
Keita S.A.¹

BAMAKO, MALI

“**A** *ni sogoma*” shouted out Togola Traore as he passed guards at the entrance to the Boubacar Keita factory. He was greeted warmly by the others. They knew him well because he visited their production lines frequently and chatted with them about their problems. He had become even more popular ever since he had scored two goals for the Keita married soccer team against the singles squad. He often ate lunches with them, talking politics, religion and social problems. Togola had been offered the post of General Manager of this diversified manufacturer just six weeks before, soon after his marriage to Keita’s daughter. Although he was only 35, he quickly gained the Keita workers’ respect.

There was a strong rumor that the local currency, the F.CFA, would soon be devalued; it was expected to drop around 50%.² But even without this impending disruption, the company was having a lot of problems. Recently 18 workers had been laid off. Illegally imported goods from Nigeria and Ivory Coast were making huge dents in Keita’s sales. Workers were not motivated to work. On an average salary of 50,000 F.CFA a month (about US\$2,300 per year), they had to feed at least 15 people each. To make matters worse, they were never paid on time. Togola was very concerned about how he could help the deteriorating business.

The Company

Keita S.A.³ was established in 1969 in Bamako, Mali with vinegar and bleach as its first products. Over the

years, like the water in a river that slowly forces its way (“*Dzi bidu kola doni, doni*”—a Bambara saying⁴), they expanded into other lines, including plastics, PVC pipes, woven plastic bags, soap and polyurethane bags. Company sales for 1991 were 1.866 billion F.CFA, or about \$7.2 million U.S. dollars.

The founder of the company, Mr. Boubacar Keita, husband of 4, father of 29, was an imposing figure. A 6’3”, 250-pound, 61-year-old Fulani,⁵ he wore Arsenio Hall-like shirts and vests and chewed a huge Cuban cigar in his mouth. He made all the decisions and made everybody tremble, as well. He lived according to the motto “One ought to work hard to reap the profits.” He always worked hard, traveling all over the world making new deals. He was a board member of many companies and organizations. He was proud of his achievements, and proud of his family. He refused to share his power, even with his sons, who held all the key positions in the company.

Keita S.A. was located in the industrial zone on the outskirts of Bamako. It had 250 employees, including 35 working in the office.

All the key positions in the company were held by Mr. Keita’s sons. People who worked for him for many years and who had great professional knowledge and abilities did not have a chance to get these positions.⁶ Furthermore, even his sons did not have much say in running the company. Communication between divi-

Exhibit 1
PRODUCTION AT KEITA

Product	units	1990	1991	1992
Vinegar	liters	545,500	588,900	454,800
Bleach	tons	797,818	942,337	862,307
Soap	tons	1,165,65	1,121,345	1,004,257
PVC Pipes	tons	158,888	59,716	54,263
Injection Plastics	tons	72,524	109,027	108,070
Blown/Extrusion	tons	382,918	411,172	282,607
Plastic woven bags	meters	2,231,012	1,342,174	655,708

Exhibit 2
SALES BY PRODUCT CATEGORY
in millions F.CFA*

Product	1989	1990	1991
Vinegar	279	191	227
Bleach	290	334	359
Soap	350	238	214
PVC Pipes	204	176	66
Injection plastics	375	122	173
Blow/Extrusion	250	288	320
Woven plastic bags	539	568	142
Polyurethane bags	177	126	51
Aerofu	62	53	77
Others			217
TOTAL	2,526	2,096	1,866

Sales Growth

1972	36,500,000 F.CFA	
1975	224,500,000	
1980	694,500,000	
1985	1,600,000,000	
1989	2,526,000,000	(US\$9.72 million)

*1 U.S. \$ = approximately 260 F.CFA

Exhibit 3
EMPLOYMENT LEVELS

Employment	1989	1990	1991
Full Time	194	222	220
Part time	26	20	10
Seasonal	230	151	97
Total	450	393	327

sions was very poor. Some divisions faced disruptions in production because they ran out of the raw materials. The Sales department dealt with customers only at the company office. There was no effort to seek new customers other than via radio advertising and through informal networks with the big players.

When Togola tried to find what sales had been for the last few months, he found out that the company kept no customer files. Sales were recorded daily by the Sales department. Mamadou Coulibaly from the Accounting department told him “We don’t have the whole picture here—some of the invoices never make it to my department.”

Recently Keita suggested to Togola that he wanted to reorganize the company. Exhibit 4 shows the most recent organization, which had 35 people working in the office. The only computer was used to run an accounting program, but that was used only as a backup to the manual system. As soon as cash was received, it disappeared to cover company or family bills.

Togola was troubled that financial statements did not reflect the actual situation. Regardless, he found that he had to look for an explanation for many of the numbers. Inventories seemed to be very high, as well as did overall current liabilities. He knew that raw materials were very expensive. Sometimes Keita ordered raw materials, and because he was unable to come up with the cash to pay for them, they were stuck in the port of Dakar. As for underreporting profits, there were good reasons to do it. Although the new government claimed it was pushing towards a free market economy, a lot of the old faces were still in politics, and not much had been done yet. Taxes were still punitive. Investors in Mali were liable for the following taxes in addition to real estate transfer and recording charges: a business licensing fee (10%); a tax on real estate income (30%); a tax on property in mortmain (20%); a value-added tax, or VAT, on the value of business activities (17%, though reduced to 10% for some products like medicines and soaps); a tax on business profits, or BIC (45% for corporations); a minimum flat-rate tax (0.75% of turnover when the BIC is not applicable); a flat rate contribution on payroll (7.5% of salaries and allowances); a tax on income from marketable securities (25% on bonds, 18% on dividends); a contribution to ONMOE, the Manpower

Exhibit 4
ORGANIZATION CHART

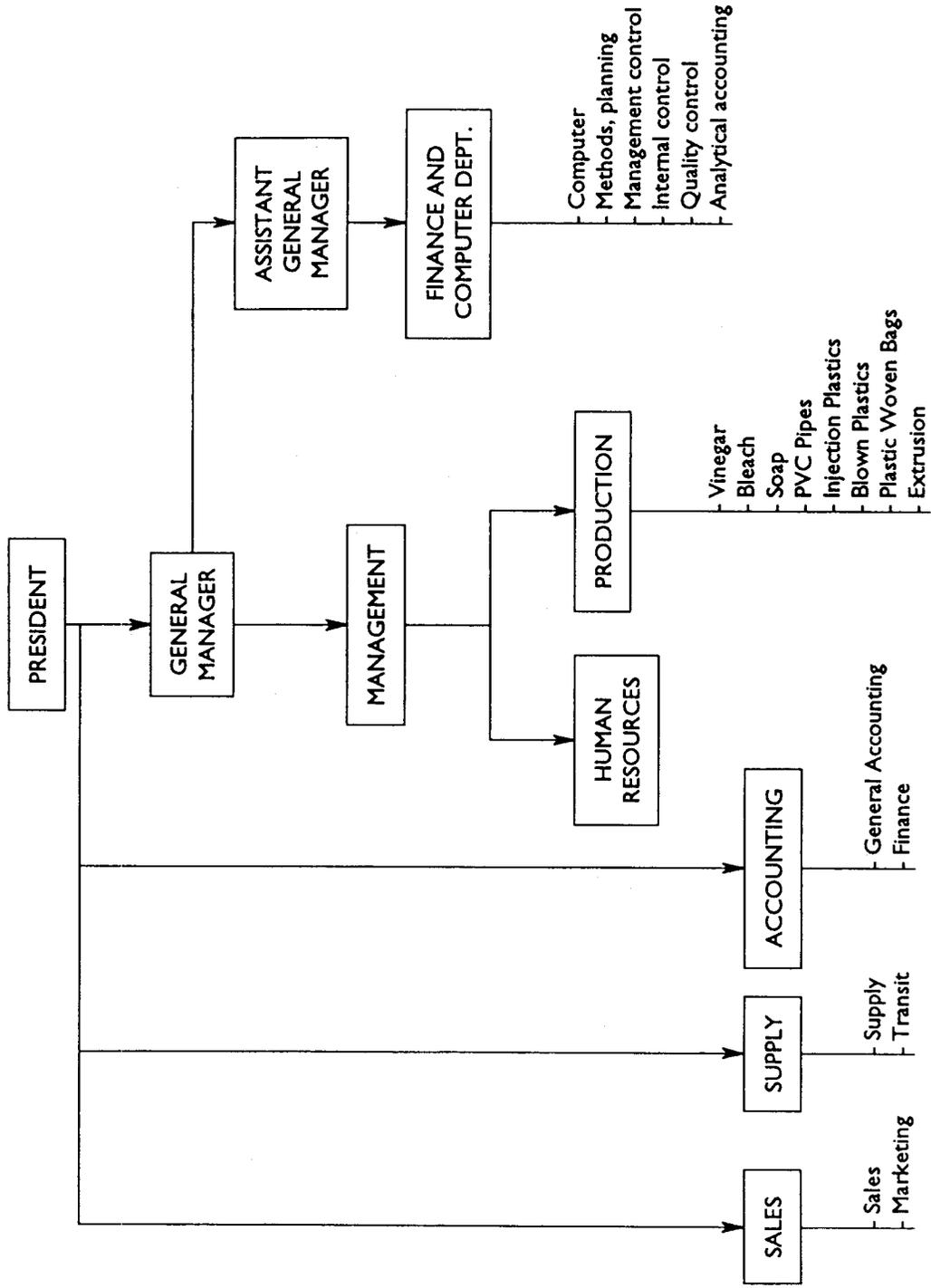


Exhibit 5**BALANCE SHEET**

in 1000 F.CFA

ASSETS

	<u>1990</u>	<u>1991</u>
Fixed assets	694,378	716,157
Fixed assets not completed	366,026	250,017
Other fixed assets (warehouses and security)	655	655
<i>Current assets</i>		
Suppliers		44,878
Regular clients credit		498,170
Bad debt		(122,051)
Loans to employees		8,704
Stock on the market (consignment goods)		3,773
Other Receivables		17,620
Prepaid charges		61,066
Prepaid products		56,227
Liquid assets	13,408	38,160
Inventory		
Raw material		163,099
Spare parts		79,317
Aerofu products		62,430
Finished products		<u>273,462</u>
TOTAL	551,672	<u>578,308</u>
TOTAL	<u>1,014,697</u>	<u>1,184,855</u>
Total Assets	2,075,756	2,151,684

LIABILITIES AND EQUITIES

	<u>1990</u>	<u>1991</u>
<i>Owner's Equity/Reserves</i>		
Equity		190,000
Reserves		91,674
Retained earnings		<u>534,541</u>
TOTAL	795,659	816,215
<i>Long-term Liabilities</i>	167,822	154,889
Loans over 1 year		
<i>Current Liabilities</i>		
Suppliers		671,130
Regular clients		71,894
Social funds		6,828
Salaries due		8,281
State taxes		87,801
Current account Keita		81,921
Social organizations		30,459
Other creditors		24,315
Accruals		13,345
Loans less than 1 year		77,959
Banks		118,374
Transfer funds		<u>17</u>
TOTAL	1,091,719	1,192,324
<i>Profit/Loss</i>	<u>20,556</u>	<u>(11,744)</u>
Total Liabilities and Equity	2,075,756	2,151,684

Exhibit 6**INCOME STATEMENT 1991**

in 1000 F.CFA

Expenses:

Initial stock	553,858
Purchases	703,873
Salaries	196,245
Taxes	190,913
Commissioned work expenses	372,957
Transport	114,650
Other operational expenses	72,387
Financial expenses	31,497
Depreciation	131,035
Provisions	11,574
Profit from operations	69,417
TOTAL EXPENSES	2,448,406

Income:

Final stock on 12.31.1991	578,308
Sales	1,865,589
Accessory products	4,264
Recovery/amortization provisions	245
TOTAL INCOME	2,448,406

and Employment Authority (7.5% of salaries and allowances); social security contributions (20% of salaries and allowances); and the general income tax (progressive, with a maximum rate of 50%). In theory, then, the Government could recover a total of 74.45% of distributed profits. It was no surprise that the productivity of this taxation system was very low.

Keita had good relationship with all banks in Mali, and he always secured the loans that he needed.

Products

Historically Keita was able to sell all products he developed. He had a genuine feel for the market, and he recognized that low price was a crucial factor in selling his products. He was also able to establish good relationships with big, state-run companies which bought some items from him exclusively. To get a manufacturing license was not easy, but Keita had the right connections.

VINEGAR

Vinegar was one of the Keita's first products. Production capacity was 1,600,000 liters per year. Keita had 2 fermentation machines with 9,000 liters of capacity

each. Vinegar was made from ethyl alcohol. After raw vinegar was produced, it was diluted and colorant added for marketing purposes. It was distributed in 250 cc and 0.90 liter plastic bottles, manufactured by Keita's plastics division, and labeled "Medina." The product's name referred to the holy city of Islam to counterbalance the fact that vinegar was made from alcohol, a forbidden pleasure in this religion. Keita's product was of very good quality, and until recently it had no local competitor. Two months ago a new product showed up on the shelves. Its packaging was of higher quality than Keita's, with a screw-on cork (Medina was packaged in sealed, punch-through plastic containers), but the vinegar itself was a dilution of acetic acid, not obtained through fermentation of a natural product. In many countries it was forbidden to use this form of vinegar, and Mr. Keita was trying to lobby for such a law in Mali as well. For now it was unknown how much damage the new competition had done to Medina's sales. Keita was planning to talk to some friends to make sure his competition would not get a license.

Up until July 1992, Keita was selling about 40% of its vinegar product to Burkina Faso, but import taxes there were increased from 17% to 87%, which made it impossible to continue the deal. This prompted Mr. Keita to look into the possibility of opening a new factory in Ougadougou, the capital of Burkina Faso. A feasibility study was done and now Mr. Keita was looking for financing. He hoped to start production there by the end of next year.

BLEACH

Bleach was also one of Keita's first products. Bleach was produced from ocean salt imported from Senegal, using a process that electrolyzes the salt. Production capacity was 864,000 liters per year. Keita S.A. used Italian equipment, and Italians furnished technical consulting as well.

Keita had a monopoly in this area since he supplied all the Government-run water treatment facilities. Surplus was sold for laundry, swimming pools, and other household uses.

SOAP

Keita S.A. started soap production in 1985, reaching 3,600 tons per year. Keita made Croco soap, which

was used for both personal and laundry purposes. It was produced in two sizes, 500 g and 300 g. Any quantity produced was easily sold. Croco had a good reputation for its washing power, long use, and perfume. Soap was made with artisan technology. Keita was considering establishing another soap production line that would run more efficiently. Keita wanted to manufacture a second, better-quality soap in addition to his established brand. The market was huge, but it was hard to assess the competition because so many goods were smuggled into Mali.

The officially registered producers were as follows:

Brand	Manufacturer	% of the market
Hippo	Huicoma	34
BT	Sodema	26
Croco	Keita	17
Jouvence	Sodema	11
Kokodie		6
Nokotana		2
Sanya		1
Others		3
		100%

The biggest factories were the two Sodema factories and the one Huicoma plant. There were approximately 50 small, private artisan soap makers as well. Keita sold 500 g soap for 250 F.CFA, while better-quality toilet soaps sold in 200 g bars for an average of 315 F.CFA. The market was dominated by foreign soap brands: Rexona, Lux, Palmolive, Pharmapure.

PVC PIPES

Production capacity for the manufacture of plastic piping was 100 tons per year, and the pipes were used for plumbing and irrigation. Keita made the best quality on the local market. These products competed with a lot of goods smuggled in from Guinea, where the product was of low quality but cheap. Because of corruption and low salaries, Mali customs officers collected bribes instead of taxes, and the goods were sold inexpensively. In this poor economy, price was by far more important than quality, so Keita decided to manufacture a lower grade PVC as well. He thus made two qualities of pipes: one to meet the needs of his high-end customers, and one to compete with inexpensive imports.

INJECTION PLASTICS

Keita’s assortment of plastic products reached 102 different articles, and the company manufactured 15 of them. Production capacity was 700 tons/year. Most of the equipment was old, and Keita used a lot of expensive raw material. This made the goods heavy and durable but expensive. They had to compete with smuggled goods coming into the country from Nigeria, Senegal, and Ivory Coast. Their plates, cups, buckets and other products were cheaper and more colorful (see Exhibit 9 for a picture of goods in the marketplace).

BLOWN PLASTICS

Production capacity was 1,500 tons/year. This department made all sorts of plastic bottles, including those used for Keita’s vinegar and bleach. Similar to the injection equipment situation, the machinery used for blown plastics was old and used too much raw material. Nigerian bottles and containers were cheaper and often more colorful.

PLASTIC WOVEN BAGS

Production capacity was 6,000,000 bags/year. Keita made the best-quality bags for all sorts of grains, but they were the most expensive on the market as well. Cheick Kantai, the production line supervisor, told Togola: “We have 3,000 bags stored in our storage room. The sales department was unable to sell them for the last two years.”

POLYURETHANE BAGS—EXTRUSION FILM

Keita made bags for milk, sugar, and water in many sizes and qualities. Recently this department suffered disruptions in its raw material supply because there were insufficient funds to pay for previously ordered quantities. The market was big, but Keita usually manufactured only on a per order basis. Lamin Bagayoko, the production line manager, was proud that his relatively new department could produce much more if they were supplied enough raw material.

AEROFU

Keita represented Aerofu, a French company producing fire extinguishing equipment. Keita sold Aerofu equipment in Mali, and furnished guarantee services.

Distribution

Keita S.A. had a big storehouse in the same location as the factory. Wholesalers and some retailers, including all those in the Bamako area, bought Keita's product directly from the factory. Both big and small customers were responsible for their own transportation. Outside the Bamako area, Keita collaborated with consignment wholesalers who were also responsible for their own transportation.

In October 1992, Togola traveled with Hamadou Dicko, an agent responsible for collaboration with Keita's wholesalers, to make a count of Keita merchandise in Sikasso, Koutiala, Segou, Kayes, Mahina, and Kita (see map in Exhibit 13). Wholesalers received the products on consignment; they made payments every 3 months after taking inventory. Traveling by overcrowded buses, decrepit "taxis," or trains that stopped every half hour, the journey was more of an adventure than a business trip.

The working day usually started with hours of exchanging greetings with the wholesalers and their families. Hamadou had very friendly and firm relationships with all of the wholesalers. Trust and personal friendship were the crucial ingredients of doing business in Mali.

Malamin Malle and other wholesalers were complaining about many aspects of their work with Keita: untimely and incomplete deliveries and high prices for plastic products, while Senegalese and Nigerian illegal goods

were widely available. Another complaint concerned Keita's commercial caravan. Organized once a year during the dry season, when farmers had money and time to spare (December–May), it toured the country to sell Keita merchandise and do marketing at the same time. The wholesalers complained that the caravan was staying too long in their areas, substantially cutting their sales. At the same time, however, Malle and others praised some Keita products, notably soap, vinegar, bleach, chamber pots, coffee cups, woven bags and plastic cord.

While walking through the markets all over the country and talking with people about what they buy and why they buy, Togola was astonished how few customers recognized Keita products other than vinegar and bleach. He found markets overflowing with Senegalese and Nigerian plastics. Wholesalers were buying them because they were low-priced and delivered directly to their premises.

New Investment Opportunities

Mr. Keita was always looking for new business opportunities. Every time he travelled to Europe, which happened at least 10 times a year, he came back with a new product line in mind. At the moment three separate potential projects were under consideration: (a) a cotton gin, (b) a new soap production line, and (c) a bleach factory expansion. All three were sensible business possibilities given the impending devaluation of the currency.

Exhibit 7

KEITA PRODUCTS ON DISPLAY IN THE OFFICE AND AT A WHOLESALER'S



Exhibit of Keita's products in his office

Inventory of Keita products at a wholesaler's in Koutiala, Mali



Exhibit 8

WOMEN AT WORK



Dogon woman on her way to the market



Women are always working here

Exhibit 9

SMUGGLED GOODS ENTERING THE COUNTRY



Plastics from Nigeria and Ivory Coast flooding Malian markets



Smuggled goods on the way from Guinea to Mali

**OPPORTUNITY I:
COTTON GIN PROJECT**

While traveling in Europe, Mr. Boubacar Keita found a German company selling used equipment to make absorbent cotton, gauze, and adhesive tape. The price was reasonable and Mr. Keita knew there was no major producer of these products in West Africa. The raw material was plentiful, as Mali is the third biggest cotton producer in the Africa with 300,000 tons of grained cotton/year. All of this was currently being processed by CMDT (a state-owned company). Cotton was exported to Europe except for what was sold to the local textile factories operated by other Malinese com-

panies, ITEMA and COMATEX. COMATEX manufactured cotton gauze in rolls 600 m long and 0.8 m wide.

It was estimated that the domestic market for 1993 would reach 575,160 million F.CFA, including 52,400 kg cotton, 22,900 square meters gauze, and 12,600 square meters adhesive tape. Market prices for absorbent cotton ranged from 250 F.CFA for a 50 g package to 1,830 F.CFA for a 500 g package. Gauze (size 4x7) sold for 120 F.CFA, and adhesive tape (size 5x5) sold for 985 F.CFA.

It was obvious that the local market was not big enough to justify the investment, so Keita was hoping to export

Exhibit 10**COTTON PRODUCTION PROJECT****Planned Production Volumes**

Product	Year 1	Year 2	Year 3	Year 4
Absorbent cotton (kg)	30,000	42,000	54,000	60,000
Compresses (m ²)	133,786	187,296	240,809	267,566
Gauze (m ²)	267,567	374,594	481,621	535,134
Adhesive tape (m ²)	46,872	65,621	84,370	93,744

Investment Costs

(in 1000 F.CFA)

1. Formation expenses	6,076
2. Civil engineering*	60,000
3. Installations	5,600
4. Equipment	200,000
5. Vehicles	6,500
6. Office supplies	2,500
7. Working capital	
Raw material, year 1	
—cotton (for 1 month)	1,056
—compresses/gauze (2 months)	21,059
—adhesive tape (3 months)	7,383
Salaries (2 months)	2,374
TFSE** (1 month)	965
Cash security (10%)	3,284
Total Working Capital	36,121

Total investment**316,797****Financing**

Keita S.A. Capital	95,039
6-year-loan (interest rate 12%, TPS 15%***)	155,312
Short term loan (1 year) (interest rate 14%, TPS 15%)	66,446
Total financing	316,797

*Keita was adding another store to one of his buildings to accommodate the cotton gin production line.

**real estate tax

***tax on services rendered

his cotton products. He had verbal agreements with a French company that would sell his cotton product to Vietnam if he would buy from them raw material for his soap. Furthermore, he had a potential customer in South Africa whom he had met at a business conference in Johannesburg a few weeks earlier.

When Togola proposed to do marketing research for cotton products in West African countries, Keita insisted it was useless. "The official data you will be able to get is old and unreliable. It is a waste of time. Once we start to manufacture the product, we will look for more customers."

Exhibit 11**NEW SOAP PRODUCTION LINE PROJECT**

Predicted Consumption—based on government sources (in tons)

Producer	1993	1994	1995	1996
Huicoma/Sodema	16,000	18,960	21,804	25,075
Keita SA	4,040	5,100	5,700	6,000
Other local	3,000	3,450	4,000	4,500
Import	30,000	28,000	26,000	25,000
TOTAL	53,040	55,510	57,504	60,573

Production Costs

(in 1000 F.CFA)

Raw material	638,036
Salaries	5,357
Taxes	12,279
Amortization	11,848

Total production cost**667,520**

Industrial margin (35%)

233,632

Turnover

1,032,089

Production in 4th year

30,000,000 bars

Sale price per bar

35. F.CFA

Investment Costs

Total investment was estimated at **169,431,000 F.CFA**.

Keita already had the appropriate building and experienced workforce.

OPPORTUNITY 2:**NEW SOAP PRODUCTION LINE PROJECT**

In September 1992, Mr. Keita decided to look into the possibility of buying a modern soap production line to produce 6,000 tons per year. He met a Frenchman who wanted to sell a used soap production line and he promised technical support as well. This provided him the opportunity to introduce a higher-quality soap product. The market was clearly growing. The three largest domestic producers had seen their production triple in the last four years.

LOCAL INDUSTRIAL PRODUCTION

	1987	1988	1989	1990	1991
Huicoma, Sodema, and Keita S.A. combined (tons/year)	5,692	9,691	11,690	13,200	15,800

Other small Malian manufactures produced 3,000 tons in 1991. Government sources estimated that 30,000 tons of soap were imported into Mali in 1991.

The local competition selling higher quality soap were as follows:

Brand name/ Manufacturer	Weight of one Piece in grams	# pieces in the package	price of the package (F.CFA)
Hippo/Huicoma	200	48	3,500
Super Hippo/ Huicoma	500	16	3,000
BT/Sodema	200	48	3,500
Kokadje #1	100	60	2,650

Imported brands of soap were much more expensive, selling for an average 625 F.CFA per kg.

OPPORTUNITY 3: BLEACH FACTORY EXPANSION PROJECT

Keita also wanted to expand bleach production capacity from 864,000 liters per year to 1,728,000 liters per year.

What to Do?—Two Weeks Later

Devaluation of the F.CFA seemed more and more certain. Togola had to decide how best to deal with it. Which investment was the best one? Was it possible to proceed with all three of them? Was the cotton gin a good idea? Soap production expansion? Bleach production expansion? Was it the right time for any of these investments? The company was having a lot of problems with cash flow, and he did not want to cause more layoffs. Keita’s newest idea was to computerize the organization, reorganizing all departments.

Togola knew that over next few weeks he would have to make many crucial decisions. Mr. Keita was a great entrepreneur, and he always had new deals on his mind. So far he had been very successful, but with open borders and growing democracy, there was more competition as well. Whatever Togola decided, he would have to get Mr. Keita’s approval.

**Exhibit 12
BLEACH FACTORY EXPANSION
PROJECT**

Predicted Bleach Consumption in Mali and Burkina Faso (in liters)

Consumer	1993	1994	1995	1996
E.D.M.	802,577	866,230	924,152	982,072
Comatex	44,000	48,000	52,000	56,000
Selingue	12,633	14,402	16,418	18,717
Hotels	1,410	1,509	1,614	1,727
Others	43,200	51,840	62,208	74,649
Burkina Faso	240,000	264,000	290,400	319,440
TOTAL	1,143,820	1,245,981	1,346,792	1,452,605

Investment Costs (in 1000 F.CFA)

1. Formation expenses	15,860
2. Civil engineering	86,269
3. Equipment	502,427
4. Vehicles	19,286
5. Office supplies	1,350
6. Working capital	
Raw material, year 1	21,951
Packaging	2,195
Salaries (1 month)	2,480
TFSE (1 month)	4,193
Cash security (10%)	3,082
New working capital	33,901
Previous working capital	84,000
Total Working Capital	117,901

Total Investment 743,400

Predicted Production Costs in 5th year

Raw material	337,700
Packaging	33,770
Salaries	29,760
Taxes	112,314
Amortization	62,894
Total Production Cost	574,438

Industrial margin (15%) 86,166
Turnover 660,604

Production in 5th year 1,555,200. liters of concentrate
Sale price 430. F.CFA/liter

Financing (in 1,000 F.CFA)

Keita S.A.	299,971
4-years-loan (interest rate 14%, TPS 15%)	330,000
Old 5-year-loan (interest rate 13%)	29,429
Short-term old loan (1year) (interest rate 14%)	84,000
Total Financing	743,400

Year	Cash Flow Net	Balance
0		625,499
1	133,955	350,598
2	140,946	216,076
3	143,140	72,963
4	154,000.	—

APPENDIX

Background on Mali

AFRICAN FRANC

The F.CFA franc zone was a unique monetary system. There were two monetary unions with its central banks. West African Monetary Union included the countries Mali, Senegal, Burkina Faso, Mauritania, Togo, Benin, Niger, and Ivory Coast. The second union, the BEAC zone, was made up of Cameroon, Chad, the Central African Republic, the Congo, Equatorial Guinea, and Gabon. F.CFA was pegged to the French franc, and it was freely convertible with an exchange rate of 50:1. Central banks maintained fiscal discipline and fixed parity, all of which gave stability. The main drawbacks of the franc zone were overvaluation, and the fact that member countries could not change exchange rates to adjust to their economic situation. These restrictions could slow down economic growth.

CULTURAL BACKGROUND ON MALI

Mali is a landlocked country located in West Africa (see map on page 87). It covers 1.2 million square kilometers, with 8 million people. Mali's main tribe is Bambara, and others are: Fulani, Bozo (fishermen), Dogon (small isolated tribe, known for its art, mysteries, astronomy, and gardening in the cliff of Bandiagara), and Tuaregs (nomads living mostly in the northern part of the country). The population is 90% Muslim.

Mali has a long tradition of well-organized, strong kingdoms. The Ghana Empire was the first in this area, lasting for 500 years between the 6th and 11th centuries. The Mali Empire reached its peak in the 14th century, with its famous commercial and cultural center in Timbuktu. The last kingdom on this land was that of Songhai, with a professional army and civil service with provincial governors. All these powerful empires lived off agriculture, gold mining and, primarily, North–South trade, involving gold, salt and slaves. The Moorish invasions, and later trade competition from European ships, destroyed Mali's power. The French colonized it in 1883 and tried to use it as a source of cheap exports to France. Independence came in 1960, followed by a close relationship with the Soviet Union and other Communist countries.

The droughts of 1973, 1983 and 1988 caused a collapse of agriculture. There was a large migration to the urban areas, mainly Bamako, which grew to nearly 1 million people. With no future in the villages, these people tried to survive in the capital or other big cities. Unfortunately there was not much work for them there either, and no capital to start new ventures. Events in Eastern Europe, domestic unemployment, and the corruption of the military government of Moussa Traore together caused the coup of March 1991. After the coup, Toumani Traore took over and a year later supervised the first democratic elections. Alpha Oumar Konare became the president, and he was recognized as an honest, well-meaning intellectual (Ph.D. in history from the University of Warsaw, Poland).

Was Alpha Oumar Konare strong enough to overcome all the economic and political problems facing him? He had a lot of corruption to deal with, both in the government and in the commercial sector. Merchandise from Nigeria, Guinea, Ivory Coast, etc. was flooding Malian markets, getting there illegally, without being taxed. The few local producers had a hard time keeping up with this competition. Students continued to go on strike, and in February 1993 riots became a daily routine (for the third straight year they rarely went to school). That did not help the fight against illiteracy (80%) and the overall low number of educated or skilled workers. Konare, as a democratic president and a scholar himself, did not like to use force, so he tried to negotiate with the protestors, but the situation seemed very unstable. At the same time, there were racial tensions with the Tuaregs in the North of the country.

Malian GDP was around \$2 billion U.S. dollars and the per capita income was around \$300, one of the lowest in the world. Although per capita income was slowly on the rise, per capita consumer spending had been falling in recent years. In spite of these problems, Mali was a target of more and more foreign investment. The new government seemed to offer some guarantee for future stability, after overcoming the pains of adjustment to a new concept—democracy.

Mali has strong economic potential. It produces a lot of agricultural goods, some already exported in important quantities, such as cotton, millet, peanuts, hides, and some fruits and vegetables. Peasants have a strong work ethic. Tradition and Islam contribute to a hierarchy of

values that starts with the family. One must take care of one's family and friends, because sharing is the rule. Islam does not approve of stealing, which is punished harshly. Other than that, Malian Islam is far from orthodox. Malians are very open-minded to other religions and lifestyles, and many dislike what they see as the excessive influence of fundamentalists in other Islamic countries.

Minerals—gold, silver and others—exist in promising quantities. An American–Australian–Malian venture started exploring for gold in the Western part of the country in 1992, and within a year extraction was already up to 30 tons a year. A Russian private company (an offspring of *perestroika*) started another gold mine in March 1993. Mali is an important consumer market as well.

Notes

¹This case was written by Rafal Slaski of Rutgers University. It is intended as a basis for class discussion rather than to

illustrate either effective or ineffective handling of an administrative situation.

²The F.CFA (the Franc Communauté Financière Africaine) was used by as many as 14 West African nations and pegged to the French Franc, with 50 F.CFA equaling 1 FF. Further information on the currency appears in the Appendix.

³Société Anonyme—Incorporated Company, in French—the official language in Mali.

⁴Bambara is a West African tribe famous for its rich oral culture and its trading skills. For these reasons, Bambara is recognized as a trader's language in West Africa.

⁵Fulani is a West African tribe that traditionally herds cows and goats.

⁶Family in Africa is a great asset and a burden at the same time. One is expected to help family members and share with them everything one has, including power. For example, Houphouët Boigny, president of Ivory Coast for over 30 years, moved the capital from a cosmopolitan city, Abidjan, to his tribal village Yamoussoukro, in the middle of nowhere. He built there a palace and a replica of St. Peter's cathedral, and all important posts in the government were held by Baoule people—his tribesmen.