

BTI 2008 | Mali Country Report

Status Index	1-10	6.16	# 49 of 125	
Democracy	1-10	7.25	# 36 of 125	➔
Market Economy	1-10	5.07	# 76 of 125	➔
Management Index	1-10	6.22	# 27 of 125	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Bertelsmann Transformation Index (BTI) 2008. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 125 transformation and developing countries are evaluated.

The BTI is a joint project of the Bertelsmann Stiftung and the Center for Applied Policy Research (C•A•P) at Munich University.

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Key Indicators

Population	mn.	13.5	HDI	0.34	GDP p.c.	\$	919
Pop. growth ¹	% p.a.	3.0	HDI rank of 177	175	Gini Index		40.1
Life expectancy	years	49	UN Education Index	0.24	Poverty ³	%	72.1
Urban population	%	30.5	Gender equality ²	-	Aid per capita	\$	52.3

Sources: UNDP, Human Development Report 2006 | The World Bank, World Development Indicators 2007 | OECD Development Assistance Committee 2006. Footnotes: (1) Average annual growth rate 1990-2005. (2) Gender Empowerment Measure (GEM). (3) Percentage of population living on less than \$2 a day.

Executive Summary

Mali is a multiethnic state that enjoys a much stronger sense of historical and cultural identity than most of its neighbors. The peaceful integration of several different groups is one of the country's major assets. Mali's northern regions, where the Tuareg, Arabs and Moors remain worlds apart, is however, an exception to this otherwise successful model of integration. In 2006, ten years after the negotiated settlement of the second Tuareg rebellion, violence flared up again in northern Mali, undermining the country's stability. Many people there feel excluded from the country's development. Malian authorities chose to avoid a major military confrontation with the rebels and with help from Algeria, agreed on a negotiated settlement. However, implementing this agreement is problematic as northern Mali remains in the hands of non-elected clan leaders and is not under the government's control. President Amadou Toumani Touré's democratically elected government tries to guarantee civil liberties for all its citizens. However, rampant corruption at all levels of society seriously limits citizens' ability to assert their constitutionally guaranteed rights. The central government delivers only rudimentary services in the fields of health and education, and this is particularly the case outside the capital Bamako. In the course of decentralization there have been some encouraging signs of communal authorities providing more services to their citizens.

The economy relies heavily on traditional agriculture and remains vulnerable to climatic shocks. Sufficient rain ensures a good harvest and provides ample food for the population as in 2005 and 2006. Insufficient rain prompts an instant economic crisis, as in 2004. The most important export commodity is gold. Due to the favorable gold price, the Malian economy has experienced high growth rates (approximately 6%) in the last two years but productivity remains low. There is very little private investment and the state continues to extract "fees" from economic stakeholders at all levels. Mali continues to benefit from large aid transfers and debt relief (more than 1 billion dollars

in 2006). Despite the massive injection of foreign funds and the positive economic figures from the last two years, the country's position on the UNDP's Human Development Index has actually fallen, placing it almost at the bottom of the league (175th out of 177 countries).

Nevertheless, Mali remains a source of stability in the region. The government participates in international and regional efforts to stabilize the political situation, which is one of its strategic priorities. This has been underlined by the construction in Bamako of a new training facility for regional peacekeeping missions in 2006.

History and Characteristics of Transformation

Transformation toward a market-based economy began in the 1980s under the military dictator Traoré, who sought to cooperate with the IMF and liberalize the economy. However, popular resistance to austerity policies and the perceived enrichment of the political elite led to protests culminating in Traoré's fall in 1991. Remarkably, General Touré, the head of the military interim government, stepped down and paved the way for free presidential elections. The newly elected president, Alpha Oumar Konaré, concentrated on economic and political reforms. The negotiated settlement ending the second Tuareg rebellion (1992 – 1996) in the north counts as one of the government's major political successes. Initially intended to grant the northern part of the country a degree of autonomy, decentralization began in the southern provinces and has since accelerated.

During this period, the government dismantled state enterprises such as electricity, water, textiles and telecommunications, and freed the market of state intervention in pricing. The latter proved particularly important for the agricultural sector, where unregulated prices served as an incentive to increase production. The government also opened the mining sector to foreign investment, enabling commercial development of Mali's potential. It also established commercial courts and attempted to facilitate administrative procedures to attract foreign investment.

In the wake of a short domestic political crisis in 1997, President Konaré followed a stipulation in the Mali constitution limiting presidents to two terms and proceeded to step down in 2002. This act strengthened faith in democratic procedures and enhanced Mali's international credentials. The successor, General Touré, continued the process of economic and political reform. Having qualified for the IMF's Highly Indebted Poor Country (HIPC) program in 1999, Mali qualified for debt relief of roughly \$540 million in 2003. According to Mali's PRSP strategy formulated in 2002, this money was to be invested primarily in education and health. Fifteen years after national and international euphoria over the fall of its military dictator, Mali's political success contrasts with its failure to bring economic growth with equity.

Transformation Status

I. Democracy

1 | Stateness

Since independence in 1960 and a short union with Senegal, Mali has enjoyed a much clearer sense of stateness than many of its neighboring countries. By incorporating the historic empires of the Mandé, Peulh and Songhai, Mali has been relatively successful in creating a national identity. However, this identity has failed to include the Tuareg, Moor and Arab communities in the northern part of the country. This has resulted in two armed rebellions against the central authorities (1963, 1992-1996). The problem resurfaced acutely in 2006, culminating in an armed attack on military bases in Kidal and Menaka on 23 May 2006. The rebels demanded a higher degree of autonomy and increased economic aid. On 4 July 2006 an accord was signed between the government of Mali and the rebels in Algiers, thus avoiding a major military confrontation between the two. Nevertheless, the situation remains extremely volatile. As a result, the army's military control of the northern part of the country has been diminished.

Monopoly on the use of force

Despite political tensions caused by the new outbreak of hostilities, the Malian government has endeavored to prevent any form of generalized discrimination against its citizens in the north. All citizens enjoy the same constitutional rights.

State identity

Mali is a secular state. However, religious and traditional leaders exert considerable influence on the state's scope for action in sensitive issues such as polygamy and female genital mutilation.

No interference of religious dogmas

State ministries and their regional representatives are weak. Donor supported decentralization aims at extending the capabilities of communal administration, however the administration's ability to deliver anything but the most basic services remains poor.

Basic administration

2 | Political Participation

General elections are held and accepted. The last communal elections in 2004 saw a relatively high voter turnout (45%) and passed relatively smoothly. So far, the preparations for the next national elections (presidential elections in April 2007; parliamentary elections in July 2007) have continued without major problems, thus underscoring the strength of democracy.

Free and fair elections

The power of elected rulers continues to be limited by some veto groups (e.g., state-run cotton company CMDT, Islamic authorities, the army, rebels in the northern regions). This will become more promising, once certain groups, such as farmers, discover and fully exercise their democratic rights in order to challenge certain decisions.

Effective power to govern

Associations and political parties based on specific identities such as ethnicity, religion and region are banned. Otherwise, the freedom of assembly is unrestricted.

Association / assembly rights

Mali continues to offer a plurality of views in its media. Given the high illiteracy rate (ca. 80%), television and radio are by far the most influential form of media. At the moment there are no private television channels, but access to international television is unlimited. With more than 120 private radio stations, Mali has one of the most diverse landscapes in which the media can tackle sensitive issues and fight for its freedom. When a radio journalist was beaten up in 2005 (allegedly by state sponsored actors) there were strong protests. Freedom of the press was demonstrated also by the wide media coverage given in Autumn 2006 to a publication highly critical of the ruling president Touré (“ATT cratie – la promotion d’un homme et de son clan”).

Freedom of expression

3 | Rule of Law

While the separation of powers exists in principle, the executive branch is, in practice, by far the most powerful. The legislature passes most laws without major opposition and functions in a way similar to parliaments opposed to monarchs in the early days of European democracy. However, beginning in 2005, there were several instances where parliament flexed its muscles, forcing individual ministers to testify about specific actions. The parliament’s right to determine the national budget is regularly undermined by the regulations on spending imposed by international donors.

Separation of powers

The judiciary is weak and subordinate to political authorities. Key issues such as corruption and embezzlement of public funds are dealt with by other supposedly independent institutions, which undermines faith in the system. One of these

Independent judiciary

institutions, the “vérificateur général”, published a detailed list of fraudulent activities (e.g., non-declared gas imports, tax evasion, credit default) in 2005 without any serious action by the judiciary.

Corrupt officeholders are rarely punished unless they either offend other contenders for power or are exposed in the press. Even then, the officeholder is often only quietly removed from his or her post.

Prosecution of
office abuse

Despite its poverty and weak institutions, Mali guarantees the civil rights of its citizens to a high degree. There are allegations of police torture that are regularly followed up. Although the government attempts to uphold civil rights, widespread corruption severely curbs citizens’ access to justice. There are two main areas where the state does not take strong actions to protect its citizens: female genital mutilation and trafficking in children (child labor). The former is viewed by many as a social and cultural taboo, the latter accepted as a result of widespread poverty.

Civil rights

4 | Stability of Democratic Institutions

Despite a small population of 12 or 13 million, Mali has 27 ministries. Fraught with bureaucratic strife, the resulting friction and waste far exceeds that seen in Western democracies. Several roundtables to coordinate donor policies with the Malian ministries since 2005 have highlighted the fact that the ministries’ main aim was to acquire as much external financing as possible in order to increase their influence and satisfy their respective clients.

Performance of
democratic
institutions

The acceptance of democratic institutions among all relevant actors is limited, a problem that is exacerbated by the frequent overlap of institutional responsibilities. In 2006, for example, different branches of the armed services, namely the police and national guards, disagreed publicly over their respective duties and domains. The same applies to the issue of development: citizens will not accept a situation in which several state organizations all work on similar issues without palpable results.

Commitment to
democratic
institutions

5 | Political and Social Integration

Mali’s party system displays low levels of polarization but continues to be fairly fragmented. There are around 100 officially registered political parties (more than nine represented at the parliamentary level), whose allegiances shift frequently. Splits are common and volatility is high. Most of the political parties do not have a declared party platform. In general, programmatic profiles are shallow and despite state funding, organizational structures are weak. However, in the run up to the impending national election, there has been a tendency to form larger

Party system

groups supporting presidential candidates. President Touré managed to set up an alliance of 14 major political parties in December 2006. Other candidates are likely to follow this move. It is doubtful whether the alliances will continue to exist after the elections.

A network of both economic (trade, agriculture, hunting) and ethnic (community of Lebanese origins, Peulh) interest groups negotiate in the event of conflict. Mali benefits from a unique system of so called “jocular relationships”, cross-cutting the different ethnic groups. In the event of tensions, this serves as a moral boundary as well as a way to maintain dialogue with the “other” group.

Interest groups

The citizens’ consent to democracy remains relatively high. According to representative survey polls of the Institute of African Affairs (Hamburg) and Afrobarometer, around two thirds of all respondents prefer democracy to any other kind of government. Perceived infringements of civil liberties regularly spark protests, such as the aforementioned intimidation of journalists. However, this consent will suffer growing skepticism if palpable economic benefits are not delivered to the population.

Consent to democratic norms

Mali boasts a high number of NGOs and a wide variety of interest groups. Their existence can be partly explained by the readiness of foreign donors (state and private) to cooperate with non-state actors. These actors form a robust network, linking citizens in all kind of activities and increasing trust among the population.

Associational activities

II. Market Economy

6 | Level of Socioeconomic Development

With over 70 % of the population living below the poverty line (UNDP Annual Report 2005), Mali suffers from a high rate of social exclusion, exacerbated by the unequal distribution of income. According to the 2005 Human Development Report, Mali’s richest 10% control roughly 40% of total disposable income; the poorest 20% only 1.8%. While poverty is much worse in rural areas, the high levels of subsistence farming make for living conditions better than figures suggest. Mali ranks low on both the gender-related and the human development scales. However, religion and ethnicity are not factors of exclusion from society.

Socioeconomic barriers

Economic indicators		2002	2003	2004	2005
GDP	\$ mn.	3,343	4,362	4,874	5,305
Growth of GDP	%	4.2	7.4	2.2	6.1
Inflation (CPI)	%	5	-1.3	-3.1	6.4
Unemployment	%	-	-	8.8	-
Foreign direct investment	% of GDP	7.3	3.0	2.1	3.0
Export growth	%	31.7	-15	-0.2	8.7
Import growth	%	-10.4	13.5	-2.8	3.7
Current account balance	\$ mn.	-148.8	-271.0	-409.0	-
Public debt	\$ mn.	2,517.8	2,910.1	3,136.0	2,842.6
External debt	\$ mn.	2,827.1	3,114.3	3,320.2	2,968.9
External debt service	% of GNI	2.7	1.8	2.1	1.7
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	8.7	8.4	10.0	10.0
Public expnd. on edu.	% of GDP	3.4	4.1	4.3	4.3
Public expnd. on health	% of GDP	2.5	2.8	3.3	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.9	1.9	1.9	2.3

Sources: The World Bank, World Development Indicators 2007 | UNESCO Institute for Statistics | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security

7 | Organization of the Market and Competition

Despite economic liberalization in the 1990s, the state retains control over the economy's two major exports: cotton and gold. Privatization of the cotton sector has been repeatedly postponed. In addition, the government reclaimed control of EDM, the provider for electricity and water and one of the flagships of privatization, following a long dispute between the authorities and the company about the level of investment and prices. The state has actually increased its hold on the economy. There have, however, been some positive developments in terms

Market-based
competition

of licenses and registering property. Mali rose on the World Bank's indicators for the ease of doing business from position 166 (2006) to 155 (2007). The informal economy remains large.

There are rules and regulations prohibiting monopolies and oligopolies, but corruption severely hampers their implementation. As a result, there are wholesale price-fixing oligopolies in many areas of the economy (e.g., trade in grains). Retail prices are competitive, and the informal sector is large and vibrant.

Anti-monopoly
policy

Foreign trade is crucial for a landlocked nation. Mali has pushed forward regional integration within the WAEMU (West African Economic and Monetary Union) as well as within ECOWAS (Economic Community of West African States) to facilitate its exports of livestock, cereals and other agricultural products. Minimal physical infrastructures have long impeded trade with Mali. With the help of donor funding, Mali has improved its physical infrastructures by building new roads that connect the country with Senegal and Mauritania. However, government officials often demand "fees" from those transporting goods across the border and through several control posts within Mali's borders. Fraud through the use of import licenses that create preferential rules for individual companies is widespread. Mali enjoys the ACP privileges under the Cotonou Agreement and is currently negotiating an economic partnership agreement with the European Union. Furthermore, Mali is eligible for the AGOA scheme of the United States.

Liberalization of
foreign trade

Mali's banks run small balances. The banking system suffered from an economic slowdown in 2004. In March 2006, the IMF reported a less than full compliance with prudential ratios and evidence of a decrease in the quality of credit portfolios. The government began to address the problem, although belatedly. Reforms in the housing bank BHM improved the banking system's overall performance. Access to credit remains very difficult in rural areas. The poor are served largely by micro-finance institutions supported by donors.

Banking system

8 | Currency and Price Stability

Mali is a member of the CFA (Franc Communautaire d'Afrique) which is guaranteed by the French treasury and does not control its monetary policy. Decisions are made by the BCEAO (Banque Centrale des Etats de l'Afrique de L'Ouest). Notwithstanding an inflation rate of over 6% in 2005, the BCEAO has maintained overall low inflation rates during the last years. The CFA franc is pegged to the euro. However, there are devaluations, the last being a 50% devaluation in 1994. Worries over devaluation result in capital transfers abroad or investment in non-monetary assets.

Anti-inflation /
forex policy

To achieve macroeconomic stability, Mali continues to cooperate closely with the IMF and the World Bank, as well as other international donors. In 2006, the government faced strong resistance from interest groups when trying to implement customs reform or curb the proliferation of tax exemptions to stabilize its budget. As long as outside funding such as debt relief and development aid is available, the government will shy away from tough internal controversies, which pre-empts a culture of stability.

Macrostability

9 | Private Property

In principle, property rights are well defined. However, in the important area of land rights, three major factors block implementation. Firstly, much of the land remains uncovered by allotment (even for municipal areas), secondly, ubiquitous corruption results in high additional transaction costs for anyone seeking a legal title, and thirdly, divergent concepts of property and customary rights to access, particularly between nomads and the sedentary population, result in frequent clashes in rural areas. In August 2005, Mali simplified its procedures and reduced the time needed to obtain titles, which has resulted in an upsurge in transactions. The World Bank estimated in its Doing Business Review 2007 that the monthly revenue from the sales of land tripled from 2005 to 2006.

Property rights

Private companies form the backbone of the largely informal economy. However, state companies remain in some of the key sectors such as cotton and telecommunications. The scope of government control has increased since the government reclaimed in 2005 the majority of shares in EDM, the company providing electricity and water.

Private
enterprise

10 | Welfare Regime

The ineffectiveness of the state's social welfare system contrasts with the strength of the private social networks provided by the extended family. Families generally provide support in the event of problems and form the backbone of a safety net. Yet widespread poverty prevents many families from affording basic services such as medical consultations. Guided by the IMF, the government of Mali has approved some reforms of the civil service pension fund in order to reduce its operating deficit. Similar measures are envisaged to guarantee the financial viability of publicly managed pension funds.

Social safety nets

There are several barriers to equal opportunity in Mali. Malian society is based on personal connections, thus social differences play an enormous role and shape the prospect of economic success. While women have significantly lower access to education than men, a very high percentage of women (33%) occupy ministerial posts. The state shows great effort in trying to improve women's opportunities in education.

Equal opportunity

11 | Economic Performance

After the crisis of 2004, Mali enjoyed two good years with solid growth rates of around 6%. This was due primarily to fortunate weather conditions and high gold prices. Furthermore, the government has profited from the extra “fiscal space” due to debt relief totaling 1.9 billion U.S. dollars. This growth is encouraging but has to be seen against the background of a population growth of 2.7%. From 1975 to 1990, overall per capita GDP grew only 0.2%; from 1990 to 2004, per capita GDP grew 2.5%. Mali’s economy continues to depend on external factors such as the weather and commodity prices. Gold made up two-thirds of all export earnings in 2005. Growth is hampered by endogenous factors such as low productivity, high transactions costs and the misallocation of state resources, which means the current favorable economic outlook is not based on a solid framework. Political stability is compromised by the uneven distribution of economic gains. Exact unemployment figures are difficult to obtain. The CIA fact book estimates the unemployment rate at 14.6% in urban areas and 5.3% in rural areas. The economy runs a slight trade deficit. The IMF estimates a negative current account balance for 2005 (7% of GDP). Debt relief has improved the ratio of external debt to GDP dramatically from 65% in 2005 to 27% in 2006!

Output strength

12 | Sustainability

Environmental sustainability plays no significant role. Most donors are active in promoting environmental protection. Plans are often written with the help of international actors but hardly ever implemented. Where there is a direct conflict of economic and environmental interests, such as in forest usage or pollution caused by gold mining, the former prevails. Given the ubiquity of extreme poverty in Mali, this is understandable. However, deforestation and desertification pose a serious threat to future cultivation opportunities; a shift in world climate would thoroughly upset Mali’s fragile environmental balance.

Environmental policy

Mali has increased its spending on education and receives significant external funds from state and non-state sectors to do so. Input indicators show an increase in spending on buildings with less than convincing results, however. According to the UNDP’s 2006 development report, adult literacy rates (an impact indicator) have remained almost stagnant (1990: 18.8%, 2004: 20%), whereas the youth literacy rate actually fell from 27.6% in 1990 to 24.2% in 2004. There is no significant spending for research and development in Mali.

Education policy / R&D

Transformation Management

I. Level of Difficulty

When looking at the structural constraints, it is very important to distinguish between external and internal factors, which are often combined. Mali's landlocked position complicates access to overseas markets and makes the country vulnerable to upheavals in neighboring countries (e.g., Côte d'Ivoire). However, massive foreign investment in physical infrastructures have improved the road network, with new connections linking Mali to Senegal and Mauritania, making trade much easier. Heavily dependent on agriculture, Mali's economic well-being requires consistent and sufficient rainfall, a delicate situation underscored by the drought crisis of 2004 – 2005, which was aggravated by a locust invasion. It is important to note, however, that the government had been given ample warning from international organizations such as the UN Food and Agriculture Organization to prepare for the event. Mali continues to be hobbled by extreme poverty and the lack of an educated labor force. Also, Mali has a pool of internationally trained experts who prefer to work in government or with the international donor community instead of taking commercial risks. As mentioned above, education has received considerable international funding transfers, but these poorly managed funds have yet to yield notable results. Mali's domestic political situation worsened with the re-emergence of hostilities between Tuareg rebels and the government in 2006. These events were triggered by the government's decision to allow Libya, as a foreign power, to set up a permanent diplomatic post in northern Mali, upsetting a very delicate balance and exacerbating tensions in the north. Consequently, Algeria stepped in, limiting the government's scope of maneuver in the northern regions. Mali's HIV/AIDS rate (1.9%) is much lower than in most other sub-Saharan countries.

Structural
constraints

Without some traditions of civil society, the former dictator Traoré could not have been successfully overthrown in 1992. Since then, these traditions have grown stronger and reveal themselves whenever the state perceives civil liberties to be at a risk. The absence of any acts of vengeance toward Tuaregs in the south following the renewed Tuareg rebellion in the north serves as another notable reminder of the strength of civil society in Mali.

Civil society
traditions

While civil war has not resurfaced since rebel activities in northern Mali have begun again, tensions have increased significantly. Though Mali benefits from the aforementioned “jocular relationships” that facilitate inter-communal relations, the situation remains volatile with the danger of a widening conflict and the polarization of Malian society. Foreign interventions also vie for influence amongst many of the desperate youths in the country. If the government cannot improve the urban worker’s living conditions, the influence of radical elements is likely to grow despite Mali’s generally tolerant political culture.

Conflict intensity

II. Management Performance

14 | Steering Capability

There is a clear disjuncture between the strategic aims of Mali’s government and those of the donor-driven poverty reduction processes. This is clearly highlighted in the many roundtable discussions attempting to coordinate aid activities. Whereas the donor community emphasizes synergistic and effective aid use, the Malian ministries focus on receiving a maximum amount of aid to be dispersed under their respective structures. Food security is one prominent example: Following the crises in 2004 and 2005, donors proposed a financially more efficient system of reduced physical national stocks and increased financial reserves. However, the government asked for additional funds in order to increase the physical stock since free food distributions render a sense of security to the local population – especially before elections. Road maintenance is another example. Donors have had to put massive political pressure on the Malian government to specifically earmark and reserve funds for this task, which is all too often left to external financing. Donors still have to follow-up closely on the governments’ commitments in areas such as decentralization, and build coalitions with reform-minded groups inside the country in order to push the agenda forward. The rent-seeking structure of government agents is deeply embedded and furthered by donors under political and budgetary pressure to disburse funds regardless of efficiency. The lack of action against criminal activities that have a detrimental effect on the government’s budget does not give the impression of a government being committed to a socially responsible market economy. Foreign influence is high, however it is often limited to setting the political and economic agenda. The government decides how far it is willing to implement such agendas. The government is under pressure to reconcile its

Prioritization

own interests with the policy ideas of the international community. Caution must be exercised in judging Mali's government by its commitments to the international community. The priorities are difficult to gauge: President Touré mentioned three areas in his keynote address to all Malian ambassadors in May 2006: food security, employment and micro-finance. In earlier speeches, he focused on social housing and the eradication of the Guinea worm. In discussions with the IMF in 2006, Mali emphasized rural infrastructure, agricultural diversification and the creation of agro-industries as priorities. A closer look at the government's steering capability during the run-up to the outbreak of hostilities in the north in 2006 reveals more of the government's ability to set and maintain strategic priorities. Despite repeated domestic warnings, the government allowed repeated foreign intervention in the volatile north – including allowing the Libyan leader to meet with rebels – thus complicating the situation there. However, in the wake of the armed attacks, the government devoted many of its resources to dealing with the crisis. Mali was able to avoid a major military confrontation and negotiated a tenuous settlement. Far from over, this episode underscores the political elites' short-term focus. Such short-term thinking becomes even more pertinent when considering the possibility of commercial energy exploration in the north, where an Australian organization has signed deals for several fields. This would be a compelling argument for treating the northern regions as an important strategic asset and to be given priority. The government has no strategic plans to deal with one of the highest population growth rates in the world (2.7%). If health policies successfully reduce infant mortality rates, this growth rate could increase.

The government appears to be committed to democracy and reformed the national election laws in 2006 to allow for greater transparency in the electoral process. The government's record in implementing economic reform is more ambiguous. Doubts have been cast over the government's orientation since the electricity and water utility EDM has been re-nationalized. Though announcements have been made about plans to privatize the state-run cotton company CMDT in 2008, the process is far behind its originally envisaged schedule. Privatization risks upsetting powerful domestic constituencies such as cotton farmers, trade unions or managers profiting from state-run enterprises and is therefore a difficult task. The same applies for streamlining administrative procedures to improve the business climate, which risks triggering resistance among the many government agents who are concerned about losing influence. Mali's respect for democracy, coupled with its present system of political consensus, makes it difficult to tackle controversial reforms. In the run-up to the national elections in 2007, no significant steps for further reforms will be taken. Therefore, the commitment to and efficiency in implementing reforms can be tested much more effectively after 2007.

Implementation

The leadership responds to mistakes and attempts to correct failures. This has been exemplified by the swift closure of the Libyan consulate general in northern Mali following the outbreak of hostilities. In another example, the Malian government responded swiftly to a crisis in 2006 involving the forceful repatriation of illegal Malian immigrants from Morocco. After having ignored the issue, the government dispatched its minister, who quickly negotiated a deal with his Moroccan counterparts. The high degree of media freedom as well as principally functioning markets give the government enough feedback to control the impact of its policies and eventually change its tactics. The government's record in terms of innovation is less positive. The high dependence on rent-seeking elites profiting from external funds makes it difficult to tackle some of the root problems of corruption. The political leadership has internalized the dependence on foreign aid to a very high degree and doesn't seem willing to change this basic approach in favor of more self-reliance.

Policy learning

15 | Resource Efficiency

Mali's resource efficiency is unsatisfactory; 27 ministries for a country of 12 or 13 million citizens is not a sign of frugal management. Furthermore, the ministries suffer from high absenteeism and a consensual style of politics that evades punishing civil servants. Auditing remains a serious problem for Malian ministries, despite foreign efforts to improve transparency in alliance with the Malian ministry of finance. Although the government has committed to overhauling its structures, there have been no palpable results. Government efforts concentrate mostly on transparency and consistency in the actual budgeting figures once they have been entered into the system. Though an improvement, this does not resolve the primary problem, namely the quality of the figures entered in the first place. Similar problems exist on the communal level, although transparency is easier to achieve in small communities once people are encouraged to follow finance flows.

Efficient use of assets

The high degree of inter-agency strife in Mali is directly related to the prevalence of overlapping responsibilities among the large number of ministries. Ministries often argue over project control and the ability to distribute favors to their constituencies rather than over actual policy content. The government fails to coordinate interests and avoids conflicts by allowing the ministries to seek funds from international donors more or less directly. For example, at the 2006 roundtable on agricultural development, various agencies presented new proposals without prior coordination. Donors, particularly those not involved in regular coordination activities, often act in parallel, thus facilitating a lack of policy coordination.

Policy coordination

Despite numerous announcements to fight it, corruption remains rampant at all levels of society. There are three levels of corruption: 1) Small bribes exerted by public officials in everyday life feed resentment and threaten political stability. 2) Economic stakeholders are bribed to acquire contested public offers. Because this kind of corruption often entails a Malian “loser,” it occasionally becomes public and the guilty party is punished. This form of corruption occurs regularly in public procurement. 3) The embezzlement of funds from donors. Unless donors themselves are vigilant in tracking funds, this form of corruption is rarely punished. The “vérificateur general” (an office set up to investigate but not prosecute cases) regularly complains about the lack of prosecution, despite several cases with detailed evidence showing massive financial losses for the government. Mali is ranked 94th (out of 159) of the 2005 Transparency International Corruption Perception Index. According to a household survey in Transparency International’s 2004 report, more than 88% of the general population believes corruption is a major problem in the country.

Anti-corruption
policy

16 | Consensus-Building

Mali’s main political actors are committed to democracy. Even in times of crises, there have been no calls for a return to any “strong man” whatsoever. This kind of commitment is more difficult with respect to issues related to a market economy. There have been delays and even reversals in privatizing major utilities, such as the state cotton company and the water and electricity provider and nobody questions the possibility of imposing state planning for the key sector of agricultural production. Mali prides itself on its ability to create and solve conflicts peacefully by building a national consensus, though the recent resurgence of ethnic violence in northern Mali has challenged this consensus. The government’s decision to sign the Algiers Agreement to end the hostilities has been heavily criticized as a shameful move, and is viewed as having rewarded the rebels for their violent behavior. The intensified debates over the country’s economic direction observed in the run-up to the 2007 elections are necessary and to be expected; they in no way undermine the strong consensus on democratic principles. There is a vociferous opposition to liberalization, which often cuts privileges among trade unions or managers of state run enterprises. If the current economic system does not deliver palpable benefits to the population, there could be a shift in economic and even democratic policy.

Consensus on goals

There are no notable anti-democratic actors in Mali. The threat of strong veto actors is not an issue at the moment as all groups publicly commit themselves to democracy. The picture is more complex in terms of economic reform. The government will give leeway to donor demands in promising economic reforms and then avoid domestic conflicts with strong actors by not implementing these

Anti-democratic veto
actors

reforms. The government has thus far managed to limit the influence of strong actors through this strategy.

Rebel activities in northern Mali in 2006 shook the peaceful foundations of society and served as a reminder of the divisive potential in the country. The government chose to de-escalate the conflict rapidly to avert another civil war like that of the 1990s. The political leadership frequently appeals to national solidarity in times of crises, such as the difficult 2004 – 2005 period. There is plenty of political will to depolarize conflicts and create a sense of national identity that crosses ethnic boundaries. However, these efforts are undermined by the state's inability to curb corruption and offer basic services such as health and security, which creates a sense of frustration and exclusion among the poor that can be easily exploited by radical elements. Exclusion of the poor remains one of the gravest dangers to Mali's further transformation.

Cleavage / conflict
management

Civil society actors are very well organized and are vocal in Mali's political debates. The Western concept of civil society, as opposed to governmental activity, does not fully apply since many important political figures in government rely not only on their official function or political affiliation but also run their own NGOs. Economic groups such as the chamber of commerce, intellectuals, journalists and local representatives play an important role in deliberating and determining policies when and where they choose to engage.

Civil society
participation

Reconciliation of past injustices was completed; however some old wounds were re-opened by the armed clashes in the north. It is too early to evaluate the situation.

Reconciliation

17 | International Cooperation

Mali continues to cooperate closely with international donors. Given the high degree of funding received, this comes as no surprise. According to the Economist, Mali receives \$45 in transfers per capita, which is the 10th highest rate of transfers to a developing country. Most bilateral donors have policy advisors linked with various Malian ministries and agencies. The IMF, the World Bank and the Delegation of the European Commission play a crucial role in the economic reform process. This cooperation helps to overcome technical problems, yet is limited when entrenched domestic interests are at stake. This applies to the privatization programs as well as to efforts by the ministry of finance to achieve a higher degree of transparency in the budgetary procedures. The government has not yet fully tapped into the potential of using outside agents as allies in order to implement reforms.

Effective use of
support

Despite some degree of frustration over the lack of reform implementation, the Malian government upholds its reputation as a reliable partner in the international community. Underscoring this development, in 2006, Spain and Denmark opened new embassies in Mali, and Mali increased cooperation with donors in general.

Credibility

Mali's government is actively engaged in international and regional organizations and promotes regional integration. Its former president, Konaré, is the president of the Commission of the African Union. Mali has agreed to submit itself to a peer review under NEPAD. In 2006, the government increased the importance given to international peacekeeping missions by supporting the installation of a new training facility for international peacekeeping missions in Bamako (Ecole de maintien de la paix). This is the first facility of its kind in francophone Africa. Mali has contributed troops to peacekeeping missions in Burundi, Rwanda, Haiti, Darfur (Sudan) and the Central African Republic. The crisis in Côte d'Ivoire continues to pose a challenge for Mali – although the economy has adapted to using other ports as an alternative to Abidjan. The government has successfully avoided becoming embroiled in the conflict despite strong interests, since roughly three million Malian citizens reside in northern Côte d'Ivoire. Following the resurgence of violence in the north, the relationship with its neighbors in the Maghreb, Libya and Algeria have been strained. The government pursues a non-confrontational policy towards its more powerful northern neighbors at the risk of prompting domestic controversy.

Regional cooperation

Strategic Outlook

The situation in northern Mali will require skillful political management of the next elected government in 2007. The new government will have to balance concerns about socioeconomic imbalances between the north and south that will require transferring funds from the richer south to the north with concerns about national unity, should the north be granted greater autonomy. There are two factors complicating matters: the influence and interests of Mali's powerful neighbors to the north, Libya and Algeria, and the prospect of discovering oil or gas in the north. While such discoveries could boost the economy, they could also increase political tensions.

Economically, Mali should perform much better than its position at the bottom of the Human Development Report suggests. Despite the resurgence of armed conflict in the north, Mali remains a stable and peaceful society. It continues to receive significant foreign funds earmarked to improve the health, education and infrastructure. Thanks to debt relief, Mali shows solid economic growth and has increased fiscal maneuvering ability. In the medium term, Mali should be able to improve its situation.

The country needs to address some basic challenges: as long as population growth continues unabated, even significant growth will not translate itself into palpable poverty reduction. Another challenge is the lack of diversification of the economy. The government must improve the business environment in order to attract more foreign investment. This includes not only physical infrastructures and electricity, but also the ease of doing business in the country. Mali cannot afford to perform worse than its partners in the West African Monetary and Economic Union in terms of guaranteeing businesses the basic conditions to operate efficiently.

Unfortunately, a rent-seeking mentality permeates all levels of the governing class. This mentality is responsible for the shocking contrast between development aid given to the country and the lack of improvement in the output indicators. Coupled with low productivity, this state of affairs is not only fatal for the country's prospect of sustainable economic growth for the poor, but also undermines political stability. If citizens do not feel the economic benefits of democracy and feel the frustrations of inequality, their approval rate for this form of government is likely to plummet in the long run.

Outside actors could contribute in a positive way by openly acknowledging the problems of poor governance, instead of continuing to reward Mali with more

financial assistance/aid. There are enough forces in the country who desire change. Outsiders can build strong coalitions with those forces and seek direct accountability from the beneficiaries, that is, the citizens of Mali. Foreign actors should make their financial flows as transparent as possible, allowing civil society pressure groups to follow up the funds. Unless this is done so rigorously, foreign aid fuels the above-mentioned rent-seeking economy and diverts resources from other productive activities. Decentralization is one key area of opportunity for improvement. Direct cooperation with communities can make a profound difference in breaking the present vicious cycle of corruption and frustration. Communal leaders can see that they can win elections by providing citizens with sustainable improvements that are not based on pork-barrel politics. In addition, citizens would not only demand better transparent services from their leaders, but would also be willing to engage with the administration, rather than be marginalized. Visible improvements would give hope to the rise of a demanding, yet responsible citizen. Sooner or later, this would “trickle up” to the national level.

In general, instead of multiplying interventions, Mali’s absorption capacity should be taken into consideration. The measures taken for better donor coordination are a step in the right direction. All in all, foreign actors should also be very careful not to blur responsibilities in Mali’s development, which is, and remains, the sole responsibility of Mali’s elected government – not international actors. Social stability depends not only on the actual development of basic factors, but on the gap between expectations and perceived reality. Foreign actors often have raised expectations to unrealistic standards, which feeds discontent and in the end, threatens to erode the political freedoms gained in Mali over the last few decades.