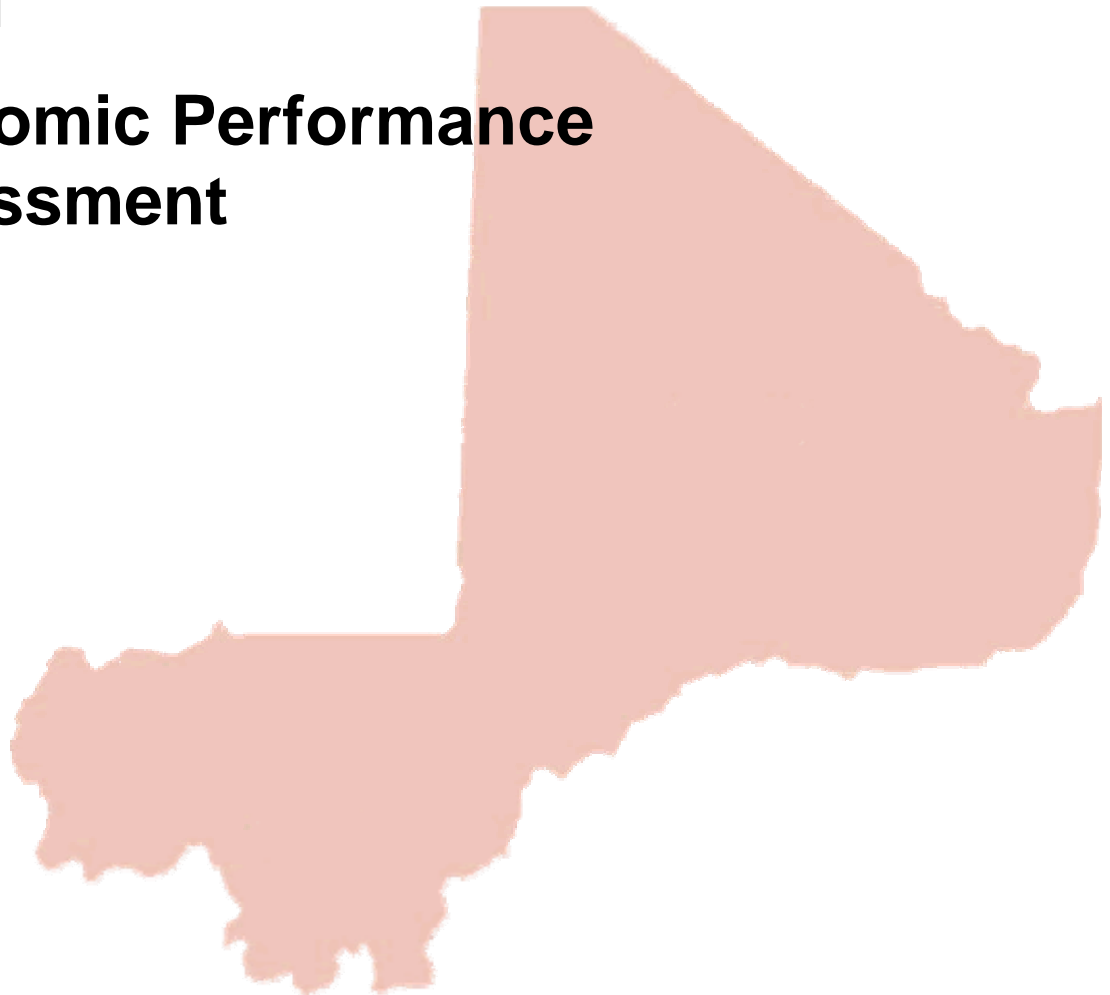




USAID
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Mali

Economic Performance Assessment



August 2005

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Mali

Economic Performance Assessment

Sponsored by the Economic Growth office of USAID's Bureau of Economic Growth, Agriculture and Trade (EGAT), and implemented by Nathan Associates Inc. under Contract No. PCE-I-00-00-00013-00, Task Order 004, the Country Analytical Support (CAS) Project, 2005-2006, has developed a standard methodology for producing analytical reports that provide a clear and concise evaluation of economic growth performance in designated host countries. These reports are tailored to meet the needs of USAID missions and regional bureaus for country-specific analysis. Each report contains

- A synthesis of data from numerous sources, including World Bank publications and other international data sets used by USAID for economic growth analysis, as well as host-country data sources;
- International benchmarking to assess country performance in comparison to similar countries and groups of countries;
- A clear narrative that highlights where a country's performance is particularly strong or weak, thereby assisting in the identification of future programming priorities.

Under the CAS Project, Nathan Associates will also respond to mission requests for in-depth sector studies that examine issues identified in these country reports.

The authors of this report are Bruce Bolnick, Alexander Greenbaum, and Matthew Lutkenhouse, with data support provided by Julia Zislin.

The CTO for this project is Yoon Lee. USAID missions and bureaus may seek assistance and funding for CAS studies by contacting Rita Aggarwal, USAID/EGAT/EG Activity Manager for the CAS project, at raggarwal@usaid.gov.

Electronic copies of reports and materials relating to the CAS project are available at www.nathaninc.com. For further information or hard copies of CAS publications, please contact

Bruce Bolnick
Chief of Party, CAS Project
Nathan Associates Inc.
Bbolnick@nathaninc.com

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HIGHLIGHTS OF MALI'S PERFORMANCE, RELATIVE TO BENCHMARK STANDARDS

Economic Growth	GDP growth has been good, on average, but very erratic, signaling structural problems. Investment and productivity growth are good by regional standards, but insufficient for rapid poverty reduction.
Poverty	Poverty in Mali remains severe and pervasive, with 68 percent of the population living below the national poverty line in 2001 (latest data).
Gender	Gender disparities are very high in Mali, especially in literacy and school enrollment rates.
Fiscal and Monetary Policy	Macroeconomic management is in good shape: inflation is under control, government revenues are rising, and the budget deficit is sustainable.
Business Environment	Institutional indicators for Mali are comparable to benchmark values; nonetheless, there is ample scope for reducing institutional impediments to doing business.
Financial Sector	The banking system is expanding, credit to the private sector is growing, and real interest rates are relatively low, but institutional constraints continue to impair development of the financial system.
External Sector	Mali is a relatively open economy. Export growth has been fairly strong, though very erratic. The current account deficit compares favorably to the benchmarks, and foreign exchange reserves are at a healthy level. However, foreign direct investment remains low, and exports are highly concentrated in cotton and gold.
Economic Infrastructure	Basic infrastructure indicators are worse than the regional benchmarks, and very poor in absolute terms.
Health	Despite low levels of HIV/AIDS, life expectancy and maternal mortality rates are far worse than the regional average, a reflection of serious health-care problems.
Education	Primary school enrollment rates are among the lowest in the region, reflecting inadequate educational opportunities (and a high incidence of child labor).
Employment and Workforce	The labor force is growing rapidly, creating a pressing need for new jobs and income opportunities. Legal/ regulatory constraints impair job creation, and employment growth.
Agriculture	Mali's economy depends heavily on agriculture, rendering the economy very vulnerable to weather conditions and fluctuations in the world price of cotton. Agricultural growth has been weak, and productivity levels very low.

Note: The standards used for the benchmarking analysis are explained in the appendix.

MALI PERFORMANCE SCORECARD

Performance Relative to Low-Income Sub-Saharan Africa (except as noted)

	Mali Value	Benchmark Value
A. MAJOR INDICATORS SIGNIFICANTLY WORSE THAN BENCHMARK VALUES		
Growth Performance		
Real GDP growth, % (2004)	2.2	4.7 ^b
Poverty and Inequality		
Human Poverty Index (2002) ^a	58.9	45.3 ^b
Poverty headcount (%), by national poverty line (2001)	68.0	55.1 ^b
Demography and Environment		
Adult literacy rate (2000)	19.0 ^c	59.8
Gender		
Ratio of male to female adult literacy rate (2002) ^a	2.24	1.44
Ratio of male to female gross enrollment rates (2002) ^a	1.48	1.20
Ratio of male to female life expectancy at birth (2002)	0.98	0.95
Business Environment		
Doing Business composite index (0=very poor, 100=excellent) (2004)	50.8	56.4
Cost of starting a business, %GNI per capita (2004)	187.4	184.7
Financial Sector		
Cost to create collateral (2004)	58.5	27.0
Legal rights of borrowers and lenders index (0=very poor, 100=excellent) (2004)	3.0	4.0
External Sector		
Foreign direct investment, %GDP (2004)	1.0	3.69 ^b
Economic Infrastructure		
Internet users per 1,000 people (2003)	2.4	4.3
Telephone density, fixed line and mobile, per 1,000 people (2002)	10.3	18.2 ^b
Health		
Maternal mortality rate, deaths per 100,000 (2000/2001)	1200	980 ^b
Education		
Net primary enrollment rate (2000)	44.5	57.3 ^b
Youth literacy rate (2002)	24.2	73.7 ^b
B. MAJOR INDICATORS SIGNIFICANTLY BETTER THAN BENCHMARK VALUES		
Growth Performance		
Growth of labor productivity (5-year average) (2003)	3.2	1.9

	Mali Value	Benchmark Value
Demography and Environment		
Environmental Sustainability Index (0=very poor, 100=excellent) (2005)	53.7	47.0 ^b
Fiscal and Monetary Policy		
Government revenue, % GDP (2004)	17.2	14.8 ^b
Inflation rate (5-year average) (2004) ^a	0.5	7.6 ^b
Financial Sector		
Domestic credit to private sector, %GDP (2003)	19.2	10.6 ^b
Money Supply (M2), % GDP (2004)	31.3	23.4 ^b
External Sector		
Debt service ratio, % exports (2004) ^a	6.3	10.9 ^b
Export growth, good and services (5- year average) (2003)	12.5	6.0 ^b
Gross international reserves, months of imports	6.7	4.02 ^b

Notes: This scorecard shows indicators for which Mali's performance is significantly worse or better than benchmark values. A separate Data Supplement provides a full tabulation of data for Mali and the international benchmarks, as well as technical notes on data sources and definitions. The standard benchmark is the median value for low-income countries of sub-Saharan Africa.

^a Lower value indicates better performance.

^b Benchmark estimated from regression analysis, controlling for region and per capita income.

^c The adult literacy rate shown here is from World Development Indicators 2005, and UNESCO Institute for Statistics, May 2005. Mali's PRSP (2002) uses a figure of 31% for 1999, and the PRSP update (2004) gives a figure of 35% for 2002. Even these higher figures indicate very poor performance in comparison with benchmark standards.

1. Introduction

This paper is one of a series of Economic Performance Assessments prepared for the EGAT Bureau to provide USAID missions and regional bureaus with a concise evaluation of a broad range of indicators relating to economic growth performance in designated host countries. The report draws on a variety of international data sources¹ and uses international benchmarking to identify constraints, trends, and opportunities for strengthening growth and reducing poverty.

The methodology used here is analogous to examining an automobile dashboard to see which gauges are signaling problems. Sometimes a blinking light has obvious implications—such as the need to fill the fuel tank. In other cases, it may be necessary to have a mechanic probe more deeply to assess the source of the trouble and discern the best course of action.² Similarly, the Economic Performance Assessment is based on an examination of key economic and social indicators, to see which ones are signaling problems. In some cases a “blinking” indicator has clear implications, while in other instances a detailed study may be needed to investigate the problems more fully and identify an appropriate course for programmatic action.

The analysis is organized around the mutually supportive goals of transformational growth and poverty reduction.³ Rapid and broad-based growth is the most powerful instrument for poverty reduction. At the same time, many measures aimed at reducing poverty and lessening inequality can help to underpin rapid and sustainable growth. These interactions create the potential for stimulating a virtuous cycle of economic transformation and human development.

Transformational growth requires a high level of investment and rising productivity. This is achieved by establishing a strong *enabling environment for private sector development*, involving multiple elements: macroeconomic stability; a sound legal and regulatory system, including secure contract and property rights; effective control of corruption; a sound and efficient financial system; openness to trade and investment; sustainable debt management;

¹ Sources include the latest data from USAID’s internal Economic and Social Database (ESDB), and from readily accessible public information sources. The ESDB is compiled and maintained by the Development Information Service (DIS), under PPC/CDIE. It is accessible to staff through the USAID intranet.

² Sometimes, too, the problem is faulty wiring to the indicator—analogue here to faulty data.

³ In USAID’s White Paper on *U.S. Foreign Aid: Meeting the Challenges of the Twenty-first Century* (January 2004), transformational growth is a central strategic objective, both for its innate importance as a development goal and because growth is the most powerful engine for poverty reduction.

investment in education, health, and workforce skills; infrastructure development; and sustainable use of natural resources.

In turn, the impact of growth on poverty depends on policies and programs that create opportunities and build capabilities for the poor. We call this the *pro-poor growth environment*.⁴ Here, too, many elements are involved, including effective education and health systems, policies facilitating job creation, agricultural development (in countries where the poor depend largely on farming), dismantling barriers to micro and small enterprise development, and progress toward gender equity.

The evaluation in this paper must be interpreted with caution because a concise analysis of this sort cannot provide a definitive diagnosis of economic problems or simple answers to questions about programmatic priorities. Instead, the aim of the analysis is to spot signs of economic growth problems based on a review of selected indicators, subject to limits of data availability and quality. The results should provide insight about potential paths for USAID intervention that complement on-the-ground knowledge and in-depth studies.

The remainder of the report discusses the most important results of the diagnostic analysis, in three sections: Overview of the Economy; Private Sector Enabling Environment; and Pro-Poor Growth Environment. Table 1-1 summarizes the topic coverage. The appendix provides a brief explanation of the criteria used for selecting indicators, the benchmarking methodology, and a lists all indicators examined for this report.

Table 1
Topic Coverage

Overview of the Economy	Private Sector Enabling Environment	Pro-Poor Growth Environment
<ul style="list-style-type: none"> • Growth Performance • Poverty and Inequality • Economic Structure • Demographic and Environmental Conditions • Gender 	<ul style="list-style-type: none"> • Fiscal and Monetary Policy • Business Environment • Financial sector • External sector • Economic Infrastructure • Science and Technology 	<ul style="list-style-type: none"> • Health • Education • Employment and Workforce • Agriculture

⁴ A comprehensive poverty reduction strategy also requires programs to reduce the *vulnerability* of the poor to natural and economic shocks. This aspect is not covered in the template since the focus is economic growth programs. In addition, it is difficult to find meaningful and readily available indicators of vulnerability.

2. Overview of the Economy

This section reviews basic information on Mali's macroeconomic performance, poverty and inequality, economic structure, demographic and environmental conditions, and indicators of gender equity.⁵ Some of the indicators cited here are descriptive rather than analytical, and are included to provide context for the performance analysis.

GROWTH PERFORMANCE

With an estimated per capita GDP of \$404 (in PPP dollars terms) in 2004, Mali is the 26th poorest country in the world. Thus, the need for rapid and sustained growth is acute. Over the last five years (to 2004), GDP growth averaged around 4.6 percent per year—slightly below the average for low-income sub-Saharan Africa (hereafter, LIC-Africa), as well as recent growth rates in neighboring Senegal and Ghana (see Figure 2-1).⁶ This growth, however, has been very erratic. Indeed, for 2004 the economy grew by just 2.2 percent, reflecting Mali's structural dependence on agricultural exports. With population growth of 2.4 percent per year, tangible progress in reducing poverty will require sustained and broad-based growth above 5 percent per annum.

Investment and productivity indicators in Mali are relatively good by regional standards, though relatively poor in absolute terms. Gross fixed investment averaged 22.5 percent of GDP over the five years to 2003, comparing favorably to LIC-Africa average, as well as the levels achieved by Senegal and Ghana (Figure 2-2. Investment rate). Non-government investment, however, averaged just 14.6 percent. This rate is a relatively low for sustaining private sector growth. Labor force productivity has grown on average by nearly 4 percent per year, compared to 1.9 percent for LIC-Africa, 3.3 percent for Senegal, and 1.7 percent for Ghana. Investment productivity has likewise been strong: the incremental capital-output ratio (ICOR) of 3.6 shows that each dollar of extra output has required \$3.6 of investment; this is higher efficiency than the ICOR values of 4.9 for LIC-Africa, 9.9 for Senegal, and 5.1 for Ghana.

Taken together, the growth indicators suggest that the central challenges facing the government and the donor community in Mali are structural vulnerability and insufficient investment. Major factors contributing to these problems are examined in Section 3.

⁵ A separate Data Supplement provides a full tabulation of the data for Mali and the international benchmarks, including indicators not discussed in the text, as well as technical notes for each indicator.

⁶ At the suggestion of USAID/Mali, this report uses Ghana and Senegal as comparators. Note that country-group averages used here are medians rather than means, to minimize the effect of outliers.

Figure 2-1. Real GDP Growth

Growth rates in Mali have been very erratic over the past five years.

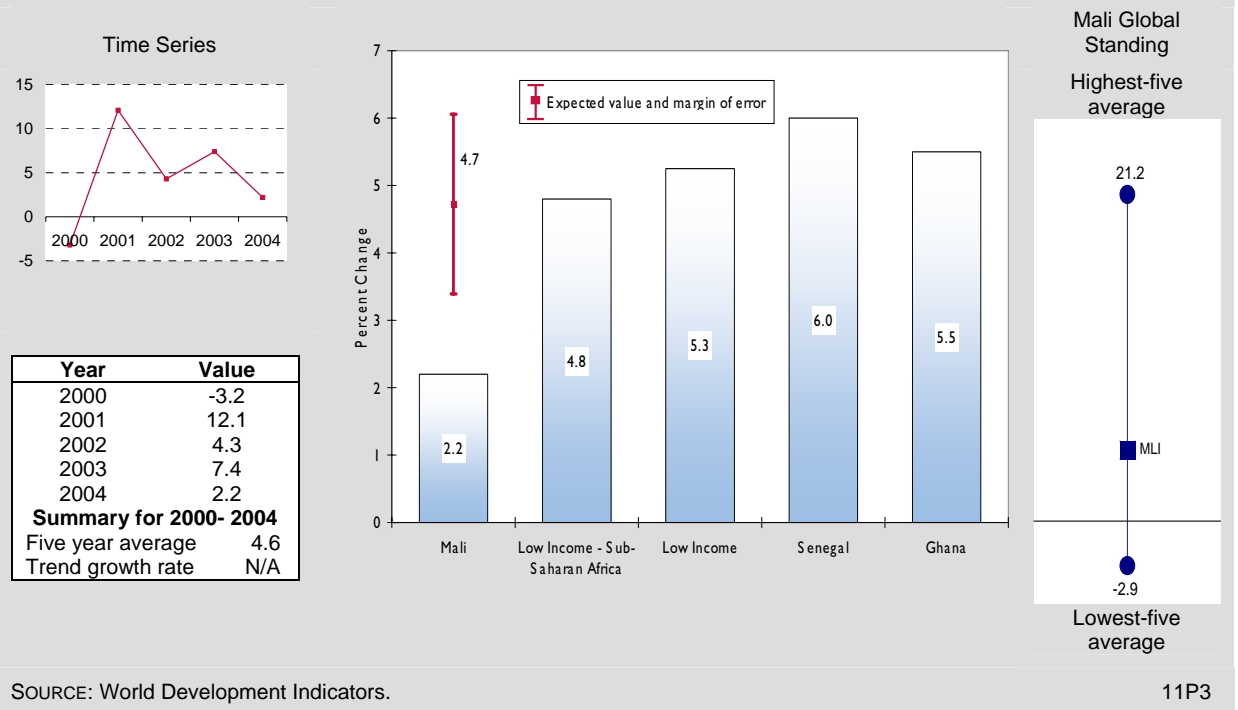
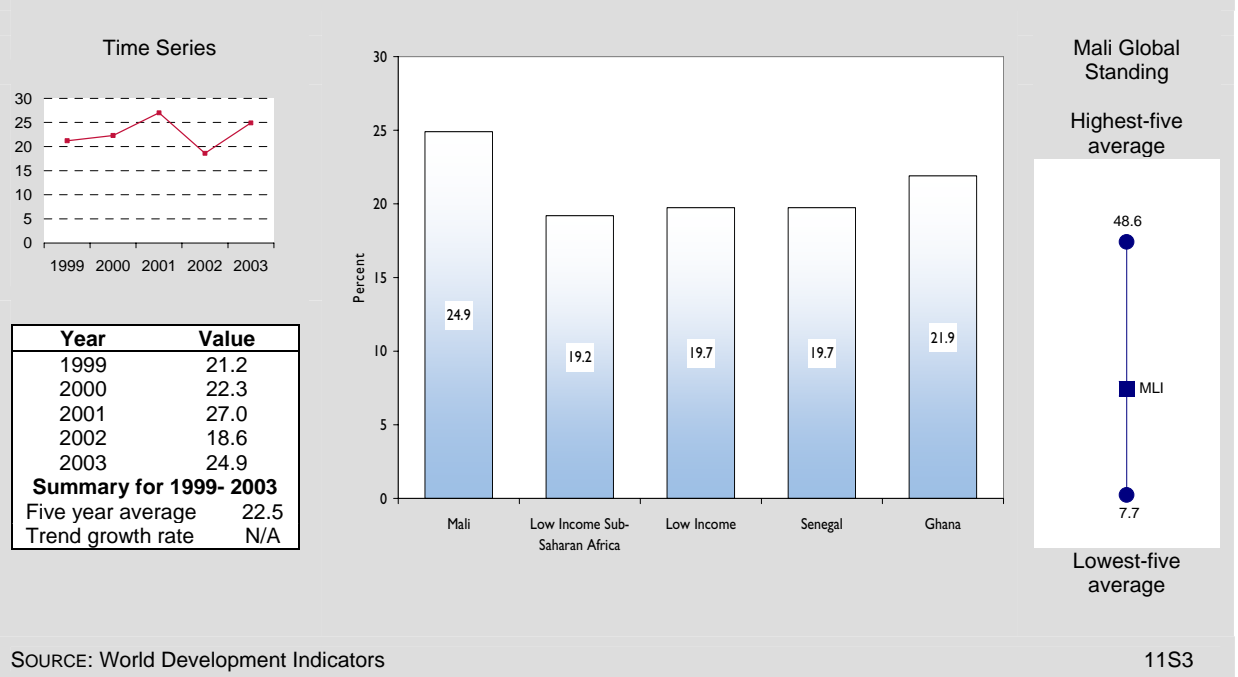


Figure 2-2. Share of Gross Fixed Investment in GDP, Current Prices

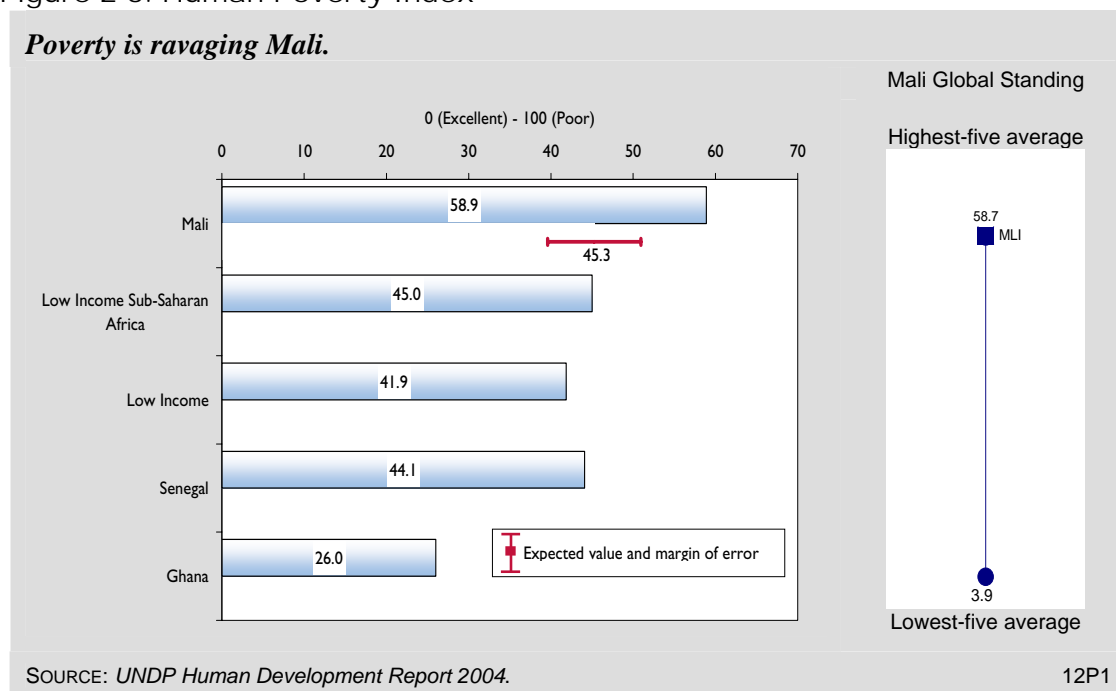
Gross fixed investment (as a % of GDP) in Mali is high by regional standards.



POVERTY AND INEQUALITY

Poverty in Mali is severe and pervasive. The latest household survey (2001) shows that 68 percent of the people live below the national poverty line. This is far higher than the regression benchmark of 55 percent for an African country at Mali’s income level and Ghana’s level of 40 percent. Survey data for 1998 showed a poverty rate of 63.8 percent. Hence, the latest survey suggests that the pattern of moderate but erratic growth has not led to a measurable reduction in poverty. The UNDP’s Human Poverty Index (HPI), which takes into account deprivation in health and education, as well as income, rated Mali at 58.9 in 2004, nearly the highest deprivation rate in the world. By comparison, the average HPI for LIC-Africa is 45.0; for Senegal and Ghana the HPI values are 44.1 and 26.0, respectively (Figure 2-3).

Figure 2-3. Human Poverty Index



The Government of Mali has taken steps to address poverty by completing a Poverty Reduction Strategy Paper in 2003. The PRSP will be the basis for the country’s own development program, and a tool for coordinating donor interventions to promote pro-poor growth. The PRSP is based on three pillars: ensuring institutional development, improved governance, and participation; strengthening access to basic social services; and developing basic infrastructure and productive sectors. For each pillar, according to the PRSP, “the emphasis is placed upon the need for specific and corrective actions in order to involve the poor and to reduce the disparities among regions, among communities, between urban and rural areas and between the sexes.”⁷ A fundamental goal of the PRSP is to reduce the poverty rate to 47 percent by 2006. This target will be missed by a

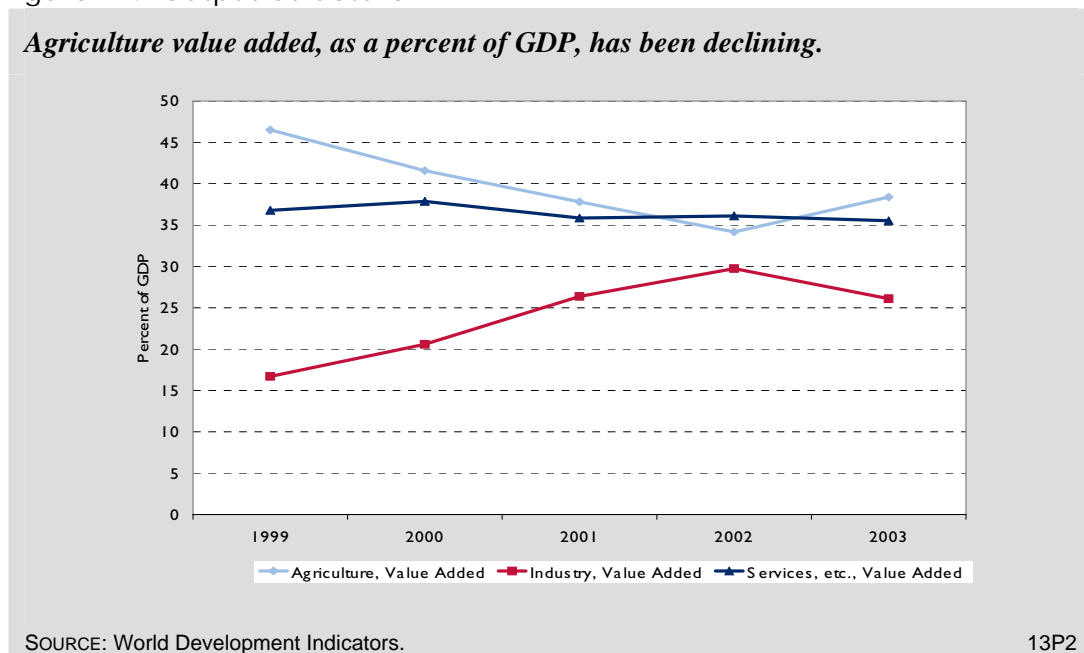
⁷ Mali Poverty Reduction Strategy Paper, 2003, p.3: <http://poverty2.forumone.com/prsp/country/108>.

wide margin because of insufficient growth. Consequently, donor agencies need to focus aid on programs that reduce poverty while boosting economic growth.

ECONOMIC STRUCTURE

The broad structure of output in Mali shows a moderate transition from agriculture to industry over the past five years. The share of GDP originating in the industrial sector rose from 17 percent to 26 percent between 1999 and 2003, while agriculture's share declined from 47 percent to 38 percent, and the service sector has contributed a steady 36 percent of GDP (Figure 2-4). No time series data is available on the composition of the labor force, so it is difficult to gauge the impact of this transformation. Nonetheless, the need for structural change in the allocation of labor is readily evident from the fact that agriculture is the primary source of income for an estimated 80 percent of the workers. If 20 percent of the labor force is engaged outside agriculture, producing more than 60 percent of GDP, then average productivity in agriculture is far lower than in other sectors. Thus, investment and job creation outside agriculture can stimulate large gains in labor productivity for the economy as a whole.

Figure 2-4. Output Structure

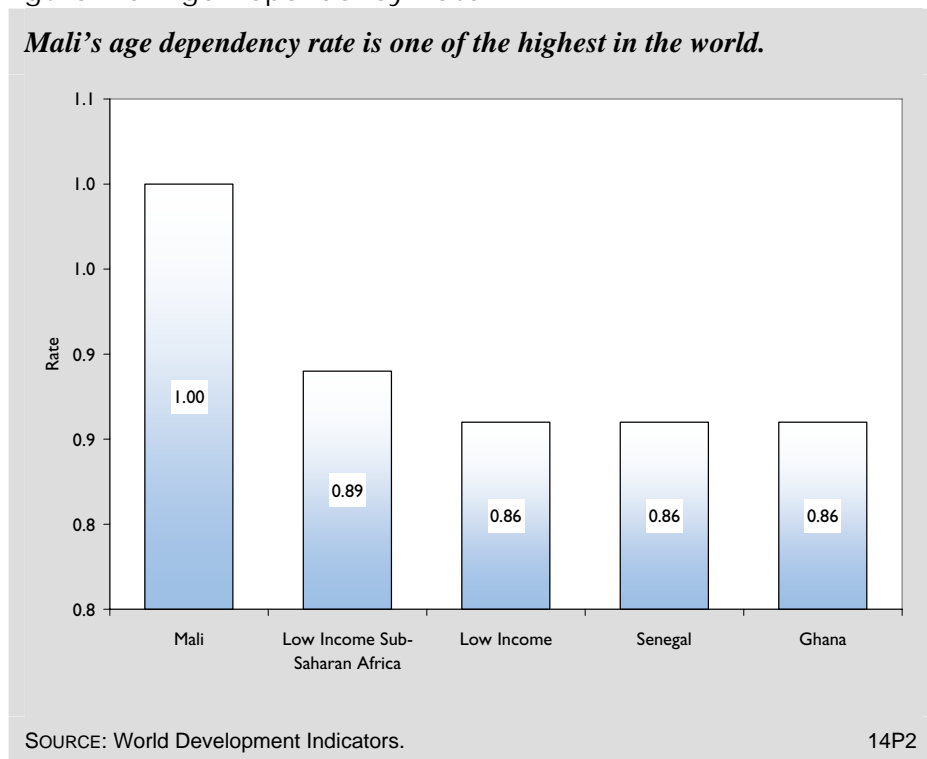


DEMOGRAPHY AND ENVIRONMENT

Mali is one of the larger countries in the region, but its population is only 12 million. Most of the country lies in or above the Sahel belt, and the amount of arable land is very limited. A population growth rate of 2.4 percent per year is intensifying pressure in the arable zone and accentuating the need for more rapid development of off-farm activities. Rapid population growth also creates ever-rising demand for public services, particularly in education and health, and a very youthful age structure, with 100 dependents per 100 persons of working age (Figure 2-5). The high dependency rate is a symptom of deep poverty, but also a cause, since there are many

mouths to feed per hand available to work. At the same time, the demographic trends offer an important programmatic opportunity to reduce population growth and the dependency rate. As demonstrated in high growth countries in Asia, this demographic transition has been a significant factor in rapid growth of per capita income and improved public services.

Figure 2-5. Age Dependency Rate

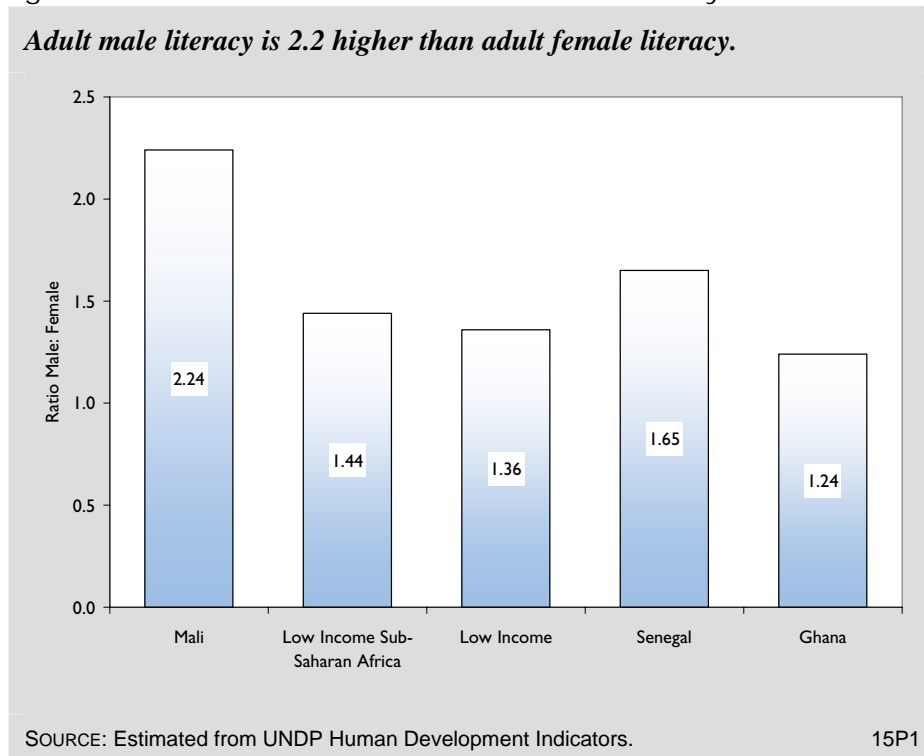


Despite population pressure on soil resources, Mali scores moderately well on a newly created Environmental Sustainability Index, which combines data on 57 variables. Mali's score of 53.7 (on a scale of 0 to 100) is better than the regression benchmark of 47.0 for an African country at Mali's income level, and very similar to the scores for Ghana (50.2) and Senegal (47.6). But detailed figures behind this overall rating reveal serious problems in population stress on the land, basic human sustenance, and environmental health.

GENDER

Gender equity is central to poverty alleviation in countries like Mali, where women have been disproportionately deprived of access to education, health services, and productive opportunities beyond subsistence agriculture. Differences in adult literacy are stark; the male literacy rate is 2.2 times higher than for females (see Figure 2-6.) In contrast, the ratio is 1.4 for LIC-Africa, 1.7 for Senegal, and 1.2 for Ghana. In absolute terms, literacy rates in Mali are extremely low for both

Figure 2-6. Ratio of Male to Female Adult Literacy Rate



men (26.7 percent) and women (11.9 percent).⁸ Pervasive illiteracy among women has major long-term effects on growth, because maternal education is strongly related to children's nutrition, health, and education. Equally troubling is limited progress in literacy among the younger generation. The gross enrollment rate for all levels of schooling is 1.5 times higher for males than females. This is much worse than average ratio of 1.2 for LIC-Africa, and similar to figures for Ghana and Senegal. In terms of life expectancy, the male to female ratio for Mali is 0.98, similar to the average for LIC-Africa. The biggest problem is that actual life expectancy is extraordinarily low for both males and females, at 41 and 39 years, respectively.

⁸ These figures are from World Development Indicators 2005, and UNESCO Institute for Statistics, May 2005. The overall adult literacy rate is 19 percent. In contrast, Mali's PRSP (2002) gives a figure of 31 percent for 1999, and the PRSP update (2004) gives a figure of 35 percent for 2002. Even these figures are very poor in comparison with benchmark standards.

3. Private Sector Enabling Environment

This section reviews indicators for components of the enabling environment that encourage rapid and efficient growth of the private sector. Sound fiscal and monetary policies are essential for macroeconomic stability, which is a necessary (though not sufficient) condition for sustained growth. A dynamic market economy also depends on institutional foundations, including secure property rights, an effective system for enforcing contracts, and an efficient regulatory environment that does not impose undue barriers on business activities. Financial institutions play a major role in mobilizing and allocating savings, facilitating transactions, and creating instruments for risk management. Access to the global economy is another pillar of a good enabling environment, because the external sector is a central source of potential markets, modern inputs, technology, and finance, as well as competitive pressure for efficiency and rising productivity. Equally important is development of the physical infrastructure to support production and trade. Finally, developing countries need to adapt and apply science and technology as a basis for attracting efficient investment, improving competitiveness, and stimulating productivity growth.

The IMF's program status for Mali is worthy of note in relation to the country's enabling environment. In June, 2004, the IMF approved a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) to support Mali's economic program into 2007. The IMF arrangement "aims at ensuring continued macroeconomic stability and promot[ing] the strong, sustainable growth that is needed to make significant inroads on poverty. To meet those challenges, the government's strategy focuses on fiscal consolidation, and on structural policies to develop human resources and improve the climate for private-sector-led growth."⁹

FISCAL AND MONETARY POLICY ¹⁰

In general, fiscal and monetary policies are providing a sound footing for private sector growth. The Government of Mali holds the reins of fiscal policy, but monetary policy is in the hands of

⁹ IMF, Press Release No. 04/125, June 23, 2004.

¹⁰ The World Development Indicators 2005 database adopts new categories for government finance statistics. As a result, the database has fiscal data for very few developing countries, and group medians for these fiscal variables are no longer meaningful because of limited sample size. The international benchmarking analysis for fiscal indicators is therefore based on data from WDI 2004.

the Central Bank of West African States (BCEAO), through Mali's membership in the West African Economic Monetary Union (WAEMU). The aim of BCEAO monetary management is to maintain a pegged exchange rate between the CFA Franc and the Euro. This arrangement has been very successful in controlling inflation,¹¹ which averaged 0.5 percent over the past five years. In 2003 and 2004, prices actually suffered some deflation; though the IMF expects inflation to return to low single digits in 2005 and 2006 (Figure 3-1). Fiscal policy is also in reasonably good shape. Domestic revenues (excluding grants) have increased steadily to an estimated 17 percent of GDP in 2004, well above the regression benchmark of 15 percent for Mali's level of income.¹² Government expenditure has also been rising, reaching an estimated 25 percent of GDP in 2004, primarily through an increase in current spending.¹³ This raises warning flags. In a recent report, the IMF emphasized the need to contain expenditure growth, including the wage bill.¹⁴ Nonetheless, the overall budget deficit (including grant receipts) has averaged a moderate 2.4 percent of GDP in the last three years, including 2.8 percent for 2004. Excluding grants, however, the 2004 deficit is estimated at 7.4 percent of GDP, which would be unsustainable without continued donor support. On the whole, fiscal and monetary policies are providing a good foundation for private sector growth. But the fiscal position needs to be managed carefully to prevent rising deficits that would undermine the credibility of macroeconomic policies.

BUSINESS ENVIRONMENT

Institutional barriers to doing business, including corruption in government, are critical determinants of private sector development and prospects for sustainable economic growth. Compared to peer benchmarks, Mali's performance is average. The regional standards, however, do not exemplify what is needed to promote a strong private sector. Thus, there is ample scope for reducing impediments to doing business in Mali.

A composite index of "doing business" indicators¹⁵ shows that Mali's institutional environment (scoring 50.8 out of 100) falls short of the average for LIC-Africa (Figure 3-2). Much needs to be done to reduce bureaucracy and simplify regulations. Mali receives poor scores for the cost of starting a business (187 percent of per capita income), the number of procedures for starting a business (13), and time to enforce a contract (340 days). In the latter case, Mali's score is better than the average for LIC-Africa (415 days) and the value for Senegal (485 days), but far inferior

¹¹ A Millennium Challenge Account indicator.

¹² 2004 data for fiscal and monetary indicators are IMF estimates based on actual data through September 2004.

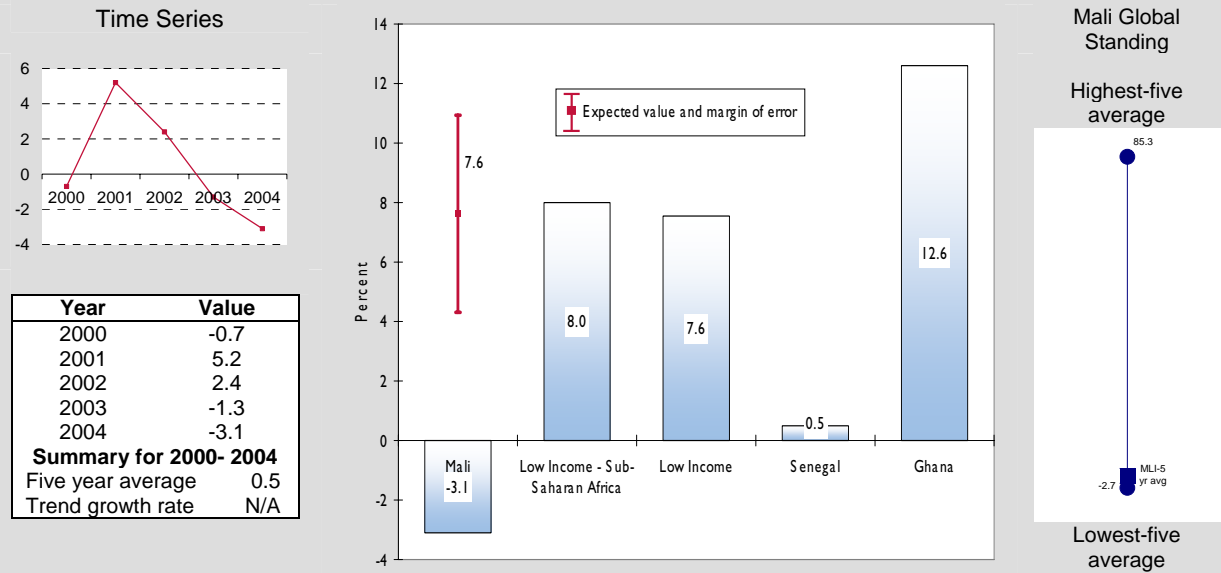
¹³ Most notable is increased government spending on goods and services. This figure is up from 109 billion CFA francs to an estimated 138 billion CFA francs in 2004.

¹⁴ IMF. Mali: First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Nonobservance Performance Criteria. February, 2005.

¹⁵ See the Technical Notes in the Data Supplement for details. The composite index has been constructed for this report based on guidance from USAID/EGAT.

Figure 3-1. Inflation Rate

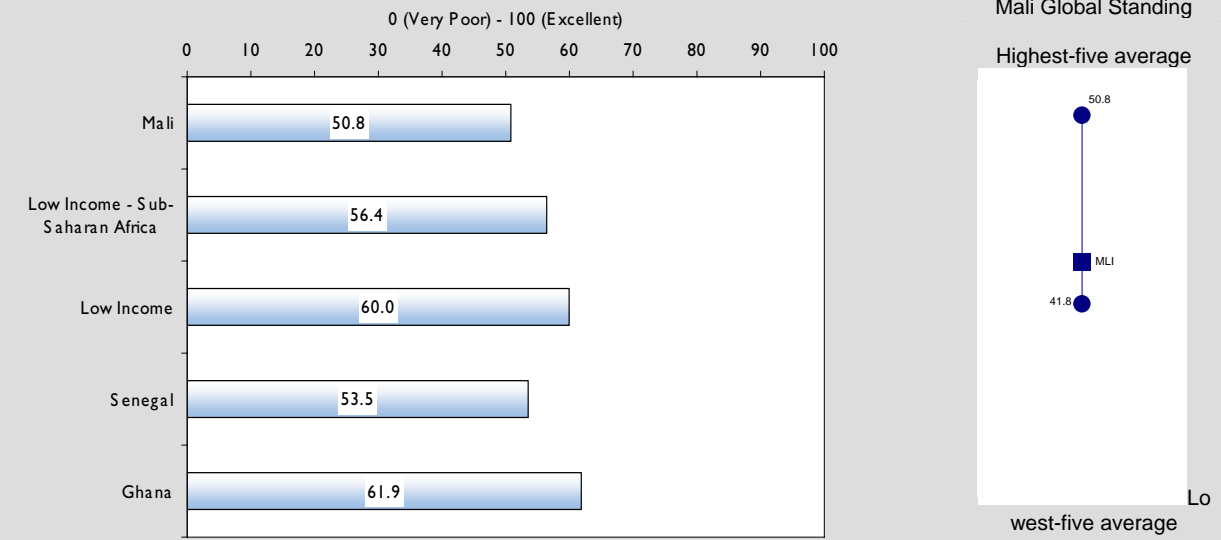
Inflation in Mali has remained low over the past 5 years.



SOURCE: IMF Mali: First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Non-observance Performance Criteria. February, 2005 and World Economic Outlook. 21P4

Figure 3-2. Doing Business Composite Index

Mali is slightly below the LIC-Africa average for the Doing Business Composite Index.



SOURCE: World Bank, Doing Business 2005.

22P2

to the example set by Ghana (200 days). Consequently, programs that promote institutional reform and development may be an important area for USAID intervention.

On the World Bank's rule of law index,¹⁶ Mali's score of -0.3 (on a scale of -2.5 to +2.5) is substantially better than the average for LIC-Africa (-1.0), and comparable to Senegal and Ghana (both -0.2), two regional leaders. Similarly, on Transparency International's Corruption Perceptions Index, Mali's score of 3.2 out of 10 (with a high score indicating low corruption) is better than the LIC-Africa average, and comparable to scores for Senegal and Ghana. Nevertheless, levels of corruption need to be monitored carefully, and where necessary, preventive action taken.

FINANCIAL SECTOR

A sound, efficient, and competitive financial sector is a fundamental mechanism for mobilizing saving, allocating financial resources, fostering entrepreneurship, and improving risk management. Mali appears to be taking steps to develop its banking system. A simple indicator of financial development is the degree of monetization, measured by the ratio of broad money (currency plus bank deposits) to GDP. In recent years, the monetization ratio has risen steadily to 31.3 percent of GDP, well above the LIC-Africa average of 21.6 percent, and the benchmarks for Ghana (26.5) and Senegal (27.6). This indicates that the banking system is expanding to provide better services to the economy. Domestic credit to the private sector is also relatively high by regional standards, at 19.2 percent of GDP, more than double the LIC-Africa benchmark of 8.3; the corresponding figures for Ghana and Senegal are 11.8 percent and 20.8 percent, respectively. Another indication of emerging financial development is the Institutional Investor credit rating¹⁷ of 23.7, which is above the average rating of 18.9 for LIC-Africa, though well behind Ghana (29.3) and Senegal (33.1).

Unfortunately, data on lending rates or interest spreads that could shed light on the efficiency of the banking system are not available. Mali does, however, score a 3 out of 10 on the World Bank's index of legal rights of borrowers and lenders, versus an average of 4 for LIC-Africa. Another troubling indicator is the cost to create collateral, as a percentage of per capita income. The value for Mali, 58.5 percent, is more than double the average for LIC-Africa (Figure 3-3). These indicators suggest that institutional constraints are impeding development of the financial sector. Determining the source of these impediments and the best course of action for financial development would require an in-depth study.

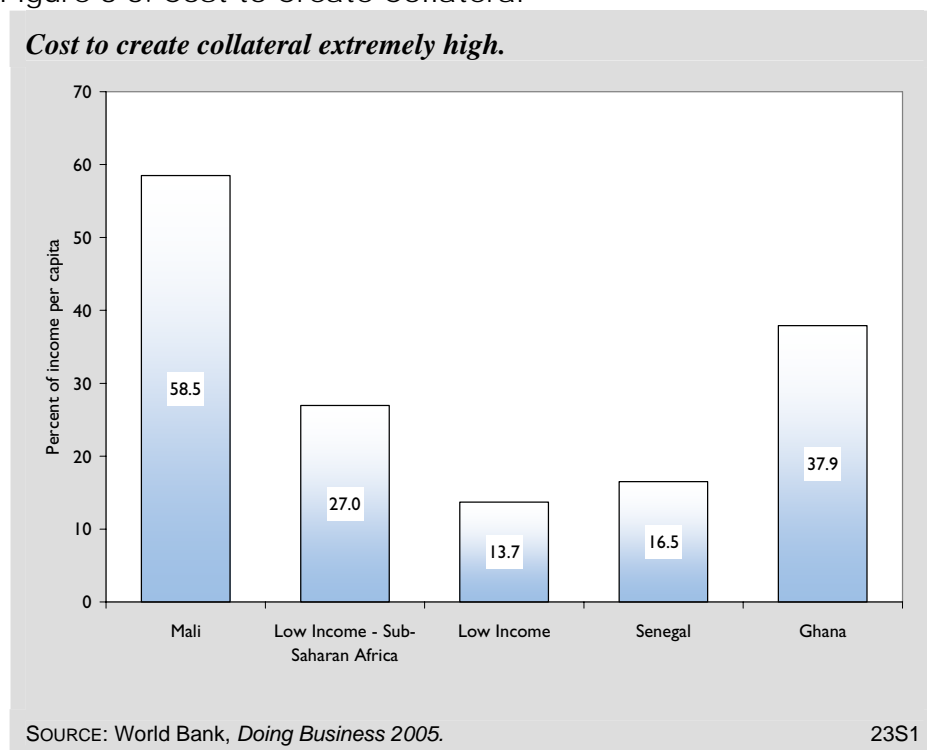
EXTERNAL SECTOR

Fundamental changes in international commerce and finance, including reduced transport costs, advances in telecommunications technology, and lower policy barriers, have fueled a rapid increase in global integration over the past 25 years. In stimulating productivity and efficiency,

¹⁶ A Millennium Challenge Account indicator.

¹⁷ Ibid.

Figure 3-3. Cost to Create Collateral



providing access to new markets and ideas, and expanding the range of consumer choice, the international flow of goods and services, capital, technology, ideas, and people offers great opportunities for Mali to boost growth and reduce poverty. Globalization also creates challenges by requiring that institutions take full advantage of international markets by developing sound policies and regulations, cost-effective approaches to adjustment, and systems for monitoring and mitigating risks.

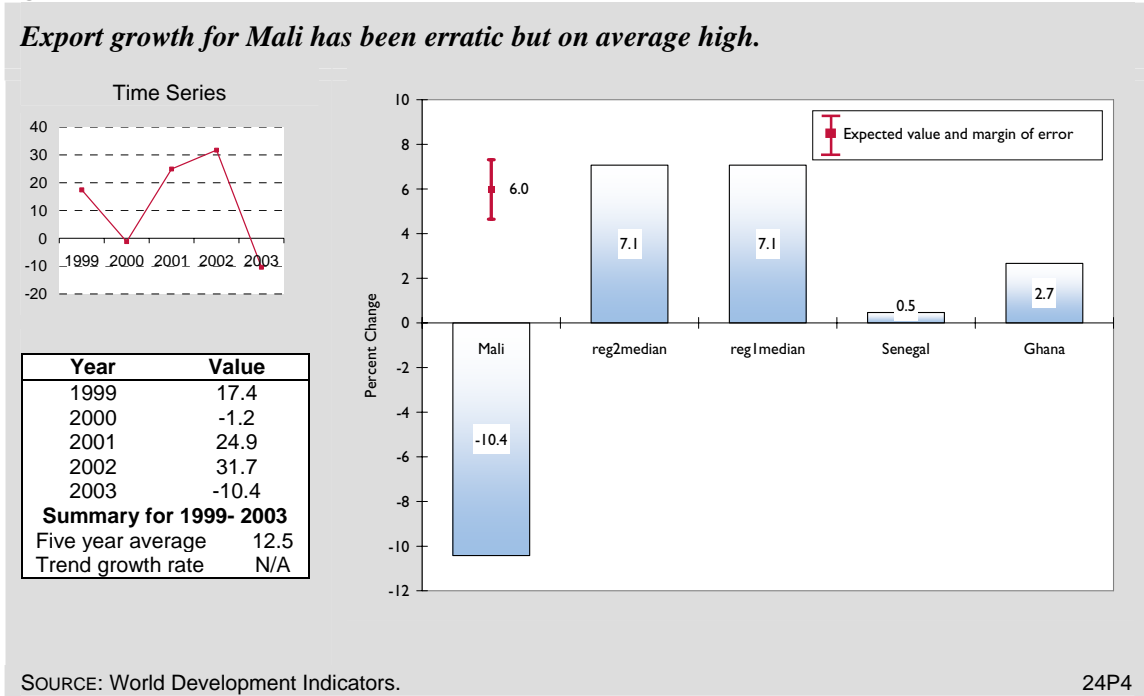
As the following analysis shows, Mali is a relatively open economy with strong (though erratic) export growth, a high degree of export concentration, moderate inflows of foreign direct investment, substantial dependence on foreign aid, and healthy foreign exchange reserves. On the whole, Mali's external sector is under control.

International Trade and the Current Account

The most common indicator of trade openness is the ratio of exports plus imports (of goods and services) to GDP. The ratio for Mali has varied from 59 to 77 percent over the past five years, revealing serious volatility; the average of 65 percent, however, is in line with the regression benchmark for a country at Mali's stage of development. The growth of export earnings has averaged 12.5 percent, well above the regression benchmark and average for LIC-Africa, but exports are also highly erratic (see Figure 3-4). The volatility is rooted in dependence on two primary products with unstable world market prices, cotton and gold. These two commodities

accounted for 83 percent of Mali's export earnings in 2004.¹⁸ Increased volatility is also due to conflict in neighboring Cote D'Ivoire.

Figure 3-4. Export Growth, Goods and Services



Mali's relatively open trade regime is reflected in its score of 3 on the Heritage Foundation's trade policy index, which ranges from 1 (very good) to 5 (poor).¹⁹ The index is based on the weighted average tariff rate, adjusted for non-tariff barriers and corruption in the customs service. The average for LIC-Africa is 4, while scores for Ghana and Senegal are 4 and 3, respectively. Mali is therefore ahead of, or comparable to, other countries in the region in liberalizing trade.

Excluding official transfers (grants), the current account deficit was close to 7 percent of GDP in 2004. Taking grants into account, the figure was 4.6 percent of GDP; over the past five years, the current account deficit averaged 6.7 percent—here, too, with high volatility.²⁰ This is somewhat above the regression benchmark of 6.2 percent for an African country at Mali's income level. The sustainability of this deficit hinges on the country's access to international capital flows, as discussed below. The primary lesson, however, is that export diversification needs to be fostered so that export earnings and the current account balance are less vulnerable to external shocks.

¹⁸ IMF. Mali: First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Nonobservance Performance Criteria. February 2005.

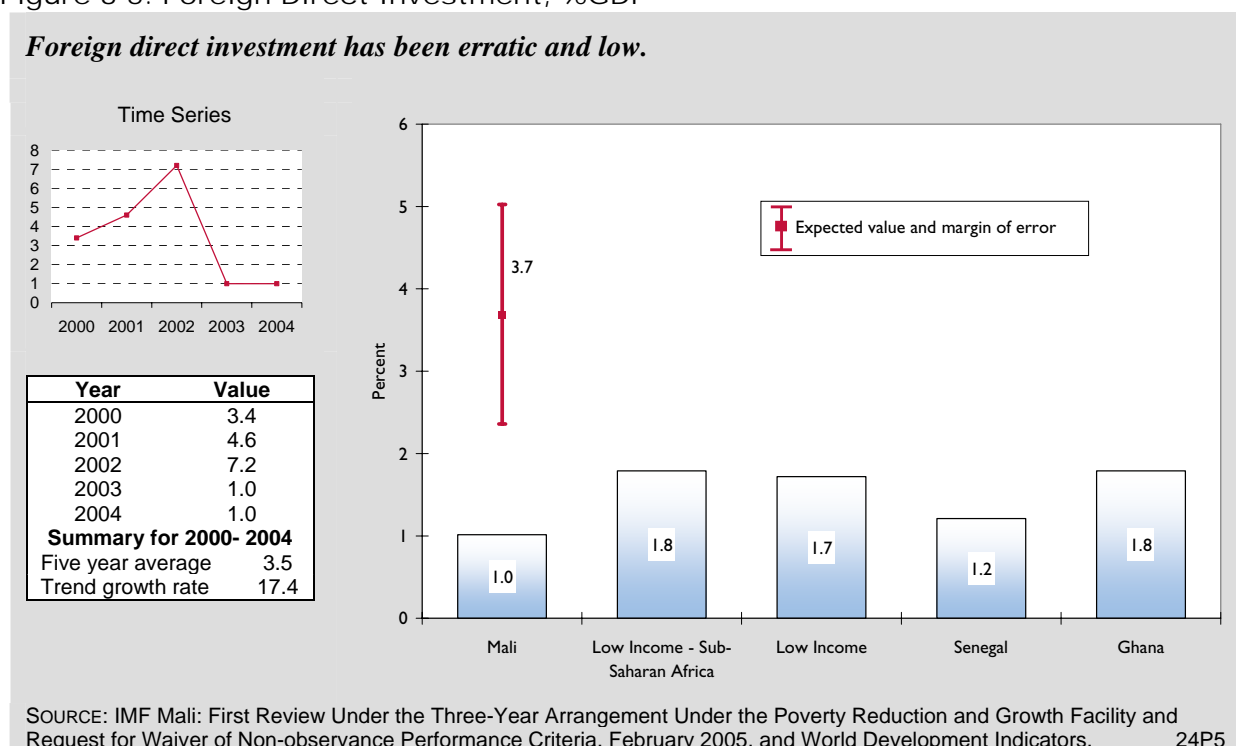
¹⁹ A Millennium Challenge Account indicator.

²⁰ Ibid.

International Financing

The main sources of financing for Mali's current account deficit are soft loans from multilateral financial institutions, and inflows of private capital. Net aid inflows accounted for 12.7 percent of GNI in 2003, well below the regression benchmark of 16.8 percent, though fully in line with the LIC-Africa average of 12.4 percent. The corresponding value for Senegal is 7.0 percent, and for Ghana, 12.2 percent. The volume of aid has been as high as 15 percent of GDP in recent years, and continued inflows appear to be reasonably dependable. Mali, like most of LIC-Africa, has been less successful in attracting foreign direct investment (FDI). Between 2000 and 2004, FDI averaged 3.5 percent of GDP, but the figure for 2004 was just 1.0 percent (Figure 3-5). This compares to a regression benchmark of 3.7 percent, and recent FDI inflows of 1.8 percent of GDP for Ghana and 1.2 percent for Senegal. More to the point, FDI flows are very low in absolute terms. This fact reinforces the importance of programs that improve the investment climate.

Figure 3-5. Foreign Direct Investment, %GDP



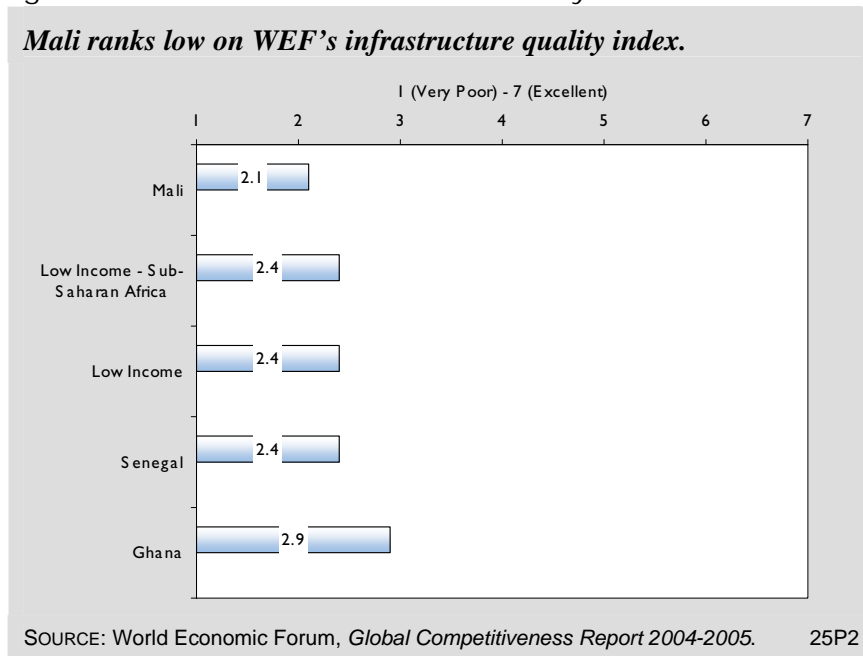
To the extent that net capital inflows differ from the amount of financing needed to cover the current account deficit, the balance is seen as a change in foreign exchange reserves. Over the past five years, gross international reserves have risen from 4.5 months of import cover to 6.7 months' worth, despite rising levels of imports. This is a very healthy level of reserves, well above the average of 4.1 months for LIC-Africa, as well as the reserve levels for Ghana (4.1 months) and Senegal (3.3 months).

Debt

Because of its progress in implementing economic reforms, Mali qualified for HIPC debt relief of approximately \$870 million in 2000. Consequently, debt service payments have declined to 6.3

percent of export earnings, compared to a post-HIPC average of 10.4 percent for LIC-Africa. The present value of debt payments (PVD) has also greatly diminished, to 42.4 percent of GDP in 2003, well below the average of 65.6 percent for LIC-Africa. Both indicators show that Mali's debt is not a significant problem. Moreover, the IMF and World Bank are continually monitoring its sustainability.

Figure 3-6. Overall Infrastructure Quality Index



ECONOMIC INFRASTRUCTURE

A country's physical infrastructure—for transportation, communications, power, and information technology—is the backbone for strengthening competitiveness and expanding productive capacity. Key indicators for Mali present a mixed picture of infrastructure development.²¹ The broadest indicator of infrastructure *quality* for business development is an index of executive perceptions compiled by the World Economic Forum (WEF). Mali's score of 2.1 (out of 7) is lower than the median for LIC-Africa, and worse than the scores for Senegal and Ghana (Figure 3-6). The perception of poor infrastructure quality, relative to regional standards, carries through WEF results for rail development (with a score of 1.3), port facilities (1.2)—particularly ports on the Niger River and dry ports—and air transportation (2.8), all of which are vital given Mali's landlocked position. Mali's score on the quality of electricity supply (2.6) is slightly above the regional benchmark, but still quite low.

²¹ This section relies on perception indicators to assess infrastructure quality and adequacy. Objective measures of infrastructure *quantity* often have little diagnostic value. For example, a low value for kilometers of paved roads does not imply a problem because unpaved all-weather roads may be more efficient than paved secondary and tertiary roads in poor countries.

For communications infrastructure, two indicators tell a story of serious underdevelopment. Mali has 10.3 telephone lines (including mobile phones) and 2.4 Internet users per 1,000 people. Both figures are very low compared to the LIC-Africa averages of 37.9 phone lines and 4.3 Internet users per 1,000 people, and far behind developments in Ghana (with 49 phone lines and 8 Internet users per 1,000 people) and Senegal (with 78 phone lines and 22 Internet users per 1,000 people). Communication technology is vital for international transactions, so the poor state of this infrastructure is a serious barrier to trade and investment. The good news is that both indicators have been rising rapidly in Mali, albeit from extremely low levels.

All of these infrastructure deficiencies impair investment, put local businesses at a competitive disadvantage, and undermine prospects for more rapid economic growth. Programs that promote infrastructure development may be an important area for USAID intervention, particularly those that take sustainable approaches such as improvements in capital budgeting, better planning for recurrent costs, and innovative involvement of the private sector in infrastructure investment.

SCIENCE AND TECHNOLOGY

Science and technology are central elements of dynamic growth because technical knowledge is a driving force for rising of productivity and competitiveness. Even for low-income countries like Mali, transformational development increasingly depends on acquiring and adapting technology from the global economy, and applying it in ways appropriate to their level of development. A lack of capacity to acquire and use technology prevents an economy from benefiting fully from globalization. Unfortunately, few international indicators are available for judging science and technology performance in low-income developing countries. Hence, one must infer performance from a very limited data set, as proxies for other missing information.²²

One useful indicator is the WEF's FDI technology transfer index, which gauges executive perceptions of the extent to which FDI is bringing new technology (on a scale of 1 to 7). Mali's score of 3.8 is well below the average of 4.5 for LIC-Africa, and far less than Ghana's score of 5.1. (No figure is available for Senegal.) Thus, Mali is not attracting FDI that delivers a high rate of technology transfer. The larger problem, of course, is that Mali is not attracting much FDI at all; even if the available investment had a stronger technology component, the impact would not be adequate to drive substantial technology growth. Another basic indicator of technology status is the number of Internet users per 1,000 people; as discussed in the previous section, Mali remains far behind other low-income countries in Africa on this measure, though Internet use is growing. No data are available for Mali on R&D expenditure or patent applications. The absence of data, in itself, is a sign of poor science and technology development. The general conclusion is that Mali is not ready for a technology take-off because of problems with the investment climate, as discussed above, and even more so a severe lack of well educated and well trained people.

²² For many low-income countries one cannot even find timely data on enrollments in science and technology programs.

4. Pro-Poor Growth Environment

While rapid growth is the most powerful and dependable instrument for poverty reduction, the link from growth to poverty reduction is not mechanical. Under some conditions, income growth for poor households exceeds the overall rise in per capita income, while under other conditions growth benefits the non-poor far more than the poor. A pro-poor growth environment stems from policies and institutions that improve opportunities and capabilities for the poor, while reducing their vulnerabilities. Pro-poor growth is associated with improvements in primary health and education, the creation of jobs and income opportunities, the development of skills, micro-finance, agricultural development (for countries like Mali with large populations of rural poor), and gender equality.²³ This section focuses on four of these areas: health, education, employment and the workforce, and agricultural development.

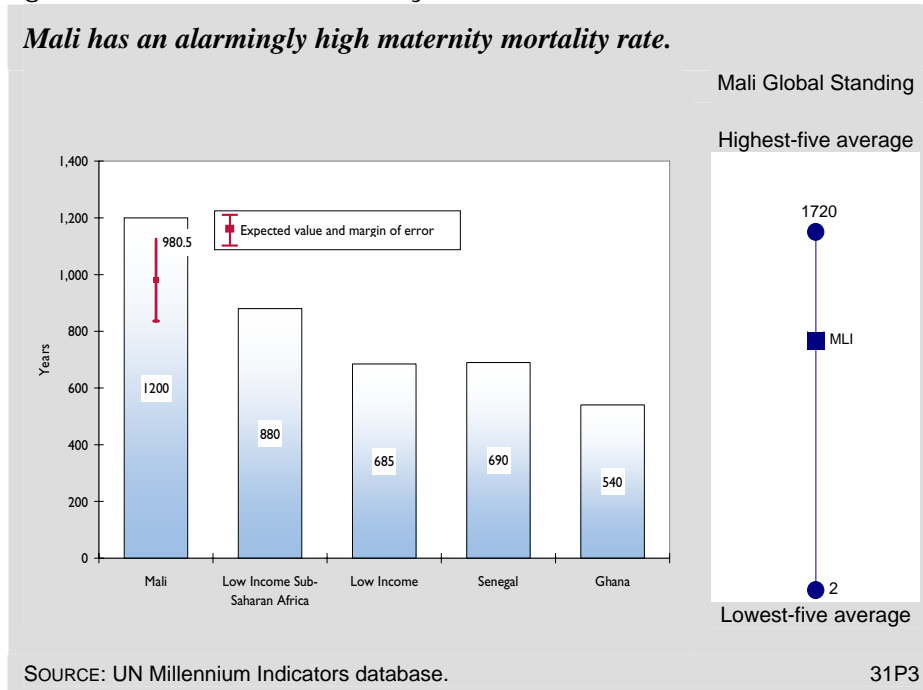
HEALTH

The provision of basic health service is a major form of human capital investment, and a significant determinant of growth and poverty reduction. Although health programs do not fall under the EGAT bureau, an understanding of health conditions can influence the design of EG interventions.

Pervasive poverty has led to severe health conditions in Mali. The broadest indicator of health status is life expectancy. The average life expectancy of 41 years in Mali is among the lowest in the world. This is due primarily to high infant and child mortality. Unlike many sub-Saharan countries, HIV/AIDS is not a major cause of early mortality in Mali, since the prevalence rate is a low 1.9 percent (and has remained so for the past 5 years). In contrast, Mali's maternal mortality rate of 1,200 deaths per 100,000 live births is very high relative to every benchmark, confirming the severity of the national health crisis and the human cost of deep poverty (Figure 4-1). Only 41 percent of births are attended by trained health personnel, well below the average of 51 percent for LIC-Africa. Thus, inadequate access to, quality of, and knowledge about health care causes the death of many women in childbirth. Similarly, the rate of child malnutrition, 33 percent, is slightly worse than the average of 31 percent for LIC-Africa, and far higher than the rates in Ghana and Senegal (both around 22 percent).

²³ For purposes of economic growth programming, the template does not cover emergency relief.

Figure 4-1. Maternal Mortality Rate



The Government of Mali has taken steps to improve conditions in the health sector. First, public expenditure on health care has risen from 1.9 percent of GDP in 2001 to an estimated 2.3 percent in 2004, slightly above the LIC-Africa average of 2.1 percent. Second, the child immunization rate of 69 percent is on par with the regional average and the rate in Senegal, though well below Ghana's rate of 80 percent. Third, Mali is above the regional benchmark in providing access to improved sanitation, with a rate of 45 percent, compared to an average of 34 percent for LIC-Africa. Here, though, Mali is well behind Senegal (52 percent) and Ghana (58 percent), and in absolute terms the health consequences of half the population living with poor sanitation are severe. Even worse is access to clean water, where Mali falls far short of the regional standard, and conditions in both Ghana and Senegal (see Figure 4-2).

In summary, poor health conditions in Mali are a major impediment to economic growth, and a primary factor in the persistence of severe poverty.

EDUCATION

Most education indicators for Mali also fall short of regional benchmarks, though signs of progress are evident. One basic indicator is the net enrollment rate (NER), which shows the percentage of primary school age children who are enrolled in school. For Mali, the NER rose from an estimated 38 in 1998 to 44.5 percent in 2002 (latest year); even the latter figure, however, compares poorly with the average of 64.3 percent for LIC-Africa, as well as rates in Ghana and Senegal (see Figure 4-3). Of those who do enroll, approximately 75 percent persist to grade 5, which exceeds the regional benchmarks; nonetheless, with such low enrollment rates, Mali is near the bottom of the region in the proportion of children completing at least grade 5. In addition, the

Figure 4-2. Access to Improved Water Source

Mali ranks low in terms of % of the population with access to a clean water source.

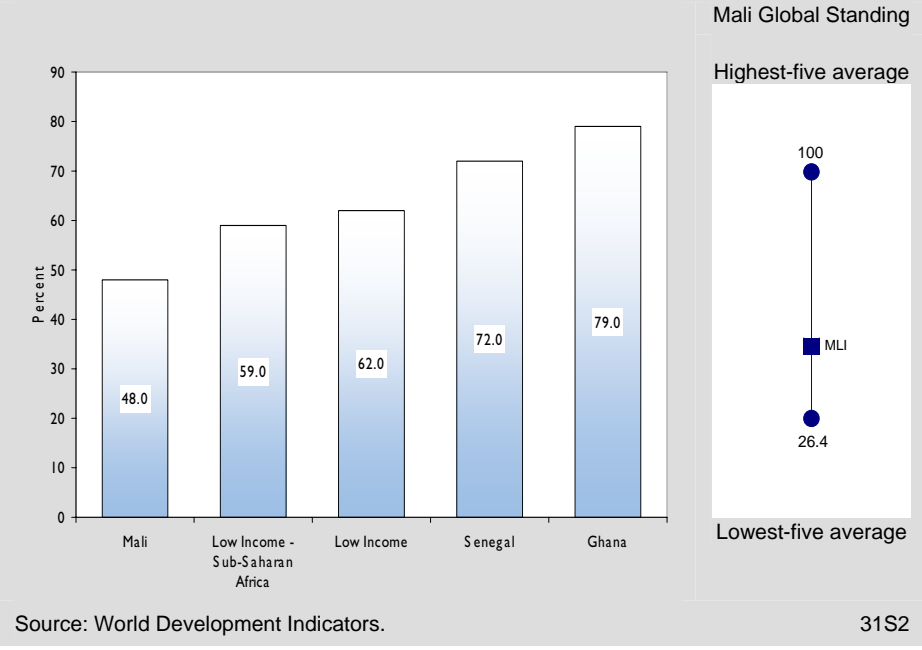
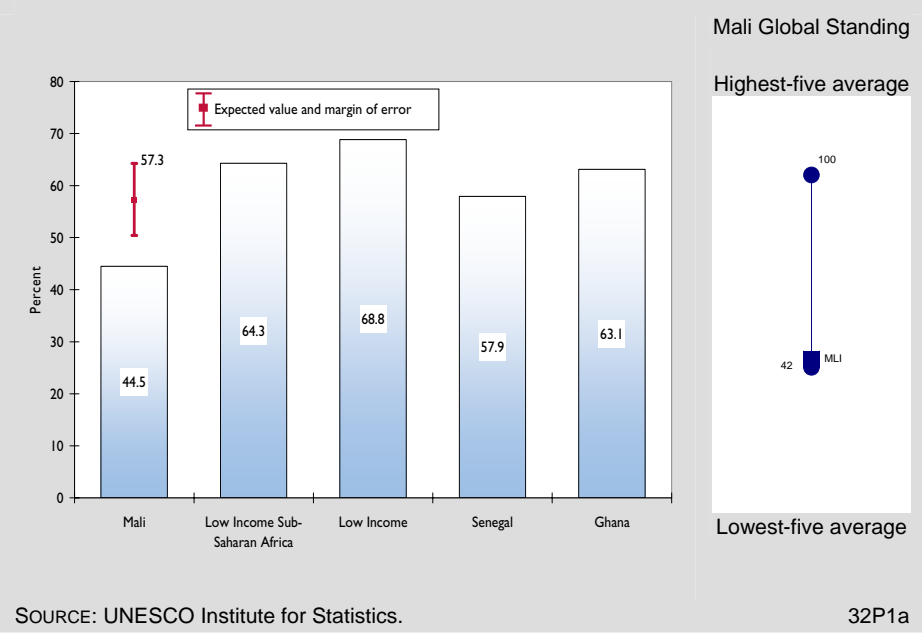


Figure 4-3. Net Primary Enrollment Rate

Primary school enrollment rate is among the lowest in the world.



primary level pupil-teacher ratio²⁴ of 57:1 (in 2002) is one of the highest in the world, suggesting that the quality as well as quantity of education lags behind most other countries.

These severe deficiencies in the education system show up starkly in Mali's youth literacy rate. According to the 2005 World Development Indicators, only 24 percent of the population age 15-24 was literate in 2000 (latest available data). This precise number is questionable, since a figure of 35 percent is given for earlier years. Even the higher number, however, is terribly low compared to the LIC-Africa average of 75 percent, as well as the rates of Senegal (53) and Ghana (92).

Recent budget data show that government expenditure on primary education, at 2.4 percent of GDP, is higher than the regional average of 2.0 percent, but the other indicators show that far more effort is required to improve education outcomes, a cornerstone of broad-based growth. Programs addressing these needs may include innovative incentives to increase enrollment rates, particularly for girls, and measures to improve the supply of education such as teacher training, better financing of teaching and learning materials, and improved curriculum. Technical and higher education is also a critical ingredient for sustainable development, but the database used for this study does not include indicators for analysis at this level.

EMPLOYMENT AND WORKFORCE

Mali's need to create productive jobs and income-generating opportunities for its growing population is acute. Reflecting Mali's youthful demographic structure, the labor force is estimated to be growing by just more than 2 percent per year. While this is slightly below the average labor force growth rate for LIC-Africa (2.2 percent), the economy still needs to absorb roughly 120,000 new workers each year. This can only be accomplished by creating a market environment that fosters private investment, business expansion, and opportunities for productive self-employment.

Labor force participation is extremely high, with an estimated 97 workers per 100 people of working age (15-64), well above the average of 86 for LIC-Africa. In part, the high participation rate is a consequence of deep and severe poverty, because very poor people can ill afford the luxury of not working. But the figure also hints at serious problems with child labor, both in Mali and other low-income countries in Africa. According to the ILO,²⁵ child labor conditions in Mali are among the worst in the world (based on data from the mid-1990s). The cotton industry is a major offender, with other small-scale farm activities close behind. Trafficking in child labor is also a huge problem, as many children are shipped to Cote d'Ivoire and other nearby countries to work on farms and in factories. The government is cooperating with the ILO to combat this social cancer. These problems may be a priority for attention by USAID and other funding agencies in planning education programs or strategies to stimulate agricultural production.

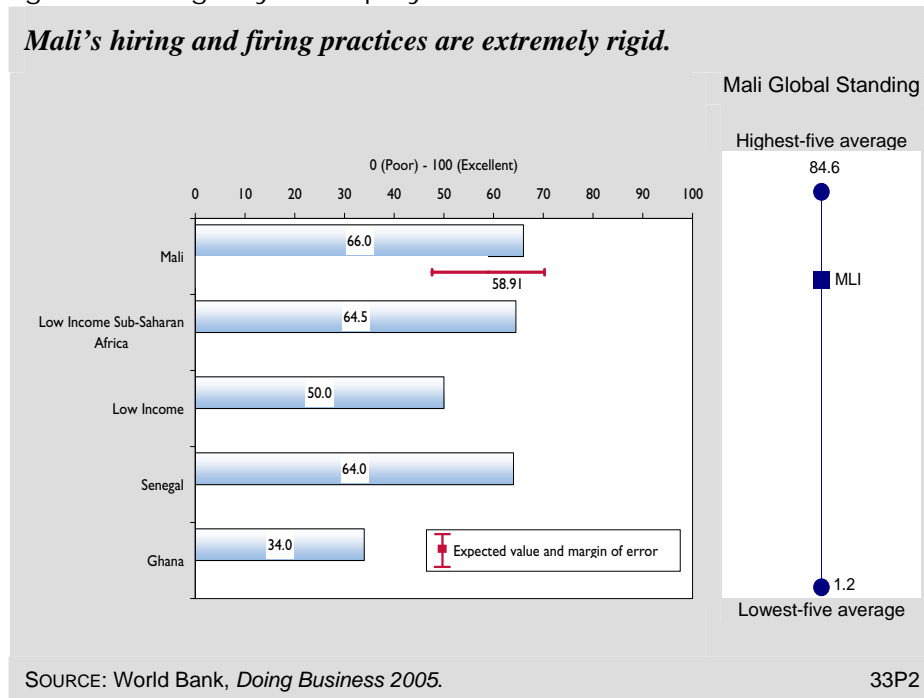
Mali's labor laws and regulations are not particularly favorable for job creation. The World Bank's Rigidity of Employment index measures the difficulty of hiring and firing workers on a

²⁴ A Millennium Challenge Account indicator.

²⁵ See www.ilo.org/public/english/bureau/inf/pr/1998/4.htm.

scale of 0 to 100 (with higher values indicating greater rigidity). Mali’s score of 66 in 2004 is marginally worse than the average of 64.5 for LIC-Africa, itself a poor standard. In contrast, Ghana’s score of 34 indicates far more flexibility in its labor market, which makes it easier for the private sector to create jobs and adjust to market conditions (Figure 4-4).

Figure 4-4. Rigidity of Employment Index



Consequently, programs that foster productive jobs and income-generating opportunities for the growing population may be an important area for USAID intervention.

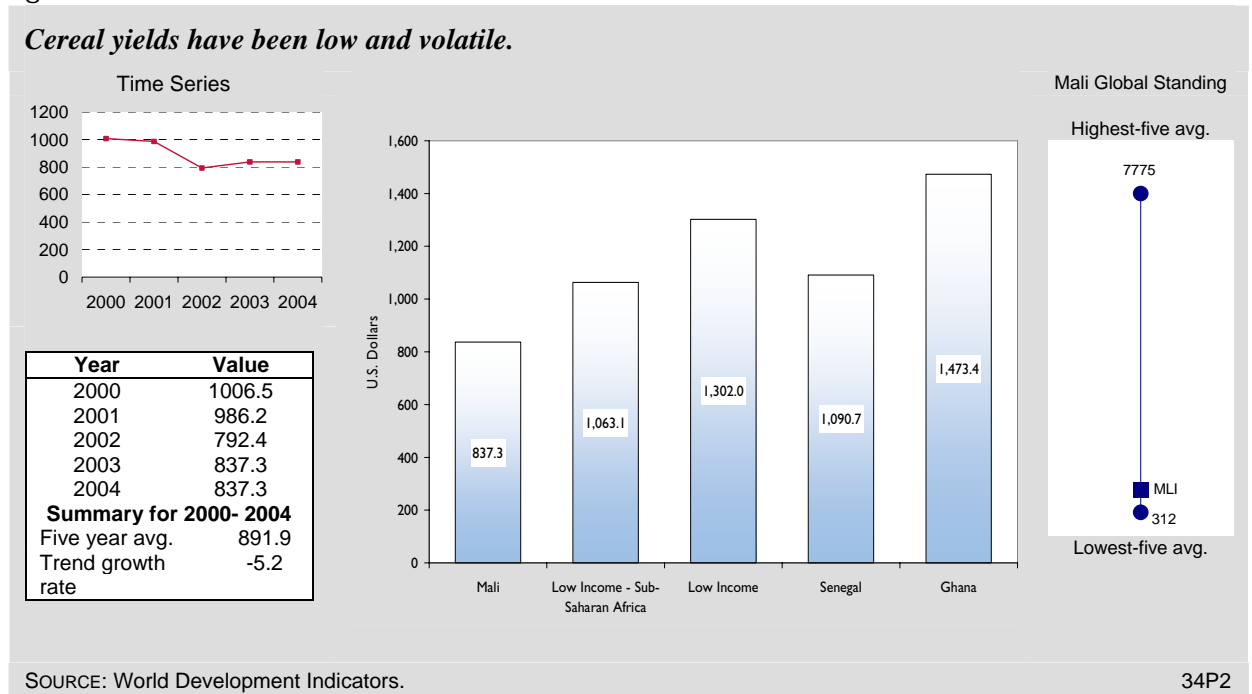
AGRICULTURE

Agricultural development is a critical determinant of growth and poverty reduction in Mali. An estimated 67 percent of the population lives in rural areas; virtually all of these people depend on agriculture for their livelihood, primarily through small-scale subsistence production. Agriculture also accounts for more than one-third of GDP, and more than half of export earnings.²⁶ These exports are concentrated in the cotton sector, which is characterized by volatile world market prices, including a price drop of 45 percent in 2001. The economy’s sensitivity to price changes for a handful of commodities reflects a vast need to diversify the production sector and reduce reliance on traditional primary products. Likewise, Mali’s location at the edge of the Sahel means that rainfall is erratic, droughts common, and desertification a menace to agriculture. Not surprisingly, economic growth rates tend to mirror rainfall patterns.

²⁶ The latest export figure is from 2001 (from WDI 2005).

Despite the importance of agriculture in Mali, the sector is not performing well. Value added per agricultural worker in Mali averaged \$225 (in constant 1995 dollars) over the five years to 2003, well below the average of \$250 for LIC-Africa and the benchmarks for Senegal (\$265) and Ghana (\$346). Furthermore, the growth of value added in agriculture has averaged just 3.1 percent per year, barely above the rate of population growth. Cereal yields have been low by regional standards and very volatile (Figure 4-5). The FAO's index of crop production, defined to equal 100 for the period 1989–1991, rose to only 108 by 2004, indicating little overall growth for the past 15 years. Over the same period, a similar FAO index of livestock production showed an increase of just 18 percent, representing an average growth rate of just 1.1 percent. Both FAO index values are above the average for LIC-Africa (105 for crops and 107 for livestock), but in absolute terms the data signal a bleak situation.

Figure 4-5. Cereal Yields



According to the World Economic Forum, Mali receives a score of 3.9 out of 7 (with 7 being best) on a survey question about the burden of policy costs for agriculture. While this is marginally better than the average of 3.5 for LIC-Africa, the score is fairly low in absolute terms, indicating considerable room for policy improvement. But the main problems lie clearly in education, health, rural infrastructure, agronomic research and development, and a general lack of investment. In the short to medium run, support for market-driven agricultural development must be a high priority for both the government and donors. In the long run, however, the main challenge will be to transform the economy by stimulating investment and job creation beyond traditional agriculture. Consequently, USAID programs that focus on fostering the development of non-agricultural industry would be useful.

Appendix. Indicator Criteria and Benchmarking Methodology

CRITERIA FOR SELECTING INDICATORS

The scope of this paper is constrained by the availability of suitable indicators. Indicators have been chosen to balance the need for broad coverage and diagnostic value, on the one hand, and the need of brevity and clarity, on the other. The analysis covers 15 EG-related topics, and just more than 100 variables. For the sake of brevity, the main text highlights issues for which the “dashboard lights” appear to be signaling problems and which suggest possible priorities for USAID intervention. The accompanying table lists all indicators examined for this report. A separate Data Supplement contains the complete data set for Mali, including data for the benchmark comparisons, and technical notes for every indicator.

For each topic, the analysis begins with a screening of *primary performance indicators*. These “level I” indicators are selected to answer the question: Is the country performing well or not in this area? The set of primary indicators also includes descriptive variables such as per capita income, the poverty head count, and the age dependency rate.

In areas of weak performance, the analysis proceeds to review a limited set of *diagnostic supporting indicators*. These “level II” indicators provide more details about the problem or shed light on *why* the primary indicators may be weak. For example, if economic growth is poor, one can examine data on investment and productivity as diagnostic indicators. If a country performs poorly on educational achievement, as measured by the youth literacy rate, one can examine determinants such as expenditure on primary education, and the pupil-teacher ratio.¹

The indicators have been selected on the basis of several criteria. Each one must be accessible through USAID’s Economic and Social Database or convenient public sources, particularly on the Internet. The indicators must be available for a large number of countries, including most USAID client states. The data must be sufficiently timely to support an assessment of country performance that is suitable for strategic planning. Data quality is another consideration. For example, subjective survey responses are used only when actual measurements are not available. Aside from a few descriptive variables, the indicators must also be useful for diagnostic purposes.

¹ Deeper analysis of the topic using more detailed data (level III) is beyond the scope of papers in this series.

Preference is given to measures that are widely used, such as Millennium Development Goal indicators, or evaluation data used by the Millennium Challenge Corporation. Finally, an effort has been made to minimize redundancy. If different indicators provide similar information, preference is given to one that is simplest to understand. For example, both the Gini coefficient and the share of income accruing to the poorest 20 percent of households can be used to gauge income inequality. We use the income share because it is simpler and more sensitive to changes.

BENCHMARKING METHODOLOGY

Comparative benchmarking is the main tool used to evaluate each indicator. The analysis draws on several criteria, rather than a single mechanical rule. The starting point is a comparison of performance in Mali relative to the average for countries in the same income group and region—in this case, low-income countries in sub-Saharan Africa (hereafter “LIC-Africa”).² For added perspective, three other comparisons are examined: (1) the global average for this income group; (2) respective values for two comparator countries selected by the Mali mission (Ghana and Senegal); and (3) the average for the five best and five worst performing countries globally. Most comparisons are framed in terms of values for the latest year of data from available sources. Five-year trends are also taken into account if they shed light on the performance assessment.³

For selected variables, a second source of benchmark values uses statistical regression analysis to establish an expected value for the indicator, controlling for income and regional effects.⁴ This approach has three advantages. First, the benchmark is customized to Mali’s level of income. Second, the comparison does not depend on the exact choice of reference group. Third, the methodology allows one to quantify the margin of error and establish a “normal band” for a country with Mali’s characteristics. An observed value falling outside this band on the side of poor performance signals a serious problem.⁵

Finally, where relevant, Mali’s performance is weighed against absolute standards. For example, the corruption perception index for Mali was 3.2 in 2004. Regardless of the regional comparisons or regression results, this is a sign of serious economic governance problems.

² Income groups as defined by the World Bank for 2004. For this study, the average is defined in terms of the mean; future studies will use the median because the values are not distorted by outliers.

³ The five-year trends are computed by fitting a log-linear regression line through the data points. The alternative of computing average growth from the end points produces aberrant results when one or both of those points diverges from the underlying trend.

⁴ This is a cross-sectional OLS regression using data for all developing countries. For any indicator, Y , the regression equation takes the form: Y (or $\ln Y$, as relevant) = $a + b * \ln \text{PCI} + c * \text{Region} + \text{error}$ – where PCI is per capita income in PPP\$, and Region is a set of 0-1 dummy variables indicating the region in which each country is located. Once estimates are obtained for the parameters a , b and c , the predicted value for Mali is computed by plugging in Mali-specific values for PCI and Region. Where applicable, the regression also controls for population size and petroleum exports (as a percentage of GDP).

⁵ This report uses a margin of error of 0.66 times the standard error of estimate (adjusted for heteroskedasticity, where appropriate). With this value, 25% of the observations should fall outside the normal range on the side of poor performance (and 25% on the side of good performance). Some regressions produce a very large standard error, giving a “normal band” that is too wide to provide a discerning test of good or bad performance.

LIST OF INDICATORS

	Level	MDG/MCA/EcGov ^a	CAS Indicator Code
OVERVIEW OF THE ECONOMY			
Growth Performance			
Per capita GDP, \$PPP	I		11P1
Per capita GDP, current US\$	I		11P2
Real GDP growth	I		11P3
Growth of labor productivity	II		11S1
Investment Productivity - Incremental Capital-Output Ratio (ICOR)	II		11S2
Gross fixed investment, % GDP	II		11S3
Gross fixed private investment, % GDP	II		11S4
Poverty and Inequality			
Human poverty index	I		12P1
Income-share, poorest 20%	I		12P2
Population living on less than \$1 PPP per day	I	MDG	12P3
Poverty headcount, by national poverty line	I	MDG	12P4
PRSP Status	I	EcGov	12P5
Population below minimum dietary energy consumption	II	MDG	12S1
Poverty gap at \$1 PPP a day	II		12S2
Economic Structure			
Labor force structure	I		13P1
Output structure	I		13P2
Demography and Environment			
Adult literacy rate	I		14P1
Age dependency rate	I		14P2
Environmental sustainable index	I		14P3
Population size and growth	I		14P4
Urbanization rate	I		14P5
Gender			
Adult literacy rate, ratio of male to female	I	MDG	15P1
Gross enrollment rate, all levels, ratio of male to female,	I	MDG	15P2
Life expectancy at birth, ratio of male to female	I		15P3
PRIVATE SECTOR ENABLING ENVIRONMENT			
Fiscal and Monetary Policy			
Govt. expenditure, % GDP	I	EcGov	21P1
Govt. revenue, % GDP	I	EcGov	21P2
Growth in the money supply	I	EcGov	21P3
Inflation rate	I	MCA	21P4
Overall govt. budget balance, including grants, % GDP	I	EcGov	21P5
Composition of govt. expenditure	II		21S1
Composition of govt. revenue	II		21S2
Composition of money supply growth	II		21S3

	Level	MDG/MCA/EcGov ^a	CAS Indicator Code
Business Environment			
Corruption perception index	I	EcGov	22P1
Doing business composite index	I	EcGov	22P2
Rule of law index	I	MCA / EcGov	22P3
Cost of starting a business, % GNI per capita	II	EcGov	22S1
Procedures to enforce contract	II	EcGov	22S2
Procedures to register property	II	EcGov	22S3
Procedures to start a business	II	EcGov	22S4
Time to enforce a contract	II	EcGov	22S5
Time to register property	II	EcGov	22S6
Time to start a business	II	EcGov	22S7
Financial Sector			
Domestic credit to private sector, % GDP	I		23P1
Interest rate spread	I		23P2
Money supply, % GDP	I		23P3
Stock market capitalization rate, % of GDP	I		23P4
Cost to create collateral	II		23S1
Country credit rating	II	MCA	23S2
Legal rights of borrowers and lenders index	II		23S3
Real Interest rate	I		23S4
External Sector			
Aid , % GNI	I		24P1
Current account balance, % GDP	I		24P2
Debt service ratio, % exports	I	MDG	24P3
Export growth of goods and services	I		24P4
Foreign direct investment, % GDP	I		24P5
Gross international reserves, months of imports	I	EcGov	24P6
Gross Private capital inflows, % GDP	I		24P7
Present value of debt, % GNI	I		24P8
Remittance receipts, % exports	I		24P9
Trade, % GDP	I		24P10
Concentration of Exports	II		24S1
Inward FDI Potential Index	II		24S2
Net barter terms of trade	II		24S3
Real effective exchange rate (REER)	II	EcGov	24S4
Structure of merchandise exports	II		24S5
Trade policy index	II	MCA / EcGov	24S6
Economic Infrastructure			
Internet users per 1000 people	I	MDG	25P1
Overall infrastructure quality	I	EcGov	25P2
Telephone density, fixed line and mobile	I	MDG	25P3
Quality of infrastructure – railroads, ports, air Transport, and electricity	II		25S1
Telephone cost, average local call	II		25S2

	Level	MDG/MCA/EcGov ^a	CAS Indicator Code
Science and Technology			
Expenditure for R&D, % GNI	I		26P1
FDI and technology transfer index	I		26P2
Patent applications filed by residents	I		26P3
PRO-POOR GROWTH ENVIRONMENT			
Health			
HIV prevalence	I		31P1
Life expectancy at birth	I		31P2
Maternal mortality rate	I	MDG	31P3
Access to improved sanitation	II	MDG	31S1
Access to improved water source	II	MDG	31S2
Births attended by skilled health personnel	II	MDG	31S3
Child immunization rate	II		31S4
Prevalence of child malnutrition (weight for age)	II		31S5
Public health expenditure, % GDP	II	EcGov	31S6
Education			
Net primary enrollment rate	I	MDG	32P1
Persistence in school to grade 5	I	MDG	32P2
Youth literacy rate	I		32P3
Education expenditure, primary, % GDP	II	MCA/ EcGov	32S1
Expenditure per student, % GDP per capita – primary, secondary, and tertiary	II	EcGov	32S2
Pupil-teacher ratio, primary school	II		32S3
Employment & Workforce			
Labor force participation rate, females, males, total	I		33P1
Rigidity of employment index	I	EcGov	33P2
Size and growth of the labor force	I		33P3
Unemployment rate	I		33P4
Agriculture			
Agriculture value added per worker	I		34P1
Cereal yield	I		34P2
Growth in agricultural value-added	I		34P3
Agricultural policy costs index	II	EcGov	34S1
Crop production index	II		34S2
Livestock production index	II		34S3

^a Level I = primary performance indicators, Level II = supporting diagnostic indicators

MDG = Millennium Development Goal indicator

MCA = Millennium Challenge Account indicator

EcGov = Major indicators of *Economic Governance*, which is defined in USAID's *Strategic Management Interim Guidance* to include "microeconomic and macroeconomic policy and institutional frameworks and operations for economic stability, efficiency, and growth." The term therefore encompasses indicators of fiscal and monetary management, trade and exchange rate policy, legal and regulatory systems affecting the business environment, infrastructure quality, and budget allocations.