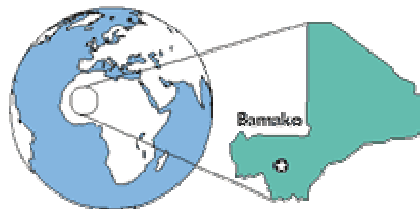


# COUNTRY REVIEW

## Mali



21 July 2011

**ANALYST: Dr. Manfred Stamer**

**EULER HERMES COUNTRY RISK GRADE: D**

**EULER HERMES COUNTRY RISK LEVEL: HIGH**

Country Risk Grades are on a scale of AA, A, BB, B, C, D

Country Risk Levels are on a scale of LOW, MEDIUM, SENSITIVE, HIGH

## COUNTRY PROFILE

Capital city:	Bamako
GDP:	USD 9,268 mn (2010e)
Population:	13.4 mn (2010e)
GDP per capita:	USD 692 (2010e)
Currency:	Communauté Financière Africaine (XOF)
Form of state:	Republic
Head of government:	President Amadou Toumani TOURE (since June 2002)
Next elections:	Presidential: April 2012 / Legislative: July 2012

The political and social environment is comparatively stable despite widespread poverty. Following dictatorship until 1991, Mali has emerged as one of Africa's strongest multi-party democracies. The first democratically elected president, Alpha Konaré, pursued a liberalisation agenda and kept with Mali's two-term constitutional limit, stepping down in 2002. He was succeeded by Amadou Touré who intends to do the same in 2012. Parliament is currently dominated by ADP (113 out of 147 seats), an alliance of parties backing President Touré. Yet the alliance may break up ahead of the presidential election due in April 2012 as several factions support different prospective candidates, creating some uncertainty over the next 12 months or so. Legislative elections are due in July 2012.

Security risk is an issue, especially in the north of Mali. Violent conflicts with former Tuareg insurgents appear to have diminished since early 2009 when the Algiers Peace Accord from 2006 was resurrected. However, a rapid rise of the Islamist militant group Al-Qaida in the Islamic Maghreb (AQIM) over the past two years has emerged as a serious threat to security. AQIM is responsible for kidnappings and ambushes on government forces and buildings. It mainly operates in the border areas of Algeria, Mali, Mauritania and Niger, but there have also been attacks in Bamako, Mali's capital. Security in the region has also deteriorated since early 2011 owing to the conflict in Libya as well as domestic tensions in Algeria and Mauritania.

Regional and international relations are generally good. Mali is a member of the Economic Community of West African States (ECOWAS), the West African Economic Monetary Union (WAEMU) and other regional organisations. It has also good relations with donor countries, in particular with the EU, and institutions such as the UN, IMF and World Bank.

Mali is among the 30 poorest countries in the world. The economy is over-reliant on the agricultural sector, which accounts for about 45% of GDP and 80% of the labour force, and gold mining which accounts for over 70% of exports revenues. These dependencies create substantial vulnerability to external shocks. Moreover, Mali's landlocked position renders it dependent on access routes to foreign ports which are often threatened by regional crises as, for example, in Côte d'Ivoire. Annual real GDP growth is forecast to accelerate somewhat in 2011-2012 from 4.5% in 2010, supported by strong global gold prices, but downside risks linked to global commodity prices, especially cotton, remain. Inflation has picked up recently and is expected to average 4-5% in 2011. Mali's fiscal position fluctuates with gold and agricultural commodity prices and the harvest. The fiscal deficit (including grants) is projected to increase from 2.6% of GDP in 2010 to 4.2% in 2011 and 3.5% in 2012. Grants account for 3-4% of GDP. The current account deficit will remain critical at close to 10% of GDP (excluding grants) in 2011-2012. Foreign direct investment inflows usually cover less than 20% of the external deficit. However, membership of WAEMU, i.e. of the CFA franc zone provides for low exchange rate and transfer risk. In the past, Mali had significant external debt problems. Thanks to large-scale debt relief in 2006 under the HIPC initiative, however, external debt fell sharply from 213% of export earnings in 2005 to 72% in 2008, though it has since risen again to about 100%. Considering the re-accumulation of new external debt and the large structural fiscal and current account deficits, it remains to be seen if Mali is able to sustain relatively manageable levels of indebtedness. In any event, the country will remain dependent on foreign aid in the longer term.

The structural business environment is weak, with substantial deficiencies regarding the regulatory and legal frameworks and control of corruption. Profitability and liquidity in the banking sector were adequate in 2010 but asset quality was poor, reflected in a 22% share of non-performing loans in total loans. Moreover, the banking sector is exposed to conflict-ridden Côte d'Ivoire and Libya.

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