



Analysis of the business environment in Least Developed Countries

Mali

March 2023



A powerful
and balanced
voice for business

Mali

Region

West Africa - West African Economic and Monetary Union (WAEMU)

Population

19,077,690

Demographic growth

3.36 %

GDP per capita (2020)

858.9 USD

Human Development Index:

0.434 (184/189)

Economic overview

The country's fragility¹ and violence, combined with the extreme poverty affecting most households and the slowness of tax and customs administration procedures, pose a major obstacle to Mali's economic growth in general, and private sector development in particular. However, Mali, like Niger, is experiencing a demographic boom, which is an opportunity to be harnessed. That said, insecurity and the extreme poverty of households are adding to the weight of the country's informal economy. This is weakening the development of Mali's private sector.

A study by the United Nations Economic Commission for Africa (ECA) highlights delays in administrative and customs clearance procedures. Administrative and tax procedures in Mali were found to be very complicated, with weak property rights, inadequate social protection, excessively high taxes and unsuitable infrastructure. Moreover, an average of eight documents are required to clear goods through customs in Mali. When it comes to setting up a business, it is important to stress that the procedure remains costly and cumbersome in Mali despite the progress made in recent years. It now takes five procedures instead of 13 to set up a business and the time needed to set up a business is 11 days instead of the 42 days it used to take.

It takes 120 days to get an electricity connection and the cost of connection is still too high for SMEs and the self-employed. On average, 14 procedures need to be completed to obtain a building permit, taking 124 days. Finally, by way of illustration, the settlement of taxes requires 35 payments throughout the year.

The results of an analysis of Mali's economic situation since the COVID-19 health crisis show that the economy entered recession in 2020, with an estimated real GDP of -1.6 per cent, reflecting the negative effects of both the pandemic and the socio-political crisis that the country has been experiencing since 2012, as well as its poor agricultural performance, according to the World Bank and the International Monetary Fund. However, a recovery started in early 2021 in some key sectors of the economy linked to services and agriculture, thanks to the effectiveness of certain mitigation measures.

It is important to note that Mali's economic situation as an oil-importing and gold-exporting country enabled it to improve its terms of trade in 2020 due to



¹ Mali has been going through a period of instability and conflict since the 2012 military coup and the occupation of the North by armed groups. The United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA) has been operating since July 2014.

the decline in crude oil prices and the appreciation in the price of gold. This, combined with lower demand for imports, reduced its current account deficit. However, the government's lockdown measures to contain the COVID-19 health crisis led to an increase in budgetary expenditure in 2020, raising the public deficit to 5.4 per cent of GDP. The recovery in early 2021 is expected to result in higher tax revenues, although pressures on payroll expenses will help stabilise the public deficit in 2021 according to World Bank estimates. In the short term, the authorities will need to accelerate reforms within the tax administration, to improve collection performance and optimise public spending.

Challenges faced by the private sector

According to the Integrated Regional Survey on Employment and the Informal Sector (ERI-ESI) carried out in 2017, there are 1,552,285 informal production units (IPUs) in Mali. In addition to the main challenges related to the slowness of administrative and tax procedures, other obstacles to improving the business climate in Mali are as follows:

- **Political instability, including the ominous threat of political crisis from the military junta-** The armed conflict that has been under way in Mali since 2012, exacerbated by the military junta-led coup on 18 August 2020 that prompted the resignation of former President Ibrahim Boubacar Keïta, continues to set back the country's economic development efforts. This is leading to further impoverishment of households forced to engage in informal activities.
 - **Widespread informality -** In Mali, over 90 per cent of the economy is dominated by the informal sector. Some 91.5 per cent of individuals operate in the informal economy, compared to 8.5 per cent in the formal economy. This increases job vulnerability and precarity, which predominantly affects young people (67.6 per cent of 15-24-year-olds and 47.4 per cent of 25-34-year-olds) and individuals with no education (49.5 per cent), unlike in Niger where precarious jobs are more common among individuals with a primary education (36.3 per cent) than those with no qualifications (25.33 per cent). In terms of gender,
- there is no difference between men and women in the incidence of precarious employment (46.0 per cent and 46.2 per cent respectively).
- **Informality is prevalent in key sectors of the economy other than agriculture -** The three main non-agricultural sectors with a large informal labour force are trade (53.1 per cent), industry (31.3 per cent) and services (15.9 per cent).
 - **A low level of human-capital education/training -** Mali ranks 184th on the HDI. There is a strong correlation between the level of education and the quality of integration into the workforce. Indeed, the average number of years of education completed by the workforce in the informal economy is estimated at 2.0 years. This very low level of educational attainment combined with the high percentage of primary school age children not attending school (42.2 per cent) explains the high participation of individuals in informal employment (85.4 per cent). As a result, 60.7 per cent of the workforce in the informal economy earns less than the estimated average wage of FCFA 79,400, namely 76.4 per cent of women compared to 51.2 per cent of men.
 - **Growing underdevelopment due to a virtually non-existent education system -** The ERI-ESI results from 2017 show that 62.2 per cent of the Malian population has never been educated, in other words has no formal education or training; 24.7 per cent have reached primary level, 11.4 per cent secondary level and just 1.7 per cent have completed higher education.
 - **A weak national policy on vocational training and absorption of young people into the labour market -** 51 per cent of young people aged 15-24 do not pursue any educational training and do not participate in the labour market. It should also be borne in mind that the unemployment rate (as per the International Labour Office definition) is higher for young people aged 15-34 (7.4 per cent) and that it takes longer for them to find a job than for older workers. The average duration of unemployment is estimated at 5.2 years overall. These social inequalities may exacerbate attacks on civilians

in Mali and so continue to hold the country back on all indicators of economic development, especially sustainable development.

- **Child labour** - 3.4 per cent of young people under the age of 15 work in informal jobs. However, there may be a significant risk of these young people being recruited either into the military junta or into jihadist groups as child soldiers due to social tensions within the population. This is a loss for the economy, especially for the development of entrepreneurship.
- **An inadequate judicial system and rule of law** - Nationally, the index of individuals' perception of the effectiveness of the judicial system is estimated at 0.432. This falls to 0.294 in the capital Bamako. The rule of law index is estimated at 0.407 nationally, and 0.280 in Bamako.
- **A still weak manufacturing sector** - The manufacturing sector employs only 9.7 per cent of the workforce in Mali.
- **Insufficient awareness among IPU heads of the importance of moving their businesses from the informal to the formal sector** - 46.1 per cent of IPU heads are unaware of the benefits of formalising their businesses, while 27.6 per cent are reluctant to formalise. As a result, only 15.6 per cent of IPUs pay taxes on their activities. However, 36.7 per cent of IPUs say they are willing to pay taxes on their activities if there is an improvement in the business climate, particularly in the tax system and administrative and judicial procedures.
- **A weak employment system, especially social protection** - Only 7.0 per cent of active workers are affiliated to a health insurance organisation and 25.3 per cent of employees contribute to a pension scheme.
- **High level of corruption** - 89.2 per cent of 18-year-olds believe that corruption is high in the country and thus harms the entire economy. This justifies Mali's ranking of 129th out of 180 countries in the 2020 Corruption Perceptions Index.

Private sector policy recommendations

The recommendations apply to the following areas:

1. Supporting and strengthening public-private dialogue

Specific objectives include:

- Including public-private dialogue in sectoral development plans and strategies;
- Establishing and maintaining a genuine public-private partnership;
- Developing a roadmap and agenda for public-private dialogue at national level;
- Actually considering the needs of private sector partners in sectoral development strategies;
- Strengthening state institutions, including assessing the legal and regulatory framework for creating and formalising businesses in the formal sector;
- Constantly coming up with reforms to improve the business climate;
- Complying with agreements;
- Bolstering the role of the state as a guarantor of peace, security and good governance;
- Ensuring independent and accountable social partners;
- Capacity building for social partners;
- Establishing a communication plan to reduce communication gaps between the private and public sectors;
- Establishing a unit or commission to work on promoting and popularising the incentives to be given to the private sector in the short, medium and long term.

2. Supporting young investors and women, developing entrepreneurship and fighting against informality

Specific objectives include:

- Promoting an entrepreneurial culture in society as a whole, particularly in technical and vocational training institutions, on audiovisual platforms (TV and radio) and national online social networks, in adult education centres and in universities;
- Creating training and apprenticeship centres for self-employment for out-of-school youth;
- Creating a favourable climate for investment by providing incentives, e.g. access to credit at subsidised interest rates and on flexible repayment terms;
- Establishing a genuine partnership between the state and the banking sector to encourage domestic financing and investment, including the promotion of self-employment among youth and women;
- Focusing policy on formal job creation;
- Establishing a genuine institutional partnership between the state, the private sector and representatives of local authorities to support and promote the creation of income-generating jobs in rural areas and encourage the development of agri-food cooperatives;
- Promoting the decentralisation and efficiency of local government bodies to facilitate municipal authority access to national and regional financial flows to support entrepreneurship among women and young people in rural areas and to better channel the needs of women and young people for the development of their commercial, agro-pastoral and craft activities in rural areas in particular;
- Organising awareness-raising and education campaigns for informal sector entrepreneurs on the benefits of formalisation and developing incentives to encourage the formalisation of businesses;

- Considering the needs of informal sector operators in strategies for combating informality by the central government in order to better encourage their transition from the informal to the formal sector;
- Organising ongoing training and education sessions on creating and formalising businesses in rural and urban areas;
- Promoting access to digital technology for young people and women in rural areas by creating free digital training centres within local authorities;
- Promoting women's access to land in particular and favouring a reorganisation of the land register;
- Eliminating minimum fees for business start-ups and shortening the waiting period for registering and authenticating documents;
- Creating national savings in the various countries to finance income and employment-generating projects, especially for young people and women.

3. Cross-border trade

Specific objectives include:

- Promoting the development of intra-African trade by removing customs barriers;
- Improving national and regional infrastructure, such as developing roads, pedestrian walkways, lighting and utility poles, access to the digital network, and building structures to house markets at borders;
- Modernising and deploying one-stop shops;
- Guaranteeing a secure and stable climate at national level, particularly in terms of customs services to facilitate the free movement of people and goods (rule of law); this would also improve entrepreneurship by women, particularly the creation of income-generating activities (trade) carried out most often by small traders (women) at the borders;

- Guaranteeing follow-up for the supply and distribution of petroleum products;
- Deploying national, regional and international sectoral strategies to ensure exchange rate predictability;
- Implementing sectoral strategies to develop the resilience of the economy, particularly of businesses, to cope with various shocks;
- Reducing export and import delays;
- Setting up and modernising an electronic payment system for port fees at national level;
- Going paperless in customs formalities and extending the opening hours of ports;
- Increasing the size of inter-African markets and diversifying production in order to expand markets and improve the competitiveness of the formal private sector globally;
- Promoting good governance and responsible business conduct and fair competition in markets in order to improve the global competitiveness of the formal private sector;
- Establishing simplified trade arrangements (exemption from customs duties) and simplifying customs clearance formalities for small-scale transactions, usually carried out by small traders, especially women;
- Enhancing regional integration, in particular economic cooperation between the different regional economic communities to remove persistent barriers to intra-regional trade;
- Strengthening the fight against smuggling at borders and ports;
- Establishing and developing regional power pools to reduce electricity connection costs and link markets to resources;
- Establishing mutually beneficial trade agreements to attract more investors; boosting intra-regional trade through digital technology;

- Diversifying the energy market with a focus on promoting solar panels to improve the competitiveness and productivity of businesses and also to reduce the costs of connecting to the power grid;
- Expanding the telecommunications market, especially the digital market, to improve access to the electronic network for businesses and enable them to increase their competitiveness in the global market;
- Establishing effective cyber security and cyber defence strategies at regional level;
- Strengthening the African Continental Free Trade Area (AfCFTA).

4. Fighting informality

Specific objectives include:

- Establishing a national policy to transition informal production units (IPUs) to the formal sector;
- Establishing incentives and deterrents;
- Sharing and exchanging regional experiences;
- Developing a strong and effective institutional legislative framework;
- Annually implementing structural reforms and sectoral strategies aimed at facilitating the business climate and improving the life of entrepreneurs; in particular in terms of taxation, building permits and business creation;
- Developing guarantee instruments to promote access to credit for young people and women, especially those with economically viable income- and employment-generating projects;
- Reducing costs and delays in obtaining building permits;
- Reducing electricity connection fees;

- Eliminating mandatory minimum fees for business start-ups;
- Eliminating mandatory fees for authenticating documents and shortening the registration period for business start-ups;
- Improving access to credit information, e.g. by extending the coverage of public credit services and by starting to report data from public utilities;
- Developing a national directory of formal sector companies;
- Annually assessing the registration rate of new companies and considering the needs of unregistered companies in order to better channel and adapt sectoral strategies to facilitate their transition to the formal sector;
- Establishing and modernising an electronic system for creating and registering businesses at national level;
- Creating a level playing field for businesses to facilitate their formalisation.

5. Developing human capital

Specific objectives include:

- Improving the supply of public services (education, health and social protection);
- Ensuring a match between training/education received and the needs of the labour market in technical and vocational education, general secondary education and universities;

- Promoting development-oriented research in technical and vocational schools, general secondary schools and universities in order to unleash the innovation potential of young people and improve the competitiveness of the private sector globally;
- Priority training for public sector managers;
- Mandatory internships for students to immerse them in the world of business.

6. Improving the labour market

Specific objectives include:

- Increasing the number of jobs through access to new investments at national level;
- Promoting the application, via the Ministry of Social Affairs and Labour, of a legal framework for workers/employees on working conditions and a minimum wage;
- Implementing sectoral strategies aimed at facilitating access to health coverage for the population, particularly for workers in the formal sector, which may also encourage informal businesses to formalise;
- Promoting flexible working hours for workers;
- Improving employment frameworks, policies and conditions;
- Improving wages and paying compensation for work stoppages due to the occurrence of happy occasions (e.g. births) and unhappy events (illnesses, accidents, etc.) in workers' lives.

This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of the International Organisation of Employers (IOE) and do not necessarily reflect the views of the European Union.



**Co-funded by
the European Union**



A powerful
and balanced
voice for business

Avenue Louis-Casaï 71 – CH-1216 Genève
T +41 22 929 00 00 F +41 22 929 00 01
ioe@ioe-emp.com • ioe-emp.org

© IOE 2023