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**INTERNATIONAL DEVELOPMENT ASSOCIATION
PROGRAM DOCUMENT
FOR THE
THIRD POVERTY REDUCTION SUPPORT CREDIT (PRSC-3)
IN THE AMOUNT OF SDR 43.5 MILLION
(US\$65 MILLION EQUIVALENT)
TO THE
REPUBLIC OF MALI**

April 28, 2009

**Poverty Reduction and Economic Management 4
Country Management Unit AFCF1
Africa Region**

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CURRENCY EQUIVALENTS
(Exchange Rate Effective as of March 31, 2009)

Currency Unit = CFAF
US\$1.00 = CFAF 516.2

FISCAL YEAR
January 1 = December 31

WEIGHTS AND MEASURES
Metric System

ABBREVIATIONS AND ACRONYMS

AAP	Assessment and Implementation of Action Plan to Strengthen Capacity of HIPC countries to Track Poverty Reducing Public Expenditures
ADP	Alliance for Democracy and Progress
AFD	French Development Agency (Agence Française de Développement)
AEP	Drinkable Water Connexion (Adduction d'Eau Potable)
AfDB	African Development Bank
AGETIC	Information and Communication Technology Agency (Agence des Technologies de l'Information et de la Communication)
ANPE	National Employment Promotion Agency (Agence Nationale pour la Promotion de l'Emploi)
ASDI	Swedish Development Agency
ASUCUDA	Automated System for Customs Data
BCEAO	Central Bank of (Francophone) West African States
BHM	Malian Housing Bank (Banque de l'Habitat du Mali)
BIM	International Bank of Mali (Banque Internationale du Mali)
BOAD	West African Development Bank
BoP	Balance of payments
BSI	Special (annual) Investment Budget (Budget Special d'Investissement)
CARFIP	Public Finance Reform Support Unit (Cellule d'Appui à la Reforme des Finances Publiques)
CAP	School Management Committees
CAS	Country Assistance Strategy
CEM	Country Economic Memorandum
CFAA	Country Financial Accountability Assessment
CFAF	Franc of the African Francophone Monetary Community
CIF	Cost, Insurance and Freight
CMDT	Mali Textile Development Company (Compagnie Malienne pour le Développement des Textiles)
CNPA	National Center for Promotion of Artisanal Activities (Centre National de Promotion de l'Artisanat)
CPAR	Country Procurement Assessment Report
CRM	Mali Retirement Fund (Caisse de Retraite du Mali)
CRT	Telecommunications Regulatory Board) Comité de Régulation des Télécommunications
CSCOM	Community Health Center (Centre de Santé Communautaire)
CSREF	Health Referral Center (Centre de Santé de référence)
CT	Collectivity (Collectivité Territoriale)
DAC	Development Assistance Committee
DAF	Administrative and Financial Department in each Ministry (Division Administrative et Financière)
DGB	General Directorate of the Budget (Direction Nationale du Budget)
DGMP	General Procurement Department (Direction Générale des Marchés Publics)
DNCF	General Directorate of Financial Control (Direction Nationale du Contrôle Financier)
DNE	National Directorate of Energy (Direction National de l'Energie)

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DNSI	National Directorate of Statistics and Information Technology
DNTCP	National Treasury and Public Accounting Department (Direction Nationale du Trésor et de la Comptabilité Publique)
DRB	Regional Budget Departments (Direction Regionale du Budget)
DPL	Development Policy Lending
DSA	Debt Sustainability Analysis
EA	Environmental Assessment
EC	European Commission
ECOWAS	Economic Community of West African States
EDM S.A	Mali Electricity and Water Utility Company (Energie du Mali, Societe Anonyme)
EFA	Education for All
EITI	Extractive Industry Transparency Initiative
ELIM	Core Welfare Indicators Household Survey
EMEP	Malian Survey on Poverty Evaluation
EPPFMC	Economic Policy and Public Finance Management Credit
ESDP	Energy Sector Development Project
ESMF	Environmental and Social Management Assessment
ESW	Economic and Sector Work
EU	European Union
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Service
FOB	Free on Board
FSAP	Financial Sector Assessment Program
FTI	Fast Track Initiative
FY	Fiscal Year
FPCR	Food Price Crisis Response
GDP	Gross Domestic Product
GNI	Gross National Income
GoM	Government of Mali
GMO	Genetically Modified Organism
GPRSF	Growth and Poverty Reduction Strategy Framework
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome
HDR	Human Development Report
IAS	International Accounting Standards
IBRD	International Bank for Reconstruction and Development
ICA	Investment Climate Assessment
ICR	Implementation Completion Reports
ICT	Information and Communications Technology
ICA	Investment Climate Assessment
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFRS	International Financial Reporting Standards
IMCI	Integrated Management of Childhood Illness
IMF	International Monetary Fund
INPS	National Security Agency (Institut National pour la Prévoyance Sociale)
IPC	Communal Poverty Index (Indice de pauvreté communale)
JSAN	Joint Staff Advisory Note
KfW	Kreditanstalt für Wiederaufbau (Germany Cooperation Agency)
KWh	Kilo Whatt Hour
LCU	Local Currency Unit
LDP	Letter of Development Policy
MCA	Millenium Challenge Account
MCC	Millennium Challenge Corporation
MDG	Millenium Development Goal
MDS	Social Development Ministry (Ministère de Développement Social)
M&E	Monitoring and Evaluation

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MEF	Ministry of Economy and Finance
MFI	Micro-Finance Institution
MEIC	Ministry of Economy Industry and Commerce (Ministère de l'Economie, de l'Industrie et du Commerce)
MoF	Ministry of Finance
MoH	Ministry of Health (Ministère de la Santé)
MoU	Memorandum of Understanding
MSIPC	Ministry for Domestic Security and Civil Protection (Ministère de la Sécurité Intérieure et de la Protection Civile)
MTBF	Medium-Term Budget Framework
MTEF	Medium-Term Expenditure Framework (sectors)
NEAP	National Environmental Action Plan
NPV	Net Present Value
OECD	Organization for Economic Cooperation and Development
OHADA	Organization to Harmonize Business Law in Africa ('Organisation pour l'Harmonisation en Afrique du Droit des Affaires)
ON	Office du Niger
PAGAM-GFP	Action Plan for Modernizing and Strengthening of Public Finance Management (Plan d'Action Gouvernemental pour la Modernization et le Renforcement de la Gestion des Finances Publiques)
PASAOP	Agricultural and Producer Organization Project (Projet d'Appui aux Services Agricoles et aux Organisations Paysannes)
PASEC	Program for the Analysis of Education Systems of the CONFEM
PDSF	Financial Sector Development Project
PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PFM	Public Financial Management
PISE	Education Sector Investment Program
PR	Progress Report
PPP	Public Private Partnership
PRED	Economic Reform Program for Development (Programme de Réforme Economique pour le Développement)
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Support Credit
PRSF	Poverty Reduction Strategy Framework
PRSP	Poverty Reduction Strategy Paper
PIDRIN	Integrated Development Programme for Mali's Northern Region
PRODESS	Health and Social Development Program (Programme de Développement Sanitaire et Social)
PSIA	Poverty and Social Impact Analysis
PTF	Donor group (Partenaires techniques et Financiers)
RA	Road Authority
ROSC	Reports on the Observance of Standards and Codes
SAC	Structural Adjustment Credit
SIL	Specific Investment Lending
SSA	Sub Saharan Africa
SCCS	Audit Section of the Supreme Court
SDR	Special Drawing Rights
SIDA	Sweedish Development Agency
SIL	Specific Investment Loan
SOTELMA	Mali Telecommunications Company (Societe des Télécommunications du Mali)
SWAP	Sector Wide Approach Project
TA	Technical Assistance
UES	Environnemental and Social Units
UNDP	United Nations Development Programme

UNESCO United Nations Educational, Scientific and Cultural Organization
UNICEF United Nations Children's Fund
USAID United States Agency for International Development
VAT Value Added Tax
WAEMU West African Economic and Monetary Union (as UEMOA)
WBI World Bank Institute

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REPUBLIC OF MALI
THIRD POVERTY REDUCTION SUPPORT CREDIT (PRSC-3)

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CREDIT AND PROGRAM SUMMARY

REPUBLIC OF MALI

THIRD POVERTY REDUCTION SUPPORT CREDIT (PRSC-3)

Borrower	Republic of Mali
Implementing Agency	The Ministry of Economy and Finance (MEF) coordinates the implementation in close association with several line ministries.
Financing Data	Credit on standard IDA terms (40-year maturity and 10-year grace period).
Operation Type	Programmatic (1 st of 3), single-tranche.
Main Policy Areas	The proposed PRSC-3 would support the implementation of the Government's reform agenda in the following areas: (i) enhancing the regulatory and institutional framework for infrastructure and private investment; (ii) strengthening public financial management; and (iii) improving basic social service delivery.
Key Outcome Indicators	<u>2009</u>
	<ul style="list-style-type: none"> • Cost of license to export (Baseline: US\$ 85, 2008) US\$80 • Open competitive bidding procedures as percentage of total recorded government contracts (Baseline 60 percent of the total value, 2008) 75 percent • Number of children that benefit from school feeding programs in the 166 poorest communes (baseline: 13,544, 2008) 110,000
Program Development Objective(s) and Contribution to CAS	<p>The key objective of the proposed PRSC-3 is to support government's owned reforms to improve the regulatory and institutional framework for infrastructure and private investment, strengthen public financial management and improve basic service delivery. Specifically, the PRSC-3 focuses on supporting the government's efforts to (i) improve the business environment and enhance governance and efficiency in the cotton and telecommunications sectors; (ii) strengthen and modernize budget preparation, execution, controls and accountability; and (iii) improve education and health outcomes through school feeding programs, improved management of health human resources and public-private partnerships in the provision of drinking water.</p> <p>The operation is an integral part of the Bank's Country Assistance Strategy (CAS) for Mali discussed by the Board of Executive Directors on February 5, 2008, and directly contributes to the CAS Strategic Objectives 1 and 2, complementing Specific Investment Lending (SIL) operations that directly support Mali's growth and education sector reform.</p>

	<p><u>Related Bank Projects:</u> The Sources of Growth Project; the Agricultural Services and Producer's Organizations Program (PASAOP); the planned Fostering Agricultural Productivity Project; the Growth Support Project; the Energy Support Project under preparation; and the Second Education Sector Investment Program.</p> <p><u>Development Partners:</u> IMF: 3-year Poverty Reduction and Growth Facility (PRGF); European Commission (EC) and African Development Bank (AfDB) in the context of the Tripartite Partnership which focuses on budget support and PFM coordination; Sweden, the Netherlands, Canada, Germany and France are providing or plan to provide from 2009 sectoral and/or overall budget support.</p>
Risks and Risk Mitigation	<p>The operation faces the following external and budget risks.</p> <p>External risks stem mainly from the global economic slowdown. Pronounced deterioration in terms of trade, a decline in aid flows and remittances, and the strengthening of the Euro (to which the CFA is pegged) vis-à-vis the dollar would hinder Mali's ability to finance its current account deficit (especially imports) which would then compromise its growth rate. A reduction of external assistance could have a significant adverse fiscal impact. In addition, heightened risk aversion in the WAEMU could reduce the scope for Mali to raise budget financing regionally. The heavy exposure of some banks to the cotton sector is a major risk, given the weakening global cotton markets. Other exogenous factors such as Mali's vulnerability to climatic/natural shocks (drought, locust invasion) could compound the situation. Mitigating factors are Mali's strong track record in macroeconomic management and the government's renewed focus on growth-enhancing structural reforms while giving attention to key social programs. A surveillance committee has been established, to systematically follow developments and propose policy responses. The proposed operation would contribute to the mitigating measures by supporting policy actions that contribute to economic growth and diversification, further strengthen public finance management and address social service delivery issues. Additionally, the overall country dialogue would allow for some budget flexibility to address crisis-related expenses within the context of a prudently managed budget that supports priority growth and poverty reduction programs. The introduction of predictable and timely support through the PRSC series will also be an important element for mitigating the external risks. Reinforced donor coordination will also be critical to ensure external financial and technical assistance that protects reforms and helps progress towards the MDGs.</p> <p>Budget risk stems from ongoing financial difficulties facing the cotton and electricity/water parastatal companies (CMDT and EDM) and the Malian Housing Bank (BHM) which could potentially require larger government transfers than included in the budget to cover larger deficits in those sectors than anticipated. As a result, required budget allocations</p>

	<p>to underpin the actions described in the operation could be jeopardized compromising the objectives of the program. This risk is mitigated through strengthened management in CMDT and EDM (new management teams have been nominated for both companies) and close monitoring of their respective financial and cash positions and restructuring efforts (with both being part of the IMF and Bank macroeconomic monitoring and policy dialogue with the Government). BHM is implementing measures to improve its performance with close supervision from the regional central Bank.</p>
Operation ID	P113451

REPUBLIC OF MALI

THIRD POVERTY REDUCTION SUPPORT CREDIT

1. INTRODUCTION

1.1. **This program document proposes a Third Poverty Reduction Support Credit (PRSC-3) for the Republic of Mali in the amount of SDR 43.5 million (US\$65 million equivalent).** This operation is the first of a second series of three PRSCs (PRSC-3 of PRSCs 3-5) designed to support the implementation of the Government's poverty reduction strategy. This second series aims to strengthen public financial management and improve access to basic social services, while enhancing the regulatory and institutional framework for infrastructure and private investment. The reform program supported under this series continues and deepens the agenda introduced by the first series (PRSC 1 and 2), with an increased focus on social service delivery, particularly from the second operation.

1.2. **The reform policies supported by this new series are embedded in and aligned with Mali's Growth and Poverty Reduction Strategy Framework (GPRSF).** The GPRSF covering the period 2007-2011 - and the accompanying Joint Staff Advisory Note (JSAN) - were considered by the Board of Executive Directors on September 28, 2007. The GPRSF pursues strong broad-based growth and improvement of public service delivery. The operation is an integral part of the Bank's Country Assistance Strategy (CAS) for Mali discussed by the Board of Executive Directors on February 5, 2008, and complements Bank operations that directly support Mali's growth agenda (notably on agricultural productivity, infrastructure, and business development) and education sector reform.

1.3. **The design of the series benefited from consultations with various stakeholders.** The consultations were made under the Government's leadership, including in coordination with a group of donors who provide budget support to Mali for the GPRSF implementation. These consultations ensure Government ownership of the supported policies and harmonize donors around a common set of key reforms. The lessons learned from the implementation of the PRSC 1 and 2 were also taken into account in the design of this follow-up series.

2. COUNTRY CONTEXT

MALI'S DEVELOPMENT CHALLENGES AND PROSPECTS

2.1. **With a GNI per capita of US\$500 (Atlas method, 2007), Mali ranks 168 out of 179 countries in the UNDP's 2008 Human Development Index.** The country's economy doubled in size since the 1980s, when market oriented policies were adopted. In its initial stage, the reform agenda focused on reducing the state's monopoly of

economic activities and the liberalization of external and internal trade, notably the liberalization of prices and marketing of cereal crops. Following the devaluation of the CFAF in 1994, emphasis was placed on achieving macroeconomic stability as well as progressively strengthening policies in key sectors, including in the social area. Nonetheless, poverty remains widespread (64.4 percent in 2006) and Mali's social indicators remain among the lowest in the world.¹ The percentage of literate adults in the country is half the average in Sub Saharan Africa and infant mortality rate was estimated at 218 per 1,000 live births in 2005, the third-highest in the world.

2.2. The Government seeks to achieve rapid and broad based growth so as to accelerate poverty reduction. Mali's Poverty Reduction Strategy Paper (PRSP) of 2002 outlined a comprehensive poverty reduction agenda based on higher shared growth, in a context of macroeconomic stability and fiscal sustainability. The growth and poverty reduction sought by the first PRSP were not achieved. Building from the lessons learned, a second generation PRSP was adopted in 2006 (the GPRSF), with an increased emphasis on measures to accelerate growth in line with poverty reduction objectives. For a country striving for high growth rates to achieve ambitious poverty reduction objectives, balancing the growth and poverty demands on the budget with macroeconomic stability and sustainability can be challenging. The task is rendered more demanding by having to weather the inevitable exogenous shocks (global slowdown, terms of trade volatility, climatic and locust invasion) Mali faces.

2.3. Following the Presidential and legislative elections of 2007, the political situation remains stable. The incumbent President was re-elected in 2007 with 71.2 percent of the vote while the party holding a majority in Parliament, the Alliance for Democracy and Progress (ADP), has 114 seats out of 147. These major political events developed positively and have not undermined the functioning of the public sector. However, numerous teachers and students' strikes have been seriously undermining the functioning of the education sector.

RECENT ECONOMIC DEVELOPMENTS

2.4. Prudent macroeconomic policies led to broadly favorable outcomes in the period 2003-07 (Table 1). However, growth rates varied considerably from year to year reflecting Mali's vulnerability to climatic conditions and commodity price fluctuations (primarily of cotton, oil and gold).² Gross domestic product (GDP) growth averaged 5.1 percent a year. Average inflation remained low, with a mean for the period of 1 percent, but it varied considerably due to food price fluctuations. Mali's external position was weak for most of the period since 2003, on account of both price and volume developments. Despite sustained improvement in the terms of trade from 2006— higher gold and cotton export prices that more than offset the increase in fuel import prices—

¹ Two methods were used to calculate the incidence of poverty in 2006. Method 1 shows a poverty incidence of 64.4 percent while method 2 presents a poverty incidence of 47.5 percent in 2006. For further details, please refer to the 2008 CAS, page 77.

² Mali was also adversely affected by the crisis in Côte d'Ivoire.

exports dropped due to lower gold and cotton production in 2007. As a result, the external current account deficit (excluding official transfers) worsened from 6.7 percent of GDP in 2006 to 9.6 percent in 2007.³ Gross international reserves stabilized from 2005 onwards at the comfortable level of five-to-six months of next year's imports.

2.5. The overall fiscal deficit (on a payment order basis excluding grants) deteriorated from 5.7 percent of GDP in 2003 to 7.9 percent of GDP in 2007. Tax revenues increased from 13.6 percent of GDP in 2003 to 15 percent in 2006, as a result of improved tax administration. In the same period, wages and salaries increased by about 1 percent of GDP reflecting higher levels of employment. Fiscal outturns weakened in 2007, with tax revenue as a percentage of GDP declining to 14 percent of GDP, due to exemptions granted late in the year to offset rising oil and food prices. Expenditure and net lending were estimated at 24.5 percent of GDP. After remaining in surplus for most of the period 2003-06, the basic fiscal balance deteriorated in 2007 to a deficit of about one percent of GDP.⁴

2.6. Despite a difficult international environment in 2008, macroeconomic stability has been maintained. Preliminary estimates indicate that real GDP growth in 2008 was 5 percent, in line with the medium-term trend. GDP growth reflects expansion of agricultural production, notably rice, among others, due to favorable weather, high farm gate prices and policies supporting food production.⁵ Institutional weaknesses and financing difficulties in the cotton sector, however, are pushing cotton growers into other crops. Cotton output is estimated to have declined by 22 percent in the year. Growth also reflects good performance of some service sectors, notably transportation and telecommunications. Private consumption growth remained relatively robust, against weakness in overall investment and net exports.

2.7. Rising inflation and volatile commodity prices dominated economic developments in 2008. Higher prices of cereals accounted for nearly half of the increase observed in the first six months of 2008. After peaking at an annual rate of 12 percent in September, inflation decelerated as food prices began to moderate. The average inflation rate for 2008 is estimated at 9.1 percent.

³ In 2006 gold contributed with about 70 percent of export revenues and cotton with over 25 percent.

⁴ The basic fiscal balance is given by the total revenue less current non-interest spending and net lending, excluding grants, externally financed expenditures, and HIPC financed spending.

⁵ Agriculture grew by 16 percent in 2008 compared to the previous year, with rice showing a growth rate of 30 percent in the year.

Table 2.1: Mali Selected Economic and Financial Indicators (2003-2012)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
						Prel. (04/09)	Proj. (04/09)		Proj.	
					Rev.			2010	2011	2012
	(Annual percentage change)									
National income and prices										
Real GDP	7.4	2.2	6.1	5.3	4.3	5.0	3.9	4.3	5.2	5.1
GDP deflator	2.9	-0.7	2.1	5.1	2.6	8.9	3.2	2.5	2.2	2.5
Consumer price inflation (average)	-1.3	-3.1	6.4	1.5	1.4	9.1	3.3	1.9	2.5	2.5
External sector (percent change)										
Terms of trade (deterioration -)	-1.1	1.5	-10.7	29.3	0.4	2.5	37.8	0.6	..	..
Real effective exchange rate (depreciation -)	1.1	-3.9	3.9	-1.3	0.5	8.0	...	...	..	..
	(In percent of GDP, unless otherwise indicated)									
Money and credit (contribution to broad money growth)										
Credit to the government	-7.6	1.9	4.3	-11.6	1.2	-3.2	-8.9	5.2	..	..
Credit to the economy	17.3	8.1	-1.1	19.3	7.5	5.2	-2.7	-4.4	..	..
Broad money (M2)	25.5	-2.4	9.5	8.8	9.3	0.5	9.4	6.6	..	..
Investment and saving										
Gross domestic investment	21.1	21.7	22.3	23.4	23.3	20.4	19.4	19.7	24.2	24.5
<i>Of which: government</i>	6.8	7.4	6.9	8.0	8.5	5.3	7.8	7.2	7.8	8.1
Gross national savings	15.0	13.4	14.1	19.4	15.5	12.4	12.8	12.9	17.0	17.7
<i>Of which: government</i>	3.1	2.4	1.9	3.1	2.9	2.2	3.1	0.0	..	..
Gross domestic savings	14.0	13.5	13.7	18.3	14.2	9.9	12.6	12.7	16.0	16.0
Central government finance										
Revenue	16.4	17.4	17.5	17.3	16.6	15.5	16.6	16.5	16.1	17.7
Grants	4.5	4.0	4.0	38.9	4.7	3.4	4.8	4.9	4.2	4.8
Total expenditure and net lending	22.1	24.0	24.6	24.9	24.5	21.2	26.1	26.0	24.2	25.2
Overall balance (payment order basis, excluding grants)	-5.7	-6.6	-7.1	-7.6	-7.9	-5.6	-9.5	-9.5	-8.1	-7.6
Basic fiscal balance ¹	1.1	0.4	-0.2	0.3	-0.9	-1.2	-2.0	-2.0	-1.2	0.0
External sector										
Current external balance, including official transfers	-6.1	-8.3	-7.3	-4.0	-7.7	-8.1	-6.5	-6.8	-7.2	-6.9
Current external balance, excluding official transfers	-8.7	-10.3	-9.4	-6.7	-9.6	-9.9	-8.2	-8.4	-7.5	-8.5
Exports of goods and services	26.0	24.6	25.7	30.0	26.5	24.2	24.7	25.0	22.5	21.7
Imports of goods and services	-33.2	-32.9	-33.4	-35.1	-35.6	-34.7	-31.5	-32.0	-30.7	-30.2
Debt service to exports of goods and services	5.8	6.4	7.4	3.7	3.4	3.4	3.6	4.4	3.6	3.6
External debt (end of period)	64.0	48.8	49.3	18.9	22.9	23.0	26.2	28.4	...	...
Memorandum items										
Nominal GDP (CFAF billions)	2,574	2,611	2,894	3,201	3,425	3,914	4,200	4,476	...	...
Overall balance of payments (US\$ millions) ²	198.5	-178.3	96.2	120.2	-21.2	-10.3	376.4	25.9	...	...
Money market interest rate in percent (end of period)	5.0	5.0	5.0	5.0	5.0	...	...	...	...	...
Gross international reserves (US\$ millions) ²	952.5	861.3	946	1,176	1,298	1,226	1,587	1,687	1,745	1,805
in months of next year's imports	6.9	6.4	5.8	5.6	5.0	5.3	6.7	7.1	6.4	6.3
US\$ exchange rate (end of period)	519.4	498.4	553.3	496.5	449.9	481.5	...	...	...	...

Sources: Malian authorities; and IMF staff estimates and projections.

¹ Revenue (excluding grants) less total expenditure (excl. foreign financed investment projects and HIPC Initiative spending)

² Projections for 2009 include privatization revenue of the telecommunication parastatal.

2.8. Although on balance the terms of trade were largely unchanged in 2008, the current account deficit remained significant. The external current account deficit (excluding official transfers) is estimated to be 9.9 percent of GDP in 2008. Rising oil prices are the principal factor weighing on the current account balance in 2008, followed by the decline of cotton exports. The financing of the current account deficit was largely in the form of private and public flows. Gross international reserves remained at a comfortable level at over 5 months of next year imports.

2.9. Fiscal performance in 2008 was in line with the government program supported under the IMF PRGF arrangement. The overall fiscal deficit (on a payment order basis excluding grants) is estimated at 5.6 percent of GDP in 2008, considerably lower than the deficit of 8.6 percent of GDP anticipated in the revised PRGF program (December 2008), reflecting the combined impact of better than anticipated tax revenue effort and strong containment of spending. Despite a pay increase of 5 percent across the public sector (with an additional increase of 5 percent scheduled for 2009), the wage bill corresponded to 4.8 percent of GDP, below the 4.9 percent programmed. Overall expenditure and net lending corresponded to 21.2 percent of GDP in 2008 (over 3 percentage points below the program) and composition of spending was adjusted to create space for a response to the food crisis.

2.10. Execution of the 2008 budget has not been without difficulty. Early in the year, with oil prices rising to record levels, temporary tax exemptions were given for rice, powdered milk and vegetable oil imports. Revenue projections were reduced accordingly, with a corresponding substantial impact on spending. The mid-year budget-cutting exercise included delays in the execution of non-priority current spending and capital spending. The shortfall in tax revenues caused by the exemptions (lifted later in the year) was more than compensated by over performance in the gold sector taxes and dividends and domestic value added tax (VAT). The pace of budget execution improved in the later months of the year, but spending ended up below the programmed amount by the equivalent to about 2 percent of GDP.

C. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

2.11. The ongoing financial crisis and global slowdown pose new risks to macroeconomic stability and growth in Mali. The very limited integration with international capital markets should insulate the economy from the direct effects of the global credit crisis. Heightened risk aversion and tightening liquidity in the West African Economic and Monetary Union (WAEMU) could nonetheless reduce the scope for raising funds regionally, particularly for the budget. Robust prices for gold (80 percent of exports) and falling prices for fuel and food are good for Mali but price declines for cotton (about 10 percent of exports in 2008) are further depressing an already crisis-stricken sector. For the medium-term, spillover effects of the financial crisis on global growth and investment could operate through multiple channels, notably: (i) demand and prices for cotton and gold, the country's main exports, could fall with an offsetting or compounding effect depending on the strength of the Franc of the African Francophone

Monetary Community (CFAF) versus the US\$; (ii) remittances could drop if labor markets weaken in Europe as migrant workers' incomes are strongly correlated with the business cycle; (iii) a reduction of aid budgets in major developed economies would have a significant fiscal impact; and (iv) a deeper and more protracted global slowdown would likely reduce foreign direct and portfolio investment – the effects are difficult to quantify but, for example, the prospects for concluding major privatizations in the cotton sector may diminish. Furthermore, the heavy exposure of some banks to the cotton sector is a major risk, given the weakening global cotton markets.

2.12. Given the uncertainties related to the impact of the global economic slowdown, projections for Mali were revised downwards in April 2009. The 2009 growth rate, projected in late 2008 to be relatively strong at 5.3 percent, was revised downwards to 3.9 percent, over a percentage point below its estimated growth in 2008. Although favorable weather conditions and the resulting good harvests in 2008-09, particularly for food crops, could provide a cushion to the negative impacts of the global slowdown, performance in the cotton sector is expected to remain subdued given that world cotton prices are falling and the cotton sector faces uncertainties regarding the pending privatization of the state-owned cotton ginnery, the *Compagnie Malienne pour le Développement des Textiles* (CMDT).⁶ Growth in the medium term will be driven by food production, including for own consumption, some recovery in cotton, including as a result of the privatization of CMDT and government policies to facilitate access to fertilizer, pesticides and irrigation infrastructure, and the implementation of public projects. GDP growth is projected to average 4.8 percent in the period 2010-12.⁷ Inflation is expected to decrease steeply to about 3.3 percent in 2009, remaining below 3 percent thereafter. The projected trend in inflation reflects the anticipated decline in commodity prices and the related easing of inflationary pressures.

2.13. The external current account deficit (excluding official transfers) is projected to narrow to about 8.0 percent of GDP from 2009. Higher prices will increase gold exports relative to 2008 but this will be partly offset by poor performance in the cotton sector. Imports are expected to decelerate by about three percent of GDP, to 31.5 percent of GDP, reflecting lower fuel and food import bills. The completion of the Euro 250 million telecom privatization could more than cushion declines in other foreign direct investment (FDI) in 2009, notably in mineral exploration.

⁶ The weakening of global cotton market may also lead to defaults by foreign buyers locked into contracts at pre-crisis prices.

⁷ Growth in the primary sector (1/3 of GDP) is projected at 4.6 percent in 2009, (after 11.2 percent in 2008), and around 5 percent from 2010, assuming good weather and adequate government policies notably in the cotton and rice sectors. Projections put growth in the secondary sector at 1.7 percent in 2009, and then a gradual recovery to about 4.5 percent in 2012, assuming some modest recovery in mining and the manufacturing sectors. Despite robust performance in the tertiary sector in recent years, projections are conservative, at about 4-5 percent in 2009-12, on account of the regional and international environment. Projections are conservative compared to the Government's target of 7 percent, to take into account the uneven pace of structural reforms that have made it difficult to raise the growth rate to a higher path and the highly uncertain global outlook.

2.14. On current trends, the Malian authorities should be able to pursue sound fiscal policies under the current challenging environment. Continued implementation of fiscal reforms and cautious spending increases would contain the basic fiscal deficit at 2.0 percent of GDP in 2009. Tax revenues are expected to increase by about one percentage point compared to 2008, to 14.2 percent of GDP, and then remain at 14-15 percent of GDP for the medium term. To improve domestic revenue collection, stricter implementation of the framework regulating tax reductions and exemptions will be enforced and customs administration will be strengthened.⁸ In addition, provisions for tax exemptions will be revised under the new investment code and the law regulating property development. The 2009 budget seeks to renew the emphasis on growth-enhancing investments in agriculture and transportation while also increasing current spending on sectors that are critical for the Millennium Development Goals (MDGs), notably education and health. A reduction of external assistance in the context of the global financial crisis could have a significant fiscal impact. Gross aid flows amount to 10 percent of GDP and finance over a third of government spending. However, such a reduction is unlikely in 2009 given that donors are confirming aid amounts for that year. In addition, predictability is expected to improve with the European Commission (EC) MDG Contracts, the Bank's PRSC series and the AfDB 3-year program. Moreover, a large Millennium Challenge Corporation (MCC) supported project is getting underway, further boosting public investment. The expenditures projected for the medium term are fully in line with available financing and Mali is committed to rely only on concessional external financing. The proposed PRSC-3 will provide US\$65 million to the 2009 budget of about US\$2.3 billion (Annex 10).

2.15. However, there are fiscal risks, associated with financial difficulties facing the state owned ginnery (CMDT), the electricity and water company (EDM SA) and the Malian Housing Bank (BHM). CMDT has required budget financing on an annual basis, with support for 2009 amounting to nearly ½ percent of GDP. The company has been accumulating arrears to suppliers in recent months and cash injections will be needed to pay urgent expenses related to the ongoing campaign. The electricity company, EDM SA, has also required public subsidies since its failed privatization in 2005. The cash liability of EDM is estimated at nearly CFAF 12 billion at the end of 2008. BHM is insolvent and experiencing severe liquidity problems. As of end-2007, the bank had negative net worth, (CFAF 24.5 billion), 40 percent of its loans were classified as nonperforming and had a large operating loss (CFAF 2.7 billion). To mitigate these risks, the Government plans to undertake an in-depth assessment of CMDT finances, with the Bank's help, to identify corrective measures that will complement the recent changes made in the company's top management. Similarly, a restructuring plan of EDM SA (supported by the Bank-financed Energy Support Project) is under preparation to address the company's financial situation.⁹ Finally, the authorities intend to present a

⁸ Notably through scanning of cargoes, the application of ASUCUDA ++ and improved control of customs exemptions.

⁹ The program includes actions to improve (i) the control of operating costs, (ii) collections and fight against fraud and corruption; (iii) tariff adjustments; (iv) managerial and technical capacities; and (v) investment programming.

restructuring plan for the troubled housing bank (BHM) to the regional Banking Commission in the coming months and prepare the bank for privatization.

2.16. Projections are in constant revision given the volatile global situation. Downward risks to the outlook include steeper decreases in foreign direct investment, adverse movements in commodity prices (higher oil and lower gold prices), and an accentuated drop in aid inflows and private remittances. Sensitivity analysis undertaken shows that the impact of additional shocks relative to the latest 2009 baseline could be significant (Table 2.2).¹⁰ Mali has a good track record of macroeconomic management, which will help address the new challenges emerging from the global slowdown. Bank and IMF staffs will continue to monitor developments in Mali and reassess projections and policy advice as more information becomes available.

Table 2.2: Mali: Impact of an Adverse Shock to Selected Flows of the 2009 Balance of Payment

	2008		2009		Impact of a 10 percent adverse shock	
	Prel.		Proj.		Billions of CFAF	
	Billions of CFAF	Percent of GDP	Billions of CFAF	Percent of GDP	Billions of CFAF	Percent of GDP
Current account balance (excl. grants)	-387.3	-9.2	-344.6	-8.2		
Trade balance	-183.0	-4.4	-44.2	-1.1		
Inflows:	1,229.5	29.3	1,418.4	33.8	-102.1	-2.4
Gold exports	592.0	14.1	704.9	16.8	-70.5	-1.7 1/
Cotton exports (fiber)	69.2	1.6	55.0	1.3	-5.5	-0.1 1/
Tourism receipts	112.8	2.7	101.3	2.4	-10.1	-0.2
Private transfers (remittances)	171.1	4.1	136.9	3.3	-5.5	-0.1 2/
External aid	284.3	6.8	420.3	10.0	-10.5	-0.3 3/
Outflows:	-761.7	-18.1	-704.6	-16.8	70.5	1.7
Petroleum products imports	-253.0	-6.0	-158.9	-3.8	15.9	0.4 1/
Food imports	-146.3	-3.5	-141.6	-3.4	14.2	0.3 1/
Insurance and freight	-234.0	-5.6	-218.0	-5.2	21.8	0.5 1/
Mining sector profits	-128.4	-3.1	-186.1	-4.4	18.6	0.4

Source: IMF staff estimates and projections.

1/ Assumes price shock.

2/ Assumes that 60 percent of remittances leak out as imports.

3/ Assumes that 75 percent of foreign assistance leak out as imports.

2.17. Mali's risk of debt distress is low. The latest joint IMF-IDA debt sustainability analysis (DSA) shows that most debt indicators are below the relevant country-specific debt-burden thresholds (Table 2.3).¹¹ Mali's external debt ratios are projected to increase steadily over the period 2008-26 under the baseline scenario. Results of the public DSA confirm that debt is manageable, as long as the authorities implement a cautious debt strategy. The sensitivity analysis stresses the importance of continuing to pursue sound

¹⁰ IMF research (<http://www.imf.org/external/np/sec/pr/2009/pr0969.htm>) shows that in the past a 1 percentage point slowdown in global growth has led to an estimated ½ percentage point slowdown in sub-Saharan African (SSA) countries. The effects may be more pronounced this time because the tightening of global credit compounds the impact of the slowdown, exacerbating risks for trade finance and other capital flows.

¹¹ The Joint IMF-IDA Debt Sustainability Analysis for Mali was prepared in May 2008.

macroeconomic policies to achieve high GDP growth rates and low public sector deficits. Actual disbursements in 2007-08 were substantially less than had been projected, and the latest macroeconomic projections, with the effects of the crisis, are of continued subdued levels of official disbursements and hence of debt. As a result, based on these latest projections, the NPV series shifts downward –as compared to the 2008 DSA estimated ratios, and the estimate for NPV of external debt/GDP at end-08 drops from 16.8 percent in the old projection to 13.8, and at end-09 from 18.2 to 15.4. Indeed, the series now peaks at about 20 percent in 2020 before declining slightly, rather than the endless rise we had before.

Table 2.3: Policy-Based Debt Burden Indicators

	Thresholds ^{1/}	Mali: Baseline Scenario Ratios		
		2007	2008-13 ^{2/}	2014-26 ^{2/}
		(in percent)		
NPV of external debt-to-exports	150	47.9	66.2	97.0
NPV of external debt-to-GDP	40	14.2	20.3	29.3
External debt service-to-exports	20	3.4	3.5	4.0
NPV debt-to revenue 3/	250	77.3	110.1	143.4
Debt service-to revenue 3/	30	11.9	5.5	5.4
1/ Policy indicative thresholds for a medium policy performer.				
2/ Simple averages.				
3/ Excluding grants.				
Source: May 2008 DSA				

2.18. **Overall, Mali’s macroeconomic framework, which forms the basis for its PRGF support from the IMF, provides an adequate basis for the proposed operation.** Fiscal discipline, membership of the CFA franc zone and the fixed exchange rate with respect to the Euro provide a solid anchor for low inflation expectations in Mali. In addition, the medium term reform program targets a number of critical actions in banking, energy and agriculture that would reduce fiscal risks and support accelerated growth. However, and as detailed above, downside risks to the macroeconomic outlook are significant, notably with respect to the impact of the global slowdown and internal fiscal risks.

D. ASSESSMENT OF PROGRESS UNDER THE GPRSF

2.19. **The first Progress Report (PR) of the GPRSF, prepared in a participatory process, concludes that performance was broadly satisfactory but considerable challenges remain.**¹² Indeed, the growth objective for 2007 (6.7 percent) was not achieved and, while all quantitative targets for education were achieved, the objective of universal access is still far away. Progress in health outcomes was modest and Mali is

¹² The review took place in 2008 and assessed performance in 2007. The Progress Report was prepared in a participatory manner with civil society and development partners and was presented in three regions of the country (Koulikoro, Segou and Sikasso).

unlikely to reach the MDGs on child and maternal mortality and nutrition. The HIV/AIDS prevalence rate has declined significantly and this MDG is likely to be achieved. Substantial progress has also been made with regard to access to safe drinking water. The objective of reduction by half of the population without access to potable water has already been achieved.¹³ The challenge now is to ensure access to safe drinking water to all Malians. Other areas where progress was limited include gender equality, civil society participation and decentralization.

2.20. The institutional framework for managing the overall implementation of the GPRSF is being strengthened. A technical unit within the Ministry of Economy and Finance is responsible for the coordination of the GPRSF's implementation as well as for its monitoring and evaluation. Four thematic groups (macroeconomic policies, basic infrastructure development and productive sectors, institutional development and governance, sustainable human development) made of representatives from the relevant line ministries as well as civil society meet on an *ad hoc* basis to prepare the Progress Report. A Commission bringing together the Malian Government and the donor community meets regularly to discuss progress made and next steps. Work is underway to harmonize calendars to better incorporate the GPRSF's evaluation in the budgetary process and to expand the use of the Malikunnafoni database.¹⁴ A master plan for reforms to improve access to and quality of statistics in Mali was adopted in 2006. A number of capacity building initiatives are underway to strengthen the monitoring and evaluation system, at national, regional and local level. Two recent household surveys provide comparable data on poverty in Mali: the *Enquête Malienne sur l'Evaluation de la Pauvreté* (EMEP) for 2001 and the *Enquête Légère Intégrée auprès des Ménages* (ELIM) for 2006. The next household survey is scheduled for end-2009 and a population census is planned for mid 2009. These two exercises will provide updated information on various aspects of poverty in Mali that should be available in 2010.

3. THE GOVERNMENT'S PROGRAM

3.1. The Mali GPRSF, adopted in 2006, is designed as the first phase of the ten-year action plan to achieve the MDGs and is embedded in the Government's long term vision "Mali 2025". The GPRSF builds upon the lessons learned from the first PRSP (PRSP I for 2002-06) in laying out strategic priorities for accelerating growth and reducing poverty from 2007 to 2011. The GPRSF selects a limited number of indicators to facilitate monitoring of progress in implementing the strategy. At the sector level, a more detailed set of indicators is identified to be monitored. The GPRSF is more results-oriented and prioritized than PRSP I. To attain its twin objectives of rapid private sector-led growth and stronger public sector performance, the GPRSF outlines three strategic orientations/pillars:

¹³ The rate of access increased to 58 percent (against a PRSP target of 66.4 percent) in rural areas and 76 percent (against against a PRSP target of 74.3 percent) in urban areas in 2007.

¹⁴ The Malikunnafoni database includes economic and social indicators.

- development of infrastructure and economic sectors, to enhance productivity by improving the business environment;
- continuation and consolidation of public sector structural reforms, to increase public sector efficiency particularly through pursuing public financial management reform, decentralization, strengthening the rule of law and fighting corruption; and
- strengthening the social sectors to improve the delivery of basic social services, including improved access for the poor.

3.2. PRSC-3 would support the implementation of the Government's reform agenda by focusing on the following areas: (i) enhancing the regulatory and institutional framework for infrastructure and private investment to improve productivity; (ii) strengthening public financial management for improved public sector efficiency; and (iii) improving service delivery to increase access to basic social services.

A. DEVELOPMENT OF INFRASTRUCTURE AND ECONOMIC SECTORS

3.3. Mali has made significant progress over the past five years, but challenges remain. At an average of 5 percent, GDP growth was below the PRSP targets, signaling that the economy needs to grow faster to achieve more satisfactory levels of poverty reduction. Growth performance is hindered by insufficient microeconomic and institutional reforms, poor infrastructure, low levels of human development, and weak institutional capacity and governance practices. The discussion below focuses on key issues and challenges facing: (i) agriculture, with particular emphasis to the Niger irrigation zone and cotton; (ii) infrastructure, with emphasis on telecommunications and energy; and (iii) the business environment. The discussion also addresses the main measures planned by the authorities in those areas and the support that would be provided by the Bank under the new PRSC series.

i) Key Issues and Challenges

Agriculture

3.4. Poverty reduction in Mali is unlikely to be achieved without stimulating sustained agricultural productivity and diversification. Agriculture's share in the economy has declined since the early 1990s, but performance in the sector continues to determine output and inflation developments and remains the mainstay of most Malians. However, productivity in the sector remains low, and with the exception of rice and some horticulture crops, growth reflects mostly increased extensions of land used. In addition, agriculture is highly vulnerable to recurrent droughts, floods, locust infestation, diseases and depressed world prices for cotton. Budgetary allocations for agriculture have been amongst the highest sectoral allocations, of about 13 percent of the total in 2007, but execution rates are modest, of about 75 percent of allocated amount in the same year compared to an overall budget execution rate of over 90 percent.

3.5. Mali could increase agricultural productivity by exploiting its irrigation potential. Much progress has been achieved as a result of the institutional reforms and investments made regarding the irrigable lands on the left bank of the Niger River, notably the increase in rice production. Despite considerable delay, a master plan for the Niger River Irrigation Office (*Office du Niger*–ON) was adopted in early 2009. The ON master plan provides clear strategic directions for the development of the region. Going forward, clarification is needed regarding the ON’s role and responsibilities with respect to water management and land tenure, taking into account the decentralization process and increased implication of local governments. In addition, a clear mapping of planned land use is needed to attract large commercial farmers and agro-industries while safeguarding the interest of smallholders. This would need to be complemented by a program of investments in irrigation and other infrastructures detailing public investments, investments to be undertaken as joint ventures with private operators and investments expected to be undertaken by private interests.

3.6. Production in the cotton sector has been cut nearly by half over the last two seasons but, with reform, the sector could be re-launched.¹⁵ In 2007, cotton accounted for 15 percent of exports of goods as compared to 35 percent in 2004. The recent downward trend in cotton production resulted from decreasing international prices, inadequate rains, and low cotton seed yields. Costly inputs, leading to lower fertilizer and pesticide applications, and inadequate financing mechanisms, have led to soil impoverishment and yields well below some of the major world competitors. Also, during the most recent planting season (2008), CMDT, the public monopoly responsible for ginning and marketing in the sector, fell behind in its payments to farmers for their crop from the prior season.¹⁶ In addition, higher prices for alternative crops (notably food staples), have led some farmers to diversity away from cotton. CMDT posted large losses in recent years and requires budgetary injections to continue operating.¹⁷ The subsidy is, however, a temporary solution while long term reforms, which include privatization and efforts to increase productivity, are completed. The Government is preparing, with IDA assistance, a project to foster agricultural productivity in Mali. The project includes technology transfer and service provision to producers to increase cotton yields.

3.7. The Government has been slow in promoting reform of the cotton sector but significant progress has been made since mid 2008. The slow pace of reform was due to a number of factors, including presidential and legislative elections in 2007 and efforts to build domestic consensus. The Law authorizing the privatization of CMDT, which is being divided into 4 (four) subsidiaries as a transition to privatization, was approved by

¹⁵ Recent studies on cotton in Mali argue that the sector remains an important source of foreign exchange earnings and cash income for millions of people. Sources: Comparative Analysis of Organization and Performance of African Cotton Sectors: Learning from Experience of Cotton Sector Reform in Africa (draft, 2007), and Strategies for Cotton in West and Central Africa (2007).

¹⁶ CMDT has been confronted with periodic financial crises, due to (i) the drop in world prices for cotton lint; (ii) the Euro-US\$ exchange rate; and (iii) financial and technical mismanagement and poor governance.

¹⁷ The Bank is providing technical assistance for the preparation of a treasury plan for CMDT.

Parliament in August 2008. The question arises whether it is appropriate to keep the spotlight on the CMDT privatization process, in view of concerns that the global financial crisis may limit international investor interest in its assets and Mali's cotton potential. One alternative being raised is to rapidly replace CMDT with a private management company to run the sector for a year or two, while postponing the privatization until the global outlook recovers. The Government believes that it makes best sense to proceed with launching the bid process without further delay, for three main reasons: (i) some of the potential bidders have internal financial means and are commercially domiciled distant from the main effects of the financial crisis, e.g., there are reasonable prospects of credible bids; (ii) the Government has flexibility subsequent to proceeding with the privatization launch and, once it has bids in hand, it could determine that none of the bids is sufficient, could accept bids for only some of the four lots, or proceed with all four, and this array of options offers more upside potential than downside risk; and (iii) time is too short for getting a private management company in place for the coming crop year without considerable disruption - fertilizer and seed need to start moving now to farmers for planting by June - so CMDT management of this crop year appears unavoidable.

Infrastructure

3.8. The competitiveness of Malian firms is constrained by poor quality and costly infrastructure, notably electricity and telecommunications.¹⁸ As the 2007 Mali Country Economic Memorandum (CEM) argues, competitiveness of Malian firms is hampered by high costs of, and weak access to, electricity. As regards telecommunications infrastructure services, their limited availability and high cost place Malian enterprises at a severe disadvantage in both regional and global markets. Not surprisingly, exporting firms and foreign-owned firms in Mali perceive telecommunications as a major constraint, as shown in the 2005 Mali Investment Climate Assessment (ICA).

3.9. Several reform and investment programs have addressed the issues facing the energy sector in Mali but implementation did not proceed smoothly. At the end of the year 2000, expectations were that quality and reliability of water and electricity services would be improved with the concessions of the public water and electricity to a private operator. These expectations were not met and the concession contracts collapsed in October 2005. EDM SA emerged from this privatization experience with an investment deficit, significant internal inefficiencies and inadequate tariff levels. Given high fuel costs and unchanged tariffs since 2004, the gap between tariffs and cost reached 20 CFAF/kWh in 2007, from 6.4 CFAF/kWh in 2005. The cash liability of EDM S.A stood at nearly CFAF 12 billion at the end of 2008. This includes arrears to the *Société de Gestion du Barrage de Manantali* (SOGEM, the operator of the Manantali regional hydroelectric plant). Other issues affecting the sector include distribution losses and other internal inefficiencies which, combined with the rise in international oil prices, left EDM

¹⁸ The discussion below focuses on the areas supported by the PRSC series. However, the 2005 Mali Investment Climate Assessment (ICA) highlights weaknesses also in other infrastructures such as waste disposal, rail-bound transport, airports and the road network. Government reforms in these areas are supported by country and regional Bank supported projects and by a number of other donors.

SA in severe financial difficulties. Those are equally the direct results of poor governance practices, among which: (i) lack of transparency and accountability at procurement level; (ii) inadequacies in commercial operations such as metering, meter-reading and connections; (iii) poor representation; (iv) weak human resource management; (v) weak financial management; and (vi) inadequate institutional set up of the company. There are some recent positive signs on the sector finances with payment of about CFAF 7 billion to SOGEM and a signed protocol to clear the remaining arrears. Given the failed privatization, careful preparation has preceded new reforms in the sector. The Government has commissioned studies to inform policies and broad consensus has been sought. After some delays, progress is being made.¹⁹ The Government is also finalizing a restructuring plan of EDM SA that will be implemented with the support of the Bank's Energy Support Project. A strategic vision note on tariffs and subsidies was adopted in March 2009, indicating that a financial equilibrium of EDM SA could be reached by 2011, including through tariff adjustment. Another important element of the restructuring plan is the preference of the Government to separate the electricity and water departments of EDM SA. An institutional study is due by June 2009 to layout details and consequences of this separation.

3.10. There has been significant progress in the telecommunications sector but accessibility needs to increase faster to respond to demand. The licensing of a second national operator in 2002 doubled telephone penetration. Progress in the sector also included the creation of an independent regulatory agency that could establish a level playing field and encourage private investment and expertise. Considerable improvements, however, are required in the provision of facilities and services to expand coverage and service quality. According to the 2007-08 UNDP Human Development Report (HDR), Mali has 6 telephone mainlines per 1,000 people (against 17 in SSA) and 64 cell phone subscribers per 1,000 people (against 130 in SSA). Measures are needed to reduce the costs of the information and communications technology (ICT) services and increase their accessibility and competitiveness in the region. Mali also needs to strengthen the capacity of its regulatory agency. Despite good progress in implementing the telecoms sector restructuring action plan, there have been delays in the privatization timetable for the telecommunications parastatal, *Société des Télécommunications du Mali* (SOTELMA), from mid-2007 to an indicative date of mid-2009.

¹⁹ A study on tariffs and subsidies was completed in late 2008. An institutional study is due by June 2009 to layout details and consequences of this separation.

Business Environment

3.11. Notwithstanding progress made in recent years, private enterprises continue to face severe constraints to open and expand. Research generally indicates that countries with burdensome regulation have larger informal sectors, higher unemployment rates and slower economic growth. An ICA carried out in 2005 revealed that Mali's private sector is hindered by a widespread perception of corruption, weak infrastructure, heavy regulatory constraints, low labor qualifications and absenteeism due to malaria.²⁰ Mali ranked 166 out of 181 countries in the 2009 Doing Business Report, a decline of 6 points overall from the previous year. In four indicators, Mali is classified in the last quartile of the ranking: starting a business (162), paying taxes (156), trading across borders (166) and enforcing contracts (158). The best performances regard employing workers (94), registering property (94) and closing a business (114). As the 2005 ICA notes, for an enclave and opened economy like Mali, the celerity of the administrative procedures to import and export is crucial and it could compensate some disadvantages linked to geography. Concerted efforts are therefore required for Mali to render its regulatory and institutional framework more attractive to private investors.

3.12. Despite considerable progress over the years, there is scope to improve the incentive framework for business. Mali's incentive framework and promotion activities comprise of the Investment Code, the Mining Code, the fiscal and import tariff framework, and other measures (e.g., industrial zones) designed to stimulate economic activity.

3.13. The existing Investment Code offers generous incentives to encourage non-gold investment but it could be improved. The selection of the projects which would benefit from fiscal and custom incentives is based on complex economic criteria and is, therefore, fraught with uncertainty and lack of transparency. The processing delays vary considerably, creating a negative perception of the investment climate in Mali. These difficulties are aggravated by the existence of special conventions granting particular fiscal and custom duty concessions to individual enterprises. The five-year tax holiday provided under the Investment Code also favors short-term over long-term investments.

3.14. The 1991 Mining Code successfully contributed to attracting investment to the gold mining sector during the 1990s. Taxation under the Mining Code of 1999, focusing on profits, is in line with international standards. As the 2007 CEM and the IMF Country Report 08/286 highlight, there is scope for improvement, notably regarding: (i) the distribution of mining revenues between central and local governments; (ii) procedures for recording, reconciling, and disclosing revenue streams paid by companies to the government; (iii) incentives for small-scale miners; and (iv) environmental and social standards at all stages of a mining operation, including to ensure sufficient resources for clean-up operations and rehabilitation of closed mining sites for alternative

²⁰ Mali ranks poorly in many of governance-related surveys. For example, out of a total of 180 countries, Mali ranked 96th in Transparency International's Corruption Perceptions Index in 2008 (although still up from its 118th rank of 2007). This result is confirmed by the Worldwide Governance Indicators.

uses. The absence of clear accounting and reconciliation procedures resulted in delays in VAT reimbursements to mining companies.²¹ The new mining law under preparation is expected to address the above issues, complemented by Mali's adherence to the Extractive Industries Transparency Initiative (EITI) standards in 2009, which will strengthen transparency and accountability practices for mining revenues.

ii) The Government's Program

3.15. The GPRSF and the 2008 Growth Strategy define actions to boost growth in the medium term. The growth strategy highlights as key challenges to: (i) ensure competitiveness of the economy; (ii) diversify its sources of growth so as to broaden its supply capacity; and (iii) make the private sector the principal engine of growth. The strategy includes the following areas of intervention: (i) food security and rural development; (ii) development of infrastructure; and (iii) deepening reform of the business environment. To complement the GPRSF, the Government prepared a number of documents with specific strategies and action plans, including: the Growth Strategy and Action Plan (2008); Agricultural Law (Loi d'Orientation Agricole); Transition Plan to a Sectoral Approach for Rural Development (October 2008); Telecommunications Sectoral Policy (1998 and updated in 2000); Presidential Project for the Economic and Social Development of Mali (2007-12); and National Energy Policy (2006). Key actions planned by the authorities in the areas supported by the PRSC series, include:

Agriculture

- Implement the transition plan and actions to improve management, productivity and competitiveness of the cotton sector including: (i) pay arrears due by CMDT to producers (CFAF 3.7 billion) and adopt a price mechanism aligning the seed cotton price to the international lint market price for the 2009/2010 campaign; (ii) create four companies in the context of the privatization of CMDT; (iii) launch bids by July 2009 and concluding the privatization of the four subsidiaries of CMDT by end-2009; (iv) address the social costs of relocation and resizing of the current CMDT workforce; (v) establish key institutions for the private inter-professional management of the cotton sub-sector, notably the joint cotton producers/private ginning companies inter-professional association and the service provider for cotton grading; (vi) create a cotton observatory and a disaster fund; (vii) finance research activities on cotton; (viii) establish clear operational arrangements, within the cotton inter-profession and with commercial banks, for the financing and management of key operations for the 2010-2011 campaign, i.e.: input supply, price setting mechanism, management of the "fonds de soutien" and cotton production monitoring; (ix) increase technology transfer and service provision to cotton producers to increase yields; and (x) pass a law on biosafety regulation which is a cornerstone of risk management for introduction of Genetically Modified Organism (GMO) seed technology.

²¹ Withheld VAT and duty refunds to major mining companies in 2006-07 amount to 1½ percent of GDP.

- Improve productivity of agriculture and the management of natural resources in the area supervised by the ON including through (i) approval by the Board of the ON of the program and cartography of public and private investments in the ON zone for the period of the Contract Plan (2008-2012); (ii) mid-term review of the Contract Plan for 2008-2012; (iii) adopt and implement a financing mechanism for the irrigated plots; (iv) facilitate access to assets (and titles), notably land, to women and youth; (v) establish a guarantee fund; and (vi) improve conditions for granting agricultural loans.

Infrastructure

- For electricity, planned actions include (i) expand rural electrification; (ii) adopt regulations and norms for the electricity sector; (iii) formulate a contractual framework for the provision of electricity services; (iv) formulate a strategy to mobilize donor support for the development of the sector; (v) promote alternative sources of energy; (vi) prepare studies on tariffs, optimal electricity investment and undertaking of EDM organizational, accounting and financial audits; (vii) adoption by the Cabinet of the restructuring plan for EDM and its implementation; and (viii) a 4 percent electricity tariff increase in July 2009 and adoption by Cabinet of the new tariff and subsidy policy for electricity to gradually restore the financial balance of EDM S.A.
- For telecommunications, planned actions include: (i) revise the legal framework for telecommunications and implementation of the new laws and regulations; (ii) nominate the members of the council of the Regulatory Agency for telecommunications (*Comité de Régulation des Télécommunications*, CRT); (iii) adopt the National Strategic Plan for the New Information and Communication Technologies; (iv) complete the privatization process of SOTELMA; and (v) license a third operator for mobile phones.

Business Environment

- For the business environment, planned actions include: (i) simplify procedures for starting a business, including by establishing a one stop window, adopting a new decree to eliminate the Notification to the Sanitation Department (*Direction de l'Assainissement*) except for projects that have an impact on public health and safety, and operationalizing the unique firm identification number (NINA) by ensuring interconnection of the service providers involved and training staff; (ii) simplify corporate taxes; (iii) improve the judicial system; (iv) adopt an inter-ministerial decision establishing the period of validity of import and export licenses issued by the National Directorate of Commerce and Competition at twelve (12) months; (v) adopt transparent procedures to allocate lands; and (vi) submit to Parliament a new Investment Code, that shifts emphasis from administering incentives to assuring investors rights and obligations.
- For mining, planned actions include (i) complete and publish the first audit report of 2006 mineral taxation; (ii) complete all validation steps and submit validation request

to the EITI International Secretariat; (iii) improve the legal, regulatory and institutional framework for sustainable gold production, notably through a revised mining law and regulations including taxation regime issues; and (iv) implement the Program for the Development of the Mining Sector and preparation and implementation of a strategy for communities located near mining zones.

iii) The Support Proposed under the Bank's Second PRSC Series

3.16. Component 1 of the PRSC series (Improving the Policy Environment for Private Investment and Infrastructure) supports policy actions judged to be critical to the implementation of the first pillar of the GPRSF and objective 1 of the CAS. These are:

- **For the proposed PRSC-3** (1) Transfer budget resources to CMDT to pay arrears due by CMDT to producers (CFAF 3.7 billion) and adopt a price mechanism aligning the seed cotton price to the international lint market price for the 2009/2010 campaign; (2) nominate the members of the council of the Regulatory Agency for the telecommunications sector (the CRT); and (3) adopt an inter-ministerial decision establishing the period of validity of import and export licenses issued by the National Directorate of Commerce and Competition at twelve (12) months.
- **For the follow-on PRSC-4:** (1) establish key institutions for the private management of the cotton sub-sector, notably the joint cotton producers/private ginning companies inter-professional association and the service provider for cotton grading; (2) approval by the Board of ON of the program and cartography of public and private investments for the ON zone during the period of the Contract Plan (2008-12); (3) complete all validation steps and submit validation request to the EITI International Secretariat; (4) adoption by the Cabinet of the new tariff and subsidy policy for electricity; and (5) submit to Parliament a new Investment Code that shifts emphasis from administering incentives to assuring investors' rights and obligations.

3.17. The PRSC-3 is expected to contribute to the CAS objective of improved productivity in the cotton sector. The PRSC-3 supports payment of arrears to farmers and a price mechanism that reduces price uncertainty faced by farmers. Payment of arrears to the farmers is critical to give farmers the means to repay their loans and invest in the regular planting of cotton or substitute from cotton to other crops. External cotton market circumstances have sharply deteriorated over the last two months and now intensify the challenge of stanching CMDT's financial losses. The current world cotton price in CFAF terms is down 20 percent from a year ago and is at its lowest level of the decade, with industry observers expecting the global cotton demand fall-off to result in a cotton trade dropping by a fifth this year. Food staple prices are more attractive, and Mali needs to pass these price signals through to farmers to enable some further substitution from cotton to other crops, hence the importance of the PRSC-3 prior action on the cotton price setting mechanism. With adequate price signals, competitive cotton producers will remain in the sector, increasing productivity, while others may reallocate

their resources to areas in which they have comparative advantage. **PRSC-4** is also expected to support agricultural growth through the establishment of key institutions for the private management of the cotton sector. Creation of the inter-professional organization will further empower the farmer cooperatives and promote increased production and yields and will be critical for the effective functioning of the sector following the privatization of CMDT by end-2009 when the organization will be expected to take over responsibility for some key services to cotton producers. The establishment of an autonomous service provider for cotton grading, separate from CMDT, would improve the quality and prices of cotton exports. For other crops, by supporting the investment program for the ON region, the PRSC-4 would contribute to the development of productive capacity in the left bank of the Niger River region, including through joint ventures with the private sector.

3.18. The PRSC-3 is expected to contribute to the policy environment for infrastructure thus contributing to the CAS objective of increased availability of critical production factors. The nomination of the Regulatory Board for the telecommunications sector would be an important component in the sector's reform process, notably by overseeing the privatization of SOTELMA. In addition, the regulatory agency would encourage fair competition and reduced communication costs by recommending new licenses, ensuring efficient use of scarce resources (notably through infrastructure sharing), making equitable arrangements to interconnect new entrants, proposing legal and regulatory measures to enhance competition, managing the universal fund established to expand access to information technology services, introducing measures to enhance governance (including through information sharing), solving disputes, and protecting consumer interest. The extension of the validity of import and export licenses issued by the Chamber of Commerce would reduce the number of days, documents and costs to import and export, a critical component of the government's program supported by FIAS to reduce time and cost of trading across borders and improve the ease of doing business. The **PRSC-4** would provide additional support, through the completion of the EITI validation process, thus increasing transparency and accountability in the mining sector. This measure is important because, in addition to increasing accountability and transparency in the use of oil, gas and mining sector revenues, it provides countries with an effective mechanism to signal a higher standard to attract global resources into these sectors. Companies are attracted by the level playing field. Increased transparency is associated with lower operational and country risk. Finally, adherence to the EITI framework reduces company's reputational risk by making public the benefits to the public purse of their operations.²² Adoption of the new tariff and subsidy policy for electricity would contribute to improve EDM SA's financial sustainability, ensure continuity of electricity service and contribute to improved fiscal sustainability. Submission to Parliament of a new Investment Code would provide a clearer framework for investors and reduce and simplify taxation (in line with regional levels: 25-30 percent), thus stimulating private sector development.

²² For further detail please see http://siteresources.worldbank.org/INTEXTINDTRAINI/Events/21865999/prem_week_2008_eiti_session_4-22-08.pdf

B. PUBLIC FINANCIAL MANAGEMENT REFORM

i) Key Issues and Challenges

3.19. In April 2005, the Government adopted a framework to improve and modernize the country's public financial management (PFM) system. The Government's Action Plan for Improving and Modernizing Public Financial Management (PAGAM-GFP) is a component of the larger program of institutional development (Institutional Development Program) that the authorities are implementing in the context of the country's growth and poverty reduction strategy. The PEFA (2006) and PEMFAR (2008) both underscored advances achieved in the reform program, notably with regard to budget classification, macroeconomic framework and budget execution. However, a number of challenges remain, including:

- The multi-year programming framework adopted to improve integration between the budget and the poverty reduction strategy needs to be strengthened. Indeed, not all sectors have Medium Term Expenditure Frameworks (MTEFs) and methodologies used in the preparation of the MTEFs differ from sector to sector and not all are consistent with the Medium Term Budget Framework (MTBF). Moreover, forecasts of macroeconomic and sectoral aggregates are complicated by the unpredictability of external financing and the weakness of the national statistical system. MTEFs have been prepared first for sectors with clear strategies and high shares in public spending (e.g. health, education). However, these MTEFs are often unrealistic in terms of resource constraints and do not always take into account the absorptive capacities of the ministries. Furthermore, they are not comprehensive enough in terms of external financing and do not always reflect the sectoral strategies.
- Overall expenditure execution rates averaged 91 percent in recent years, but in priority sectors the execution rate was below average. This is linked to the absorption capacity of the different sectors, notably for capital spending. Factors behind slow disbursement of external financing include: (i) slow and cumbersome procurement procedures, both national and from donors; (ii) delays in the fulfillment of agreed conditions for disbursement of loans and grants; (iii) poor knowledge of donor procedures, particularly in face of high rotation of staff in project management units; (iv) capacity constraints for the preparation of projects, particularly for public works; and (v) limited technical and managerial capacity of the companies selected to implement projects.
- Delays persist in the consolidation of information by the General Directorate of Budget (DGB) and the production of comprehensive and regular in-year annual budget execution reports. Mali uses a computerized expenditure application (PRED 4), which interconnects the General Directorate of Budget, the General Directorate of Financial Control (DNCF), 11 ministries and 4 regions. This covers 48.1 percent of the total Budget in 2008 (23.6 percent in 2007). Efforts continue to finalize, by the end of June 2009, the interconnection of the remaining secondary credit management units in the ministries and regions. In addition, the PRED 4 software does not

communicate with the application used by the National Directorate of the Treasury limiting the scope and accuracy of the reports.

- The culture of public dissemination of budget information is not well established. As of April 2009, the Ministry of Economy and Finance (MEF) web site had very limited information, some of it being administrative (listing of various regulatory instruments) and other providing information on approved budgets for the period 2005-09. No in-year or end-year budget execution reporting is publicly available. Also, there is no Citizen's guide or handbook for the general public or users who are not familiar with budgetary techniques to facilitate their understanding of the budget.
- Tracking of disbursement of resources to the primary service delivery units is not adequately ensured. Monitoring of budget execution at the level of the most deconcentrated units (schools or medical centers for example) is not systematic. As a result, effectiveness of public spending and its timely transformation into goods and services for operational structures is not established in a regular manner.
- Areas in need of procurement reform, informed by the Country Procurement Assessment Report (CPAR) of 1998 and the 2004 update, include: (i) aligning the legal framework with WAEMU (West African Economic and Monetary Union) regional guidelines; (ii) reforming the institutional framework to create a regulatory body (including an appeal mechanism), and a control body which will be decentralized at the regional level in the country; (iii) planning and programming of public procurement which are virtually non-existent, except for procurement related to externally-financed projects; (iv) lack of criteria for advertising competitive bidding or calling for tenders; (v) absence of an official journal for public procurement; (vi) lack of control measures to ascertain the validity of bids and conformity of the executed procurement; and (vii) need for benchmarking the country's public procurement system against international good practices.
- The 2007 PEFA indicates that draft budget execution reports (BER) are not always filed according to the timeliness established by the organic law defining the financial regime of the Government (for example, the 2004 BER was filed in April 2006). The conformity reports (*certification de conformité*) to be issued by the Audit Section of the Supreme Court (SCCS) for the 2006 and 2007 draft budget execution review laws were not available as of mid-April 2009. Also, audit reports are submitted to the National Assembly late. In view of the constitutional limitation of the number of judges, the SCCS undertakes few audit exercises each year. In 2003, the Government established the Office of the Auditor General (BVG), to complement the activities of the Audit Section. However, a clarification of the SCCS attributions vis-à-vis other audit entities is needed. Entities audited in 2005 by the SCCS and the BVG account for less than 50 percent of Government's expenditures.

ii) The Government's Program

3.20. The GPRSF defines the improvement and modernization of public finance management as a priority for the period 2007-11. The reform program is centered on

actions in five strategic areas: (i) improve the quality of budget preparation and execution; (ii) improve the effectiveness of tax and financial administrations; (iii) incorporate external financing into national budgetary procedures; (iv) increase the effectiveness and transparency of public procurement procedures; and (v) strengthen governance through enhancing accountability, transparency and participation. The Government agenda includes the following measures:

- Prepare the MTEFs for all ministries on the basis of a harmonized methodology that addresses the weaknesses mentioned above and prepare an annual report on debt sustainability;
- Establish computerized interconnections of all elements of the chain of public expenditure, include information of expenditure by functional classification in the budget execution report submitted to Parliament (*Loi de Reglement*) and continue capacity building efforts in the General Directorate of the Budget (DGB);
- Prepare analytical reports on budget execution within the timelines established under the WAEMU guidelines;
- Issue quarterly reports on the status of payments to suppliers, within 6 weeks after the end of the quarter, in the context of the implementation of an arrears monitoring system aligned with the WAEMU Directive;
- Improve and modernize the tax recovery process;
- Harmonize the Procurement Code with the WAEMU guidelines and establish an independent institution for procurement complaints;
- Adopt measures to monitor budget execution (financial and physical) down to the final beneficiary services (schools, health centers, etc.);
- Adopt guidelines to ensure that reports on control activities are sent to the Audit Section (Section des Comptes) of the Supreme Court, adopt the revised Organic Law of the Supreme Court to enhance the operational capacity of the Audit Section, adopt guidelines to ensure that reports on control activities are sent to the National Assembly and establish the framework required to ensure technical and analytical support to the Finance Commission of the National Assembly.

iii) The Support Proposed under the Bank's Second PRSC Series

3.21. The second component of the PRSC series (Strengthening Public Finance Management) supports policy actions judged to be critical to the implementation of the second pillar of the GPRSF and objective 2 of the CAS. These are:

- **For PRSC-3:** (1) expand the MTEF to 4 additional ministries (Ministry of Finance, Ministry of Economy, Industry and Trade²³, Ministry of Domestic Security and Internal Protection, Ministry of Youth and Sports), consistent with the ministries' implementation capacity and the macroeconomic framework; (2) Establish the regional procurement control directorates (*Directions Régionales des Marchés Publics*) and the independent procurement regulatory body (*Autorité de Régulation des Marchés Publics et de Délégation des Services Publics*) including by: (i) nominating the regional procurement control department managers; and (ii) nominating the members of the independent procurement regulatory institution; and (3) submit to Parliament of the draft "Loi de Règlement 2007" within the deadline established by law.
- **For the follow-on PRSC-4:** (1) issue within four weeks after the end of each quarter, a budget execution report, including of the Special Investment Budget (BSI), with information from the whole chain of the budget, including payments, of all ministries and regional budget departments and publish information on the MEF's website; and (2) submit to Parliament of the new organic law of the Audit Section (*Section des Comptes*) and the law on the status of financial judges.

3.22. The PRSC-3 is expected to contribute to the strengthening of public financial management. The extension of the METF to four additional ministries will favor a better allocation of available budget resources to national development policies. The METFs will enable, over time, a transparent and efficient management of public finances, coherent with the macro economic framework and the GPRSF development objectives. The establishment of the procurement control departments and the independent procurement regulatory institution are crucial for the implementation of the new Procurement Code. A transparent and efficient public procurement system would ensure better value for money, encourage investment, innovation, and reduce corruption. Timely submission of the 2007 budget execution law to the National Assembly would help improve external scrutiny and allow more prompt corrective actions in cases of abuses. **PRSC-4** supports the issuing of quarterly budget execution reports and publication on the MEF's website, thus promoting greater budget transparency. The submission to Parliament of the new organic law of the Audit Section (*Section des Comptes*) and the law on the status of financial judges will improve the capacity of the external audit institution by extending the number of financial judges that could be hired and enhancing their status, pre-requisites for timely and better quality external audits.

²³ This Ministry was created in late 2007, resulting from the combination of 3 former Ministries and undertaking some responsibilities formerly under the Ministry of Finance. With the ministerial reshuffle of April 2009, the MIEC was replaced by the Ministry of Industry, Investment and Commerce and its planning functions are now under the new Ministry of Economy and Finance.

C. ACCESS TO BASIC SOCIAL SERVICES

i) Key Issues and Challenges

3.23. **Despite considerable progress in recent years, Mali's social indicators remain among the lowest in the world.** The country is well-placed to meet the MDG targets for reducing the spread of HIV/AIDS and increasing access to safe drinking water sources. With improved efficiency of public spending and additional donor funding, the country could also meet the targets related to school enrolment rates and reduction of extreme poverty. However, targets for maternal and child mortality rates, as well as those for gender inequality, are unlikely to be met. Key challenges identified for the medium term include:

- **Inequities in access to schooling, despite enrollment rates increase in recent years.** Gross enrollment rates in Bamako are above 100 percent for both boys and girls, but regions which are essentially rural and where poverty incidence is high, such as Kidal, have enrollment rates as low as 40 percent for girls and 46 percent for boys. After remaining constant at 57 between 2002 and 2004, the primary school teacher-pupil ratio decreased to 56 and 55 percent in 2006 and 2007, respectively. Moreover, average class sizes vary widely in the country from 15 to 120 pupils (PRSP PR, 2008). Mali faces considerable efforts ahead to reach the SSA average completion rate of 60 percent, from its current completion rate of 53 percent. The share of the Malian population which is literate is also very low, at about half the average SSA. The repetition rate in Mali is almost twice the SSA average. Another concerning issue in Mali is that academic achievement scores in reading and math are among the lowest in francophone countries (along with those of Niger and Chad).²⁴
- Among the main causes of the low quality of education are: (i) the lack of qualified teachers; (ii) the insufficient provision of textbooks; and (iii) an ineffective learning assessment and performance monitoring system.²⁵ Decentralization efforts, especially the creation of municipalities, greatly increased local initiatives and could improve the efficiency of resource allocation. Local authorities are responsible for the development of educational access, the recruitment and management of teachers and school management. These activities are undertaken jointly with the central government. Since 2000, municipalities accelerated classroom construction and the recruitment of teachers but the school management committees (CAPs) still lack capacity to influence the organization of classes, teacher transfers or student enrollment and are still only minimally involved in pedagogic support. Besides capacity building, local initiatives could be enhanced with the establishment of mechanisms for the transfer of resources to the local level, together with strengthening of oversight systems.

²⁴ This is well illustrated by the results of the 2005 Learning Achievements Assessment (PASEC).

²⁵ There is anecdotal evidence of cases in which textbooks are received by schools but not distributed to pupils. Also, textbooks printed for free distribution are similar to those for commercial distribution, facilitating the migration of consignments to the latter.

- **Access to and quality of health services remain unsatisfactory.** While Government's efforts succeeded in expanding health infrastructure, hence reducing the proportion of the population living at more than 5 kilometers of a health center, the shortage of health personnel and its uneven distribution remain a problem.²⁶ Geographical and income distribution of public health resources is inequitable and public health facilities are affected by major shortages of medical supplies. Utilization of public health care services is low and has not improved in the last fifteen years. The causes of this under-utilization of health services are related to the perceived poor quality of services provided, the high cost of services and long distances. Increased quality is a must for the situation to be overturned, which in turn could be helped by the adoption of a contractual system through which providers meeting defined quality criteria are certified. The expansion of risk sharing schemes such as the *mutuelles* (community based health insurance) would also help expand access, by reducing the out of pocket expenses. The management of health resources remains heavily centralized although some progress has been made towards de-concentration.
- **Challenges remain also regarding vulnerable groups,** notably old people, handicapped persons, destitute people, women and children in difficult situations. Poor communities in general and the most vulnerable groups in particular have limited access to basic social services. Mali has a number of publicly funded risk management programs, but assessing their effectiveness is hindered by lack of critical data. The programs are heavily dependent on external financing. The scarce information that exists suggests that programs are poorly targeted (an example is given by the measures taken in response to the high food and oil prices in 2008), the institutional framework is weak and financing inadequate. As a result, programs seem to have limited impact.
- **Much progress in expanding access to safe drinking water has been made in Mali and the country is likely to meet the MDG target in this area.** However, challenges remain, with over a third of the rural population still not having access to adequate sources of drinking water, becoming vulnerable to water born diseases. There are problems in maintaining the improved water points, as evidenced by the large number of drinking water points that are not operational, putting at risk the gains made in the expansion of access to drinking water, particularly in rural areas where most of the poor live.²⁷ Notwithstanding the fact that geographic coverage of drinking water points remains biased in favor of urban areas, even there, demand far outstrips supply.²⁸

²⁶ For example, Bamako has one midwife per 5,072 inhabitants while Timbuktu has one midwife per 66,088 inhabitants.

²⁷ Sources: PRSP 2 and Water and Sanitation PER, World Bank, 2008.

²⁸ In Bamako, for example, demand is estimated at 170,000 m³/d and supply at 162,000 m³/d. Unmet demand is expected to get worse in the coming years.

ii) The Government's Program

3.24. **The GPRSF and the 2008 Growth Strategy define actions to expand access to and quality of education.** These are grouped in four components: (i) development of the quality of basic education; (ii) support to general, technical and secondary education, and vocational training through apprenticeship; (iii) implementation of a sustainable development policy for higher education and scientific and technological research; and (iv) establishment of deconcentrated and decentralized management of the education system, which will facilitate the participatory and concerted planning of the sector initiatives. Given the importance of nutrition for education outcomes, the Government also intends to adopt a new institutional, legal and regulatory framework for school feeding. Increased efforts to train teachers and increase availability of textbooks and other school consumables are also planned.

3.25. **For health and social development,** planned Government interventions include: (i) improve geographic access to essential health services and availability of qualified human resources; (ii) provide quality and affordable medicines, vaccines and consumables throughout the country; (iii) reduce health care costs for the poor, particularly immunization, antenatal consultation, family planning, and the cost of integrated management of childhood illness (IMCI) services; (iv) reform hospital establishments and research institutes; (v) build the institutional capacities of the Ministry of Health and all health structures; (vi) expand social security coverage and improvement of access by the most destitute to basic social services and micro-finance; and (vii) expand community health. For both health and education, the Government intends to prepare and adopt human resource strategies, which will determine the proper staffing of facilities throughout the country and the financial incentive systems to retain and motivate the staff employed in rural and remote areas.

3.26. **For safe drinking water,** the Government's priorities include: (i) strengthen the deconcentrated technical services; and (ii) promote private sector involvement in drinking water management. Specific targeted actions include commencing the works for the supply of drinking water in the five localities of Segou, continuing the works for the supply of drinking water of Fana, and supporting the decentralization policy and assisting local governments to fully plan, execute and manage their water supply systems. The Government also plans to introduce innovative ways of managing water supply systems and in particular encourage local public-private partnerships (PPP) between the communes and the local private sector.

The Support Proposed under the Bank's PRSC Series

3.27. **The third component of the PRSC series (Improving Basic Social Service Delivery) supports policy actions judged to be critical to the implementation of the third pillar of the GPRSF and objective 2 of the CAS.** These are:

- **For PRSC-3:** (1) allocate in the 2009 budget resources for the integrated school feeding program (*Cantines Intégrées*), for an amount of CFAF 1.6 billion to be allocated to the poorest regions of the country; (2) adoption by the Ministry of Health

of a Health Human Resource Policy aimed at improving the availability of staff in health services, with emphasis on peripheral services; and (3) delegate the management of five (05) drinking water supply (AEP) systems to private operators.

- **For the follow-on PRSC-4:** (1) adoption by the Ministry of Education of a Human Resource Management Strategy to retain trained teachers in remote areas; (2) operationalize the Health Human Resource Policy by establishing the National Directorate of Human Resources in the Ministry of Health and allocating in the 2010 Budget resources to finance the deployment of at least 20 percent of the needs/per year of midwives and Medical Doctors in Mopti, Kayes and Timbuktu regions; (3) adopt the operational guidelines of Decree 02-314 and partnerships including framework for the transfer of financial resources to the local communities, *Collectivités Territoriales* (CT), in line with decree 02-314 (on decentralization), and monitoring and oversight mechanisms at regional level; and (4) sign conventions regarding the Government co-financing of the contributions of the poor who adhere to the health mutual insurance schemes “*mutuelles*” and reflect the corresponding resources in the 2010 budget law.

3.28. **The PRSC-3 is expected to contribute to improved basic social delivery.** The allocation in the 2009 budget of resources for the school feeding program in the poorest communes will help enroll and retain children in school, particularly girls. The program will also contribute to improving children nutrition in a country where on average more than one in three children is underweight and undersized, the statistics being worse in the villages targeted by the school feeding program. In addition, the areas targeted have particularly low enrollment and attendance rates. The Health Human Resource Policy is aimed at addressing one of the key bottlenecks to improving health outcomes by improving the availability and retention of skilled staff, with emphasis on peripheral services. Public-private partnerships are expected to ensure maintenance and adequate management of drinking water systems in rural areas, thus improving water access and reducing morbidity. **PRSC-4** will continue support for basic social services. The adoption of a Human Resource Management Strategy for Education will help retain and motivate teachers in the poorest and more remote areas and will ensure that poor families do not have to pay the salaries of teachers in community schools in the medium term. The implementation of the health human resource policy includes establishing the human resource function in the Health Ministry and funding of medical personnel for three regions. This will permit a more integrated management of the health personnel and a stronger medical presence in some of the poorest and more remote areas. Given budget constraints, the Government will begin by targeting a modest share of health personnel needs (20 percent), gradually increasing its staff related allocation to reach satisfactory levels of service provision by 2015 (at least 75 percent of staffing needs). The Government’s co-financing of contributions of the poor to health “*mutuelles*” will help increase their membership, thus improving utilization of health services. The transfer of financial resources to the local communities will improve health service by allowing them to choose service providers, reducing inequalities between rural and urban areas, and strengthening the service providers’ accountability to the population.

4. BANK GROUP'S SUPPORT TO THE GOVERNMENT'S POVERTY REDUCTION STRATEGY

4.1. **The Government's reform program is described in the Growth and Poverty Reduction Strategy Framework (2007-11).** The Bank has provided support through the PRSC 1 and 2, and will continue its support through the new series (PRSC-3 to 5).²⁹

A. PROGRESS UNDER PRSC-2

4.2. **Under PRSC-2, progress continued in a number of areas, as detailed below.** Progress on specific reform measures and related quantitative indicators are summarized in Annex 5. An Implementation Completion and Results Report (ICR) for the first PRSC series is under preparation and will provide a more comprehensive assessment of the results attained.

4.3. **The Government undertook several reforms in public financial management, which need to be deepened to ensure greater effectiveness.** The reforms resulted in closer links between the poverty reduction strategy and sectoral strategies achieved through the completion of the MTEF for six sectoral ministries (Education, Health, Transport, Social Development, Employment, and State Reforms). Improvements were also made in the legal and regulatory framework for procurement. While Mali has made progress in defining broad strategic lines for public investment, notably the PRSP and MTEFs, the framework for screening and prioritizing projects is less strong.

4.4. **Progress was also made in the efforts to improve the business environment, but the pace has been slow.** The number of procedures to create an enterprise decreased from 13 in 2006 to 11 in 2007 and the time taken to open an enterprise also decreased significantly, from 42 days in the baseline to 26. However, Mali's progress, in part resulting from the slow pace, has not been sufficient to improve the country's ratings in the Doing Business 2009.

4.5. **Reforms in the financial sector are advancing but challenges remain.** A major bank (BIM) was successfully privatized and progress was also made in reducing non performing loans of banks, although these, at 24.4 percent, remain much higher than the regional average of 18.5 percent, signaling that more needs to be done to have a sound financial sector able to contribute to private sector investment.

4.6. **The PRSC-2 contributed to reforms in health and social development which have produced positive results, but access by the poor remains inadequate.** Performance-based contracts were signed with 11 hospitals and the rates of assisted childbirths were better than targeted at 58 percent, against a target of 57 percent for 2007. In addition, the coverage of community-based health insurance expanded to 1.9 percent of the population in 2007, in line with the GPRSF projected outcome. Increased

²⁹ The ICR is scheduled to be completed by September 2009.

membership in community health insurance has proven effective to increase utilization of health services. Still, adherence is low because many households lack the resources needed to join a *mutuelle*. Moreover, access of basic social services by the poor continue to be limited and of low quality, raising the need to enhance the targeting of public efforts.

4.7. Overall, the PRSC-2 supported program was implemented in a satisfactory manner. However, the pace of structural reforms seen as vital to economic growth has been uneven, hindered by capacity constraints and the focus given to short-term responses to exogenous shocks. Acceleration of reform implementation has taken place since mid 2008, helped by the momentum created with the round table on growth of June 2008. The broadly satisfactory progress made in the advancement of structural reforms thus warrants continued IDA support through the proposed operation.

B. LINK TO THE CAS

4.8. The Bank's CAS discussed by the Board of Directors on February 5, 2008 was designed to support the implementation of the GPRSF. The CAS covers the period FY08-11 and has two strategic objectives: (i) promote rapid and broad-based growth; and (ii) strengthen public sector performance for service delivery. The first CAS strategic objective is aligned with the first and second pillars of the GPRSF while the second CAS objective with the third pillar of the GPRSF. Within the two CAS pillars, the Bank will focus on: (a) private sector led growth by addressing key constraints such as productivity, energy, transport, and finance and by linking the country to the rest of the world; (b) governance; and (c) capacity development.

4.9. The second PRSC series (PRSC-3-5) is an integral part of the CAS. To ensure selectivity, the CAS indicates that policy dialogue under the PRSC would focus on public financial management, social sectors, and specific growth policy and development issues that cannot be handled in sectoral operations. The new PRSC series contributes to the CAS Strategic Objective 1 by focusing on selected critical issues on cotton, mining, electricity, telecoms and business environment. The PRSC series supports the CAS Strategic Objective 2 through measures to strengthen program based budgets, the quality and timeliness of intra-year reports, procurement practices and external oversight. The PRSC series also includes measures to improve access and quality of basic education, health and water services.

4.10. The PRSC series is also well aligned with the Bank's good practice on conditionality by ensuring the following characteristics of the policy agenda are supported: (i) ownership, (ii) harmonization, (iii) customization to country circumstances; (iv) criticality of actions; and (v) transparency and predictability (see Box 6.1).

C. RELATIONSHIP TO OTHER BANK ACTIVITIES

4.11. As articulated in the CAS, development policy lending (DPL) is complementary to investment lending, analytical work and technical assistance. To support the implementation of pillars 1 and 2 of the GPRSF, the CAS focuses its support

on energy, agriculture, urban development and private sector development projects. The support to the implementation of pillars 1 and 2 of the GPRSF by the CAS also includes technical assistance to enhance basic social service delivery.

4.12. Bank support for the agricultural sector under the Agricultural Services and Producer's Organizations Program (PASAOP), the Fostering Agriculture Productivity Project and the PRSC series are complementary. These projects focus on increasing production and productivity of key selected production systems based on sustainable land and water management practices in selected priority areas. The operation includes the following axes: (i) investing in productive infrastructures and equipment; (ii) enhancing service provision to producers (research, training, advisory services, financing, input supply, etc.); and (iii) enabling the policy and institutional environment for productivity increase, while ensuring a stronger sector monitoring for better policy decision making. Regarding cotton, these projects include: (i) provision of technical assistance to the unit in charge of the restructuring program in the cotton sector, the *Mission de Restructuration du Secteur Coton* (MRSC), notably studies to inform policy options for the sub-sector, support to the implementation of the privatization program and technical assistance for the transition period; (ii) facilitate access by producer organizations to agricultural support services; (iii) strengthen the capacity of producer organizations and cotton related unions; and (iv) support strategic and demand-driven research and disseminate research results on new varieties, diversification, mechanization or innovative practices, including environment-friendly agricultural practices. The PRSC-3 would complement these activities by supporting a market based producer price mechanism and the clearance of arrears to producers, important to retain productive farmers in the sector. Complementarities with PRSC-4 result from the support provided to establishing key institutions for the private management of the cotton sub-sector and the adoption of an investment program for the ON region, detailing public investments and public-private partnerships planned for irrigation and other infrastructure projects.

4.13. Measures to stimulate private sector development supported by the Growth Support Project and the PRSC agenda are also complementary. The Growth Support project includes investments to develop a competitive and efficient telecommunications sector, including by supporting: (i) the privatization of SOTELMA; (ii) the acquisition of equipment and software; (iii) capacity building of the telecommunications regulatory agency (CRT); and (iv) development of regulatory tools, including a financial model for tariff setting. The PRSC-3 complements this SIL by supporting the nomination of the CRT Board.³⁰ The Growth Support project also helps improve the overall investment climate, including by: (i) improving Doing Business indicators; and (ii) improving sector specific legal and regulatory framework in mining, tourism, crafts, and telecommunications. The PRSC-3 complements these efforts by supporting the extension of the validity of import and export licenses, thus facilitating trade across borders, particularly for small operators. In addition, the PRSC-4 complements the Growth Support project by supporting the completion of all validation steps and submission of

³⁰ FIAS is providing technical assistance to Mali for the implementation of the action plan to improve the business environment.

the validation request to the EITI International Secretariat and submission to Parliament a new Investment Code that shifts emphasis from administering incentives to assuring investors' rights and obligations.

4.14. The Bank's Energy Support Project, scheduled to be presented to the Board in mid-2009, and the PRSC series are complementary. The Project aims to help the Government improve the availability, reliability, and efficiency of electricity services to support shared-growth and competitiveness of the economy. The PRSC series, through the PRSC-4, complements these activities by supporting the adoption of the new tariff and subsidy policy for electricity.

4.15. The Education Investment Program (PISE II) supports an agenda that is complemented by the PRSC series. The project finances, among others, the expansion of school buildings and teacher training. These investments could be supported by the PRSC-3 support for the allocation of budget resources to school feeding programs in the poorest regions of Mali. The PRSC-4 complements the PISE II by supporting a human resource management strategy to retain trained teachers in remote areas.

4.16. A technical assistance (TA) project on Governance and Budget Decentralization, planned for Board presentation in October 2009, would complement the interventions of the proposed PRSC series. The TA project would enhance capacity and support the implementation of the reforms proposed by the PRSC-3, including assistance in (i) the preparation of a harmonized methodology for the MTEF; (ii) training staff of the procurement control department and the independent procurement regulatory institution; (iii) establishing a mechanisms for participatory monitoring of the school feeding program; (iv) the preparation of operational guidelines for the transfer of financial resources to local communities; (v) support for the formulation and implementation of monitoring and oversight mechanisms at the regional level, and (vi) strengthening capacity at local level for the monitoring of the private management of water systems. Technical assistance is also currently being provided to the Government in the area for the MTEFs through a grant to harmonize their preparation and extension to all ministries.

D. COLLABORATION WITH THE IMF

4.17. The Bank closely collaborates and coordinates activities with the IMF. The staffs of the two institutions prepare regular joint debt sustainability analysis, advise jointly on the PRSP implementation, and also work closely together on: (i) macroeconomic management; (ii) analysis and reforms in public financial management; and (iii) structural reforms on cotton, financial sector, the *Office du Niger* irrigation reforms, telecoms, energy and mining. Joint policy advice is given on budgetary procedures, including expenditure execution, and the functioning of internal and external budget controls. In addition, IDA and the IMF will continue to help the Government better align the allocation of resources with PRSP priorities, improve budget execution, and implement new procurement legislation. In 2008, the Bank and the Fund prepared an FSAP and are now supporting implementation of its recommendations through a continued dialogue with the authorities. IMF and Bank staff participated in a workshop

in January 2009 on responses to shocks, including those that may result from the global slowdown. Bank and IMF teams invite one another to participate in their respective missions.

4.18. The IMF presented its Poverty Reduction and Growth Facility (PRGF) arrangement with Mali to its Board in May 28, 2008 and its first review was successfully completed on December 10, 2008 (see Annex 6). With the support of the PRGF, the Government is implementing measures to continue to adequately maintain prudent macroeconomic policies. Bank and IMF staff will continue to coordinate the content of the PRSC series and PRGF to ensure that the instruments complement one another, especially in the area of public financial management and structural reforms. In general, the social and private sector areas are covered by the PRSC series, while the PRGF cover macroeconomic issues and both support public financial management in a coordinated way.

E. COLLABORATION WITH OTHER MULTILATERAL AND BILATERAL DONORS

4.19. In line with the Paris Declaration, development partners are supporting Mali in implementing the GPRSF, by providing financial and technical support in a coordinated way. A Memorandum of Understanding (MoU) was signed in March 2006 by the Government and a group of donors (including the Bank, AfDB, EC, Sweden, France, Germany, the Netherlands and Canada) to provide a framework for a multi-donor approach to budget support. This Budget Support Group initiated annual joint-donor missions in 2007. The last joint donor mission took place in September 2008 and resulted in the preparation of a joint policy matrix, which will base the programs supported by the participating institutions. Over the past few months, a renewed effort to improve donor coordination has taken place in the context of the Bank, EU and AfDB Tripartite Partnership, which includes Mali as a pilot for joint budget support. Bank budget support is now better aligned with the Malian budget cycle as the proposed PRSC-3 would meet the request of the Government to receive budget support by the second quarter of the calendar year. Efforts will be made for PRSC-4 to be delivered even earlier in the year to enhance aid predictability.

4.20. Development partners are organized in thematic groups, each of which maintains joint close dialogue with the Government in specific areas. The support to the public expenditure reform agenda is coordinated in line with the Government's PAGAM. The Government has convened meetings periodically with the main donors to inform them of progress on implementation. Key reforms in public financial management are being supported by financing from IDA together with technical assistance from the EC and the French Cooperation. Donor coordination around decentralization reforms has also improved with a thematic group on decentralization chaired by the EU being in place. The working group focuses jointly with the Government on the institutional framework of the decentralization process in Mali. The working group on public finances, chaired by the Bank, is helping to ensure the effectiveness of the transfer of funds to the local government, in line with the Mali decentralization law and to ensure more financial transparency at the local level.

4.21. **The Ministry in charge of Basic Education has continued to lead the dialogue with donors in the education sector.** The Fast Track Initiative (FTI) process with the Education For All (EFA) has strengthened the Ministry further in this role and has given a focus to the Donor Group, which includes 14 development partners. Regular donor meetings are organized and through this, a deeper sharing of information on appraisal missions, technical assistance and studies. The education sector benefits from sectoral budget support since 2006.

4.22. **The health sector has adopted a sector wide approach.** The sector development strategy was the first building block of a Sector Wide Approach Project (SWAP) in the health sector and has constituted the focus of donor coordination and harmonization. In addition, support for HIV/AIDS is already structured around a sector wide approach with all donors' programs aligned with the Government strategy. Steps are also ongoing to adopt a sector wide approach in rural development. Donor coordination has been strong and has been pivotal in recent efforts to move towards a sector wide approach, as a means to organize donor interventions in a more effective way.

4.23. **Capacity constraints hamper Mali's ability to achieve its development objectives.** This justifies the emphasis given by the donor community to strengthening capacity through a range of technical assistance grants and training initiatives designed to enhance the implementation of the GPRSF. The key donors involved include the World Bank, IMF, European Union, UNDP, the French Co-operation Agency, the African Development Bank, the Swedish Development Agency (ASDI) and USAID. Donor coordination to support capacity building efforts is also being enhanced through the different thematic groups.

F. LESSONS LEARNED

4.24. **This second PRSC series continues the agenda introduced and draws from lessons learned in the first series.** Dialogue with the authorities in the context of the supervision of the first PRSC series as well as the preparation of PRSC-3 highlighted the following lessons:

- Selectivity and simplicity in the thematic focus and realism on what can be achieved in one tranche support instruments given Mali's limited capacity, administrative resistance to change and the power of vested interests. This second PRSC series deepens support in the areas of reforms where progress has been slow and focuses on critical bottlenecks taking capacity and political economy factors into account. For instance, support to the nomination of the Board of the independent telecoms regulator is informed by the success of a similar arrangement in the financial sector, which helped overcome resistance to the restructuring process. In addition, the current PRCS series will be accompanied by a TA operation giving priority to the needs of key sectors where capacity is low (see paragraph 4.16);
- Alignment of the PRSC with budget management, so that the priority components of the PRSC and the performance budgets of those ministries are supportive of each other. Thus, efforts are being made to agree on the policy reform agenda supported

by the PRSC series in tandem with the Malian PRSP review process and budget calendar;

- The importance of donor harmonization to reduce transaction costs for the authorities and the need to harmonize the Bank's dialogue with the government timeline for reviews of its key policy agenda. Bank and EC teams agreed to design complementary TA operations supporting budget support;
- The need to take into account limitations in the availability of data in the choice of outcome indicators, making sure that indicators relevant to the objectives can be measured at every step of implementation without imposing additional costs to the Government. To address the issue, outcome indicators for the second PRSC series were identified in careful consultation with the relevant sectors.

4.25. In line with these lessons, the PRSC-3 has a selected policy focus aiming to provide predictable support for the Government's annual reform and budget program. The operation includes only those policy measures that are critical to Mali's growth and poverty reduction that are either not addressed in other Bank operations or that require a higher profile in the dialogue with Mali. The PRSC-3 preparation continues the tradition of participatory collaboration with the authorities and wide sharing of information and consultation with key donors.

G. ANALYTICAL UNDERPINNINGS

4.26. The PRSC-3 is underpinned by considerable analytical and fiduciary work undertaken by the Bank, the Government and other partners. Considerable analytical effort has been conducted in assessing the effectiveness of public spending and public finance management in Mali, including the recent (2008) Public Expenditure Management and Financial Accountability Review (PEMFAR), the 2007 Public Expenditure and Financial Accountability (PEFA) exercise, the CPAR and its 2004 update, the IMF Report on the Observance of Standards and Codes (ROSC), the EU audit of reform implementation to improve public finance management procedures, and the study on implementing the decentralization policy based on two pilot regions.³¹ Some of these studies helped identify the strengths and main shortcomings in Mali's fiduciary system and served as inputs for preparation by the authorities of two key reform action plans: (i) the Government Action Plan for Modernizing and Strengthening Public Finance Management, 2006-2008 (PAGAM); and (ii) the Institutional Development Program to advance the decentralization agenda to strengthen delivery of basic social services. These two action plans, supported by all donors, are key instruments toward increased donor harmonization in Mali.

4.27. To inform policies aimed at accelerating growth, the proposed PRSC-3 draws from Bank, Government and other partners' economic and sector work. The

³¹ The PEFA establishes baseline indicators for the monitoring of PFM reform implementation.

CEM prepared by the Bank in 2007 highlighted the critical importance of reforms in the agriculture sector, notably cotton and ON, in overcoming vulnerability to climate shocks and enhancing food security and growth in Mali. The CEM also highlighted the key role of measures to improve infrastructure and the business environment that informed the choice of policy measures supported by the PRSC series.³² The CEM findings are complemented by a number of reports, notably on cotton (Comparative Analysis of Organization and Performance of African Cotton Sectors: Learning from Experience of Cotton Sector Reform in Africa, draft, 2007, and Strategies for Cotton in West and Central Africa, 2007), and on energy (*Études Tarifaires des Services de l'Électricité et de l'Eau Potable*, 2008). The 2005 Investment Climate Assessment and the 2009 Doing Business findings highlighted concrete micro-level constraints to Mali's growth, including regulatory and non-price barriers that increase the time and monetary costs of doing business, from which measures in the PRSC series (investment climate) are built. Studies by IMF staff on cotton, mining and private sector development (IMF Country Report No. 08/286) also provided relevant insights into the choice of policies supported by the PRSC series. Brief notes focusing on growth will be prepared from FY10 geared to enhance the understanding of underlying economic challenges and to strengthen evidence based policy dialogue.

4.28. Finally, MDG reports and sector specific studies on education, health, social development, and water supply underpin the reform agenda in those areas. MDG reports have highlighted the challenges facing Mali in its efforts to move towards the targets defined for 2015. The Bank's 2006 Education Status Report and the 2008 PEMFAR identify a number of weaknesses in the sector, including inadequate availability and distribution of basic education teachers, inefficiencies in the supply and distribution of textbooks, and high drop out and repetition rates. The World Food Program conducts regular surveys on school feeding in Mali (*Enquête standardisée sur l'alimentation scolaire*, 2006), which have shown that school meals help increase enrollment and retain children at school, while reducing imbalances between boys and girls and improving attainment. These finds, together with evidence from neighboring countries, based the Government decision to adopt and implement a school feeding policy. The Bank's 2006 Health Country Status Report together with the 2004 "*Problématique de la Santé et de la Pauvreté au Mali*" highlights the importance of strengthened measures to expand access, improve quality and address reproductive care issues. The 2006 World Health Organization Report (The world health report 2006 - working together for health), and the African Health Monitor, January-June 2007 (Crisis in human resources for health in the African regions) raise awareness for the crucial importance of developing and implementing a health workforce policy that enhances equity in health care. A Government commissioned study, *L'Audit de la Fonction Ressources Humaines au Sein de l'Administration Publique* (MFPRERI/CDI, January 2006) confirmed the challenges faced in the management of health human resources in Mali and provided specific policy recommendations that informed Government policy. On rural water supply, analysis undertaken in the context of the Water and Sanitation Public Expenditure Review (World Bank, 2008) highlights the importance of

³² The CEM is titled From Sector Diagnostics toward an Integrated Growth Strategy.

maintenance to sustain the gains made in expanding access to drinking water. These studies informed the measures proposed in the PRSC series on access to basic social services. Subsequent operations in the PRSC series will benefit from the findings of an ongoing study on skills development in Mali, scheduled to be finalized by mid-2009 and the update to the Country Education Status Report scheduled for FY 10. Lessons from the policy response to the food crisis highlighted the need for analytical work on safety nets in Mali, which would inform future policy actions that could be supported by the PRSC series. A study on Social Safety Nets Programs in Mali is being prepared.

5. THE PROPOSED PRSC-3

A. OPERATION DESCRIPTION

5.1. The proposed operation is the first in a second series of three annual PRSCs (PRSCs 3, 4 and 5). This section outlines the overall framework of the new series and describes the proposed PRSC-3.

B. THE OVERALL FRAMEWORK OF THE NEW SERIES OF PRSCs 3, 4, AND 5

5.2. The overall objective of the second series of PRSCs is to support implementation of Mali's GPRSF adopted in 2006. Specifically, the development objectives of the second PRSC series are to support the policy measures aimed at:

- (i) improving the policy environment for infrastructure and private investment;
- (ii) strengthening public financial management; and
- (iii) improving basic social service delivery.

5.3. Several reasons underpin the choice of policies to be supported by this PRSC series in Mali. The focus on improving the institutional and policy environment for private investment reflects the findings of a number of studies, including the 2007 CEM, the 2005 ICA and the 2009 Doing Business Report. These reports, together with Government documents such as the PRSP, the Growth Strategy and the results from the Presidential Forum on Business, highlighted specific weaknesses related to the business climate and the authorities' awareness of the main impediments to private sector growth and the need to address them. The continued focus on public financial management will help improve the poverty focus of public resource allocation, while enhancing accountability and efficiency in budget processes. The support to reforms to improve social service delivery reflects Mali's goals on progress toward the MDGs and the need to increase poverty reduction efforts by strengthening the effectiveness and equity in the access to basic social services.

5.4. The program matrix and results framework for the series are presented in Annex 3 and 4. Prior actions for PRSC-3 and triggers for PRSC-4 have been selected with the Government on the basis of: (i) their criticality for the success of the Government's reform program in the areas covered by the PRSC series; and (ii) their

alignment with the GPRSF objectives. The PRSC series foresees outcomes in line with the results targeted in the CAS, which in turn contributes to the results sought by the GPRSF. Monitoring of PRSC-3 outcomes will be conducted within the GPRSF monitoring and evaluation framework and joint donor budget missions. The actions in the matrix indicate the continuity of the reform programs regarding previous actions under PRSC-1 and 2. Design of the policy framework and selection of prior actions and triggers are consistent with the good practice principles on conditionality, as outlined in Box 6.1.

C. PRIOR ACTIONS FOR THE PROPOSED PRSC-3

5.5. The proposed PRSC-3 would support selected reform measures in the Government's program described in section 3 and its Letter of Development Policy (LDP, Annex 2) that are deemed essential for its successful implementation. The rationale for their selection has been discussed in section 3, namely their importance to the program and expressed government commitment and feasibility. They are drawn from the larger Government matrix of policy measures for implementing the GPRSF in priority sectors. Compliance with these prior actions forms the basis for IDA to proceed with the proposed operation. Table 5.1 presents an overview of the prior actions and their status of implementation as formulated in collaboration with the Government.

Table 5.1: PRSC-3 Prior Actions

PRSC-3 Prior Actions	Status
Component 1. Improving the Policy Environment for Infrastructure and Private Investment	
1. Transfer budget resources to CMDT to pay arrears due by CMDT to producers (CFAF 3.7 billion) and adopt a price mechanism aligning the seed cotton price to the international lint market price for the 2009/2010 campaign.	Met. Payment of arrears to producers was made in December 2008. The Ministry of Finance ordered the transfer to CMDT on November 17, 2008. CMDT, in turn, ordered payment to producer cooperatives through a bank, the BNPA. The tripartite protocol (Government, CMDT and the Union of Cotton Producers) establishing the price mechanism for the campaign 2009/10 was adopted on April 13, 2009.
2. Nominate the members of the council of the Regulatory Agency for the telecommunications sector (the CRT).	Met. The members of the council of the CRT Agency were nominated through decree No. 09140, dated March 30, 2009.
3. Adopt an inter-ministerial decision establishing the period of validity of import and export licenses issued by the National Directorate of Commerce and Competition at twelve (12) months.	Met. The inter-ministerial decision No. 09-0788/MEIC-MF-SG was adopted on April 7, 2009.
Component 2. Strengthening Public Financial Management	
4. Expand the MTEF to 4 additional ministries (Ministry of Finance, Ministry of Economy, Industry and Trade, Ministry of Domestic Security and Internal Protection, Ministry of Youth and Sports), consistent with the ministries' implementation capacity and the macroeconomic framework.	Met. The MTEF for the four ministries were completed by March 30, 2009.

PRSC-3 Prior Actions	Status
5. Establish the regional procurement control directorates (<i>Directions Régionales des Marchés Publics</i>) and the independent procurement regulatory body (<i>Autorité de Régulation des Marchés Publics et de Délégation des Services Publics</i>) including by nominating the regional procurement control department managers and nominating the members of the independent procurement regulatory institution.	Met. All control directorates have been established (Ministerial Decision No. 08-3510/MF-SG of December 8, 2008. The independent procurement regulatory body was established by Law No. 08/023 of July 23, 2008 and the Decree No. 08/482 of August 11, 2008. Members of the independent regulatory procurement institution were nominated on April 15, 2009, (Decree No. 09-160 P-RM, of April 15, 2009).
6. Submit to Parliament the draft 2007 budget execution report " <i>Loi de Règlement 2007</i> " within the deadline established by law.	Met. The draft 2007 budget execution report was submitted to Parliament on October 7, 2008.
3. Component 3: Improving Basic Social Service Delivery	
7. Allocate in the 2009 budget resources for the integrated school feeding program (<i>Cantines Intégrées</i>), for an amount of CFAF 1.6 billion to be allocated to the poorest regions of the country.	Met. The Budget Law for 2009 approved by the National Assembly includes 1.6 billion for the school feeding program (budget line 3-621-18).
8. Adoption by the Ministry of Health of a Health Human Resource Policy aimed at improving the availability of staff in health services, with emphasis on peripheral services.	Met. The policy has been finalized and adopted by the Ministry of Health, as per letter dated April 7, 2009, which covers the policy documentation.
9. Delegate the management of five (05) drinking water supply (AEP) systems to private operators.	Met. Five contracts were signed between: (1) Commune of Menaka (Gao) and Société Petroleum Company; (2) Commune Bamba (Gao) and Entreprise Gie Zani Boume; (3) Commune Douentza (Mopti) and Entreprise Bekaya Keita; (4) Commune Koro (Koro) and Société d'Electrification de Bankass er Koro; (5) Commune Ansongo and Entreprise Tilgaz Mali.

D. TRIGGERS FOR PRSC-4

5.6. **The Bank's decision to proceed with the follow-on operation in the proposed PRSC series will be informed by the degree of progress towards, or completion of, the indicative triggers listed below and in the Program Matrix in Annex 3.** As per any development policy framework, an adequate macroeconomic framework will have to be maintained during the program period. As mentioned above, the choice of triggers for PRSC-4 represents a continuation of the programmatic framework set out in PRSC-3, modified where necessary on the basis of lessons learned and evolving conditions. These triggers were chosen according to a number of criteria: their criticality in the achievement of the development objectives of the government's reform program detailed in section 3 and the Bank's comparative advantage in the selected policy areas.

Box 5.1: Proposed Triggers for the PRSC-4

Component 1: Improving the Policy Environment for Infrastructure and Private Investment

1. Establish key institutions for the private management of the cotton sub-sector, notably the joint cotton producers / private ginning companies inter-professional association and the service provider for cotton grading.
2. Approval by the Board of ON of the program and cartography of public and private investments for the ON zone during the period of the Contract Plan (2008-12).
3. Adoption by the Cabinet of the new tariff and subsidy policy for electricity.
4. Complete all validation steps and submit validation request to the EITI International Secretariat.
5. Submit to Parliament a new Investment Code, that shifts emphasis from administering incentives to assuring investors' rights and obligations.

Component 2: Strengthening Public Financial Management

6. Issue within four weeks after the end of each quarter, a budget execution report, including of the Special Investment Budget (BSI), with information from the whole chain of the budget (including payments) of all ministries and regional budget departments and publish information on the MEF's website.
7. Submit to Parliament the new organic law of the Audit Section (Section des Comptes) and the law on the status of financial judges.

Component 3: Improving Basic Social Service Delivery

8. Adoption by the Ministry of Education of a Human Resource Management Strategy to retain trained teachers in remote areas.
9. Adopt the operational guidelines of Decree 02-314 and partnerships including framework for the transfer of financial resources to the local communities, *Collectivités Territoriales* (CT), in line with decree 02-314 (on decentralization), and monitoring and oversight mechanisms at regional level.
10. Operationalize the Health Human Resource Policy by establishing the National Directorate of Human Resources in the Ministry of Health and allocating in the 2010 Budget resources to finance the deployment of at least 20 percent of the needs/per year of midwives and Medical Doctors in Mopti, Kayes and Timbuktu regions.
11. Sign conventions regarding the Government co-financing of the contributions of the poor who adhere to the health mutual insurance schemes "*mutuelles*" and reflect corresponding resources in the 2010 budget law.

6. OPERATION IMPLEMENTATION

A. COUNTRY OWNERSHIP

6.1. **The proposed operation is supported and owned by the authorities, as indicated in the Government's Letter of Development Policy (LDP).** The specific reforms it supports are critical elements of the Government's strategy to re-launch the cotton sector and improve the regulatory and institutional frameworks for telecoms, mining, and energy, reduce constraints to doing business, modernize public sector management, and enhance social service delivery. These reforms were designed with the broad involvement of the Government's relevant ministries and agencies under the leadership of the Ministry of Economy and Finance. Consultations with stakeholders were undertaken in coordination with other donors. In April 2008, consultations between

donors, government and civil society organizations were centered on the rationale for joint budget support. In September 2008, a second round of consultations was undertaken, focusing on the preliminary matrix of policy actions to be jointly supported by the donor budget support group. Recommendations from these meetings included selectivity and focus on a limited number of policy actions, aligned with the priorities of the GPRSF, and the need to channel resources taking into account the needs of all stakeholders, notably civil society and the private sector.

Box 6.1: Good Practice Principles on Conditionality

Principle 1: Reinforce Ownership

The operation supports implementation of Mali's Growth and Poverty Reduction Strategy Framework (GPRSF) adopted by the Government in December 2006 and reviewed by Parliament in the context of the 2007 budget discussions, following an extended consultation process. The GPRSF, which benefits from broad-based consensus, is Mali's second poverty reduction strategy (PRS), the first dating to 2002. Mali has an established track record of progressively strengthening implementation of its PRS. Extensive analytical work undertaken through Bank-supported projects (notably on cotton, irrigation and banking) or ESW (such as the CEM on growth, transport sector studies, health and education studies) have contributed to the country's strategic framework.

Principle 2: Agree up front with the Government and other financial partners on a coordinated accountability framework

The Bank has been an active participant in the budget support donor group, and discussions are advanced toward defining the mechanisms for fully harmonized budget support. The Bank and the six other budget support donors signed an MoU in March 2006 outlining general budget support principles to which they would adhere. A specific agreement, being finalized, will outline a common policy support framework and lending modalities.

Principle 3: Customize the accountability framework and modalities of Bank support to country circumstances

The policy matrix is customized to the country circumstances. Elements of its reform program are drawn from existing country analytical work, the GPRSF and the ongoing preparation of sectoral strategies (e.g., agriculture, education, health and social development). At the Government's request, the Bank's financial support through the PRSC aims to be disbursed early in Mali's fiscal year. The policy reforms included in the PRSC reflect the Government's objectives stated in its poverty reduction strategy. As such they reflect country circumstances and priorities as informed by analytical work.

Principle 4: Choose only actions critical for achieving results as conditions for disbursement

The policy matrix uses a selected set of nine prior actions for Board presentation. The chosen policy measures were identified jointly with the Government and in close consultation with other development partners (notably the budget support donor group and the IMF). Conditionality is focused only on key actions which would help move the Government's agenda forward.

Principle 5: Conduct transparent progress reviews conducive to predictable and performance-based financial support

As agreed with the Government, processing of the PRSC is timed to the country's budget cycle, which coincides with the calendar year. The PRSC amount is announced to the Government in the course of the preceding year to enable its incorporation in planning the subsequent year budget. Regular performance reviews are undertaken and are progressively being aligned with Mali's evaluation cycle in the context of the donor harmonization agenda.

B. POVERTY AND SOCIAL IMPACTS

6.2. The proposed PRSC-3 (and subsequent operations in the series) is expected to have a positive direct impact on poverty reduction. The links between growth and poverty are underlined in the GPRSF. Component 1 of PRSC-3 supports actions that contribute to private investment and growth, including through an improved regulatory environment for telecoms (a growing sector that is also key for business development and facilitation of trade across borders) and through the extension of the duration of import/export licenses. Also, by supporting the clearance of arrears to cotton producers, including the poorest, the PRSC-3 contributes to the provision of incomes for consumption and future investment, directly influencing livelihoods. The pricing mechanism supported by PRSC-3 includes a formula that defines the producer price as a share of the world benchmark price, after taking into account cost and efficiency variables related to the processing and commercialization of cotton. This mechanism, agreed upon by the key stakeholders in the sector, includes a stabilization fund. Whether the new pricing model will ensure the profitability of the crop for farmers, while reducing CMDT deficits and protecting the poor, depends in part on world cotton prices. The 2006 cotton PSIA shows that lower cotton prices may have a negative impact on the ability of producers to meet their basic needs given that the majority is already poor.³³ This impact is partly offset by mobility towards other crops and the positive impacts on other crops of the system organized by CMDT for the distribution of fertilizer and other inputs. The PSIA also highlights trade-offs between alternative ways to help the poor, to the extent that the budgetary cost of cotton subsidies restricts the ability of the government to expand services for basic education and health care as called for in the country's poverty reduction strategy. The Bank will encourage and support the Government in updating the poverty impact analysis, as new relevant information is made available, to ensure adequate policy responses. Social impact analysis prepared in the context of the Growth Support project, covering telecommunications, mining and the business environment, concludes that impacts of planned reforms are generally positive. In particular, growth in the telecoms sector is expected to create net employment, contribute to budget revenues that could be directed to poverty reduction programs, and contribute to increased incomes for poorer households, particularly in rural areas, by providing access to information (for example meteorological and pricing information).

6.3. Analysis of the poverty impact of changes in electricity tariffs is ongoing in preparation of PRSC-4. Preliminary results indicate that the poorest five quintiles will not be significantly affected by the expected tariff increases given the very low electricity access rate. The impact analysis will be completed on time to inform the policy reform agenda in the sector, scheduled to be adopted in the second part of the year. Also, the tariff increase planned for July (4 percent) does not affect the tariff bands associated with consumers of the poorest income levels. Recommendations of mitigating measures will

³³ Results from the 2006 household survey show that households deriving income from cotton are the poorest with a poverty incidence of 77.8 percent percent (the rural average is 57.6 percent percent) and while they represent 13.7 percent percent of total population, they contribute for 22.5 percent percent to poverty. In terms of depth and severity of poverty, they record the highest percentages with 33.1 percent percent and 17.9 percent, percent respectively.

be identified as input to the Government's reform program. Social impact assessment of the impact of reforms in the ON region will be undertaken in the context of the Fostering Agricultural Productivity Project, updating the findings of the predecessor projects, which concluded that by enhancing productivity, investments in the left Bank of the Niger River increased incomes and reduced poverty. Mitigating measures will be addressed in the project, as needed. Through the support to increased transparency in the mining sector through the EITI validation process, the PRSC-4 would contribute to better use of public revenues from mining. Poverty and social impacts from gold mining production were assessed under the Growth Support project and judged beneficial. As with the Investment Law, increased private investment under an adequate regulatory framework would enhance opportunities for employment, incomes and poverty reduction.

6.4. The strengthening of public financial management is expected to enhance the efficiency and effectiveness of public resources in the delivery of development services. The PRSC-3 supports tighter links between sector policies and budget allocations, which combined with a proper evaluation and monitoring system increases the likelihood that policy objectives would be met. Procurement reform, also supported by PRSC-3, promotes the value for money principle by emphasizing open and transparent bidding rather than opaque single source contracting, increasing the effectiveness of public expenditure. The follow up operation in the PRSC series supports decentralization of health budgets which, by giving voice to beneficiaries regarding their needs and providing regular feedback on service delivery, constitutes a powerful instrument to tackle poverty, provided it is undertaken meaningfully. The PRSC-3 also contributes to improved living standards of the poor by supporting school feeding programs in Mali's poorest regions, access to drinking water in rural areas and a new human resource policy that seeks to ensure health skilled personnel in remote areas. By supporting availability of more teachers and nurses in rural areas and contributing to increased membership in health insurance schemes by the poor, the PRSC-4 would contribute to poverty reduction through improved access and quality of basic education and health services.

C. IMPLEMENTATION, MONITORING AND EVALUATION

6.5. The Ministry of Economy and Finance will be responsible for overall coordination of supervision and monitoring of the reform program supported by the proposed operation. The MEF will liaise with focal points in the Ministries, departments and agencies involved in the PRSC program. The participating ministries, departments and agencies will furnish relevant information and documentation on implementation and monitoring of their respective programs to MEF, which will oversee progress in achieving program objectives. The main sources of data will be the household survey planned for end-2009, the population census planned for April 2009, administrative statistics collected annually by the sectoral ministries' planning and statistical units, economic statistics produced by the National Directorate of Statistics and Information Technology (DNSI) and budget data from the MEF.

6.6. The monitoring of the PRSC-3 outcomes will be conducted within the GPRSF M&E framework and the joint donor budget missions. The GPRSF includes a results matrix, which informed the results expected for the PRSC series. The

institutional structure for managing the overall implementation of the GPRSF is currently being strengthened (see para. 2.20). The Government will provide quarterly reports to IDA on implementation progress measured against the agreed performance indicators detailed in Annex 4. The overall reform effort will be reviewed by the Government in close coordination with regular IDA missions to ensure continued implementation of the program within an adequate macroeconomic policy framework.

D. FIDUCIARY ASPECTS

6.7. The Government has adopted a public finance management action plan (PAGAM) based on the last CFAA (2002) and CPAR update (2004), and the plan addresses the main risk highlighted in the assessments. Implementation of the PFM action plan is supported under the second component of the PRSC-3, building on achievements made under the PRSC-1 and 2 and Economic Policy and Public Finance Management Credit (EPPFMC) operations. In addition, the Government established baseline indicator values through the 2007 Public Expenditure Fiduciary Assessment (PEFA), to be able to monitor progress on public finance management over time. Key findings of the recent Public Expenditure Management and Financial Accountability Review were incorporated into the design of the PRSC series. The PEFA and PEMFAR indicate that: (i) budget credibility is satisfactory, except for arrears management; (ii) budget comprehensiveness and transparency are rated to be average, but budget information is weak; (iii) budgeting is based on sectoral policies and multi-year policies; (iv) predictability and internal controls have some weaknesses, notably on procurement and general internal control; and (v) accounting and reporting, as well as external scrutiny and audits, are reported to be fairly weak. Overall, the Bank has judged implementation performance of the public financial management reform program to date and Government's commitment to its improvement as satisfactory. It further finds the fiduciary environment to be adequate to proceed with the proposed operation.

6.8. The Central Bank of the West African States (BCEAO) is the common central bank of the West African countries, including Mali. In 2005, the IMF staff carried out an on-site safeguards assessment of the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) and found that progress had been made in strengthening the BCEAO's safeguards framework since 2002 when the last safeguard assessment was undertaken. The BCEAO now publishes a full set of audited financial statements, and improvements have been made to move financial reporting closer to International Financial Reporting Standards (IFRS). IMF staff noted that the BCEAO has improved the explanatory notes to the financial statements and further changes are scheduled for the next fiscal year, with a view toward a gradual alignment with International Accounting Standard (IAS), as adopted internationally by other central banks. Furthermore, an international audit charter has been put in place, mechanisms have been established to improve risk management and risk prevention, and follow-up on internal and external audit recommendations has been strengthened. The assessment identified a number of areas where further steps would help solidify the progress made in recent years. The main recommendations relate to: (i) improving the external audit process by adopting a formal rotation policy and further enhancing the transparency of the financial statements by

adopting IFRS in full; and (ii) enhancing the effectiveness of the internal audit function by further strengthening the reporting to management of the BCEAO. The status report of the implementation of recommendations, received from the World Bank in March 2007, indicates that some progress was achieved in corporate governance and strength and transparency of internal financial reports.

E. DISBURSEMENT AND AUDITING

6.9. **Disbursement and accounting.** The proposed operation would follow IDA's disbursement procedures for development policy operations. Upon approval of the Credit and effectiveness of the Financing Agreement, the proceeds of the Credit would be disbursed by IDA into a dedicated account of the Government for budget support. The proceeds of the Credit would not be used to finance expenditures excluded under the Agreement. The Borrower shall ensure that upon the deposit of the Credit into said account, an equivalent amount is credited in the Borrower's budget management system, in a manner acceptable to the Bank. Based on previous experience, the execution of such transaction from the Central Bank to the Treasury (Ministry of Economy and Finance) does not require more than four days. The Borrower will report to the Bank on the amounts deposited in the foreign currency account and credited in local currency to the budget management system. Assuming that the withdrawal request is in Foreign Exchange, the equivalent amount in CFAF reported in the budgetary system will be based on the market rate at the date of the transfer. The Borrower will promptly notify the Bank by fax or email that such transfer has taken place, and that proceeds have been credited in a manner satisfactory to the Bank.

6.10. **Auditing** The dedicated deposit accounts could be audited on terms of reference acceptable to IDA. If, after being deposited in this account, the proceeds of the Credit are used for ineligible purposes as defined in the Financing Agreement, IDA will require the recipient to either: (a) apply the corresponding amount to eligible purposes, or (b) refund the amount directly to IDA.

F. ENVIRONMENTAL ASPECTS

6.11. **The specific reforms supported by the proposed development policy credit are not likely to have significant negative impacts on the country's environment, forests and other natural resources.** The reforms supported aim primarily to strengthen regulatory, institutional and public finance management at the national, regional and local government level. However, PRSC-3 touches on the cotton and telecom that may have significant associated environmental risks. More broadly, the PRSC series covers the agriculture (cotton and ON), infrastructure (electricity and telecoms) and mining sectors that may also have significant associated environmental risks. These sectors benefit from Bank financed investment operations for which specific Environmental and Social Impact Assessments were prepared. For cotton, an environmental management plan was undertaken under the Agricultural Competitiveness and Diversification Project and the Fostering Agricultural Productivity project in Mali will update the exercise. Risks regarding the polarization of agro-pastoral activities, of agricultural extension and

technical know-how, of irrigation, of chemical and pesticide inputs, and risks endangering biodiversity and forestry were identified and most were addressed within the Agricultural Competitiveness and Diversification Project design. For private sector development, telecoms and mining environmental assessments were undertaken under the Growth Support project. Risks identified include diversion of water resources, air and water pollution from agro-industrial activities, soil contamination, noise, tree destruction and electromagnetic radiation. Mitigation measures were addressed in the design of the Growth Support Project. For electricity an Environmental and Social Management Framework (ESMF) was prepared under the Energy Support Project. The project is expected to have positive environmental benefits. Recommendations were made regarding the gradual establishment of a structure to ensure environmental and social monitoring of the activities of the project.

6.12. The Government has an Environment and Desertification Strategy and Action Plan. In 1999 with the adoption of the National Environmental Action Plan (NEAP), the government strengthened its policy for the environment with 7 strategic axes, 3 of which were to: (i) strengthen national capacity; (ii) restore degraded areas; and (iii) organize a permanent system to control and monitor priority areas, parks and reserves. The country also has a 2001 Biodiversity Strategy. Environmental Assessments (EAs) are mandatory in Mali. There are increasingly more experts capable of doing EAs but most are used for donor funded projects. Environment still remains sectoral and is rather restricted to its Ministry under the Ministry of Environment and Sanitation. The Ministry of Agriculture does however have capacity to deal with soil management issues that are related to agriculture. In most areas of environmental management, enforcement capacity remains extremely weak. As indicated above, the Bank as well as other donors provide support in the respective areas of coverage.

G. RISKS AND RISK MITIGATION

6.13. The operation faces significant external and budget risks and low political risks. *External risks* stem mainly from the global slowdown discussed above. Other exogenous factors such as Mali's vulnerability to climatic/natural shocks (drought, locust invasion) could compound the situation. Mitigating factors are Mali's strong track record in macroeconomic management, a comfortable level of external reserves (representing the equivalent of 5 months of imports) and the Government's renewed focus on growth-enhancing structural reforms, including improved access and management of irrigated areas to reduce vulnerability to climatic shocks. A surveillance committee has been established, to follow closely developments and propose policy responses. The operation would contribute to the mitigating measures by supporting policy actions that contribute to economic growth and diversification, and further strengthening public finance management within a sound macroeconomic framework. Additionally, the overall country dialogue would allow for some budget flexibility to address crisis-related expenses within the context of a prudently managed budget that supports priority growth and poverty reduction programs. The introduction of predictable and timely support through the PRSC series, and continued progress with donor coordination, will also be important elements for mitigating the external risks. Reinforced donor coordination will

also be critical to ensure external financial and technical assistance to Mali to help its efforts to deliver core services and infrastructure and provide safety nets, thus protecting households in this country with high poverty and low fiscal and institutional capacity.

6.14. **Political risk** is linked to the April 2009 municipal elections and the numerous teachers' strikes that have been undermining the functioning of the education sector. The Government's current commitment to some reforms (such as fiscal prudence) could wane if the unrest intensifies. This risk, which is low, is mitigated by the continued political stability, dialogue and effort for social harmony that characterize Mali. In December 2008, the Government held a forum on education, in which representatives of a wide range of civil society organizations were present to define key directions to address the issues facing the sector. Also, Mali has a comprehensive human resource program underway, which may reduce uncertainties. The country team is monitoring this risk on a continual basis in order to detect problem areas early on so as to be able to adjust the Bank's response as needed.

6.15. **Budget risk** stems from ongoing financial difficulties in the cotton, banking and electricity parastatal companies (CMDT, BHM, EDM) which could potentially require larger Government transfers than included in the budget to cover larger deficits in those sectors than anticipated. The 2009 budget includes a provision for possible transfers to CMDT, of ½ percent of GDP, but the risk is moderate to high because deterioration in the performance of these companies could render the allocation insufficient to meet the needs. It is thus possible that actual implementation of the Government budget during 2009 could be significantly different from the approved budget. This risk is being mitigated through the strengthened financial management in CMDT and EDM and close monitoring of their respective financial and cash positions (with both being part of the IMF and Bank macroeconomic monitoring and policy dialogue with the Government). BHM is implementing measures to improve its performance with close supervision from the regional Central Bank and the IMF. This risk is also mitigated by the focus of the proposed operation on the improvement on public financial management which will help to improve budget execution processes over time.

Annex 1: Timetable of Key Processing Events

Concept Review:	January 29, 2009
ROC Review:	March 26, 2009
Authorization to Negotiate:	April 7, 2009
Negotiation	April 21, 2009
Board Presentation:	May 19, 2009
Effectiveness:	June 30, 2009
Closing date:	December 31, 2009

Annex 2. Letter of Development Policy

Unofficial translation of the French original

To:

**Mr. Robert Zoellick
President of the World Bank
Washington, DC**

Subject: Letter of Development Policy for the Third Poverty Reduction Support Credit

Mr. President,

I have the honor to submit this Letter of Development Policy in support of the request made by the Government of Mali to the World Bank for a Third Poverty Reduction Strategy Support Credit (PRSC-3). The assistance requested will enable the Government to implement reforms in the following areas: (i) enhancing the regulatory and institutional framework for infrastructure and private investment; (ii) strengthening public financial management; and (iii) improving basic social service delivery.

This credit, part of a multiyear program, will contribute to financing of the budget deficit while ensuring funding for the priority expenditure program of the current fiscal year.

The attached documents describe specific objectives, strategies and the action plans of each component the Government expects to implement and the calendar for the execution.

Very truly yours,

M. Sanoussi Touré
Minister of Economy and Finance

Attachments: Letter of Development Policy
Government Matrix of Measures for the period 2008-10

REPUBLIC OF MALI

REFORM PROGRAM SUPPORTED BY THE THIRD POVERTY REDUCTION SUPPORT CREDIT

(PRSC-3)

1. This Letter of Development Policy presents Mali's current socio-economic situation, as well as the outlook for the next three years. It highlights the specific objectives and policies which the authorities intend to implement under the Growth and Poverty Reduction Strategy Framework (GPRSF) for 2007-2011. To finance this strategy, the Government of Mali is requesting the support of development partners, including the World Bank, through the third Poverty Reduction Support Credit (PRSC-3).

1. Political, Social and Economic Context

2. Mali is pursuing efforts to promote the stability of its democratic institutions. The country embarked on a political transition in 1992 and, since then, four presidential elections have taken place; the last of these elections was held in April 2007 and resulted in the re-election of Mr. Amadou Toumani Touré in the first round of voting with 72 percent of the votes.

3. Over the past few years, as a result of the Government's commitment to dialogue, with the support of partner countries and organizations the security situation in the north of the country has improved with the combatants laying down arms, and the return of vehicles, weapons and ammunitions. This progress has enabled the Government to focus its efforts on normalization of the socio-economic situation in the region through various programs such as the Ten Year Development Program for the Northern Regions, the Integrated Development Program for Mali's Northern Regions (PIDRN) and the Security Program for the Ex-Combatants.

4. The implementation of the Growth and Poverty Reduction Strategy Framework (GPRSF) was broadly satisfactory but considerable challenges remain. Indeed, at the macroeconomic level, the growth objectives for 2007 and 2008 (about 7 percent) were not achieved. Conversely, considerable progress was made at sectoral program level, notably:

- all quantitative targets for education were achieved. Nevertheless, even if both girls and boys access improved, the objective of universal access continues to be a challenge;
- progress in health outcomes was modest and Mali is unlikely to reach the MDG targets on child and maternal mortality and nutrition;
- on the contrary, the HIV/AIDS prevalence rate has declined significantly from 2001 (1.7 percent) and 2006 (1.3 percent); and
- similarly, substantial progress has been made with regard to access to safe drinking water.

Overall Objectives of the GPRSF 2007-11

5. The second generation Poverty Reduction Strategy named Growth and Poverty Reduction Strategy Framework (GPRSF) presents the macroeconomic, sectoral and social policies and programs the country intends to implement to promote growth and reduce poverty in the period 2007-2011. The Government prepared also a financing plan which highlights external financing needs for the period.

6. The new strategy builds from the main lessons from the evaluation of the implementation of the PRSP, which could constraint the attainment of the objectives of the GPRSF and mainly related to the following points: (i) maintenance of macroeconomic stability and consistency between the macroeconomic projections and the budget sustainability, taking into account available external financing; (ii) consistency between the budget framework and sectoral medium term expenditure frameworks; (iii) significant reduction of poverty and hunger, particularly in rural areas, through food security; (iv) improvement of the health status of the population, notably the poor; (v) improvement of the access to and quality of education; (vi) creation of an environment that fosters private sector development and continue structural reforms such as privatization; (vii) accelerate structural reforms from central level to the consolidation of decentralization and deconcentration and strengthening public financial management.

Recent Macroeconomic Developments

7. The main macroeconomic objectives for 2009-2011 include achieving an average growth rate of 7%, key to increase the income per capita; (ii) maintain low inflation; and (iii) maintain a budget deficit at sustainable level. Mali intends to comply with WAEMU criteria, notably on tax revenues and the basic budget deficit by the end of the GPRSF.

8. Macroeconomic management in Mali in 2008 was influenced by volatile commodity markets. In particular, high prices for imported oil products, fertilizer and rice have required more active fiscal policies to cushion the impact on consumers. At the same time, other sectors have benefited from higher world prices notably gold mining. As a result of favorable weather during the growing season and policies to support the expansion of agricultural production, economic growth was of around 5 percent. Led by higher food prices, consumer price inflation accelerated to an average of 9.1 percent in the year. High fuel prices and lower cotton exports resulted in a higher current account deficit than expected. In the monetary sector, a decline of net foreign assets and a slowing rate of domestic credit expansion have slowed monetary growth, reinforcing the need for actions to strengthen financial intermediation and banking soundness.

9. The government has reached agreement with the major mine operators to issue bonds to settle payments accrued during 2006 and 2007 for VAT and customs duty refunds on exports of gold. The total settlement is estimated at about CFAF 60 billion and payment will be spread over 3 years.

10. Prospects for growth in 2009 are influenced by the global slowdown, notably lower prices for cotton, tightened credit conditions and possible reductions in remittances, foreign direct investment and aid flows. These negative impacts could be

cushioned by strong non-cotton agricultural output, in response to the expected favorable weather conditions, strong gold prices and low fuel prices.

11. The 2009 Finance Law submitted to the National Assembly in October 2008 is aimed at renewing the emphasis on growth-enhancing investments in agriculture and transportation while also raising current spending on sectors that are critical for the Millennium Development Goals, notably education and health. Government financing sources have increased due to projected high privatization receipts and enhanced donor support following the June 2008 Round Table.

12. The tax ratio is projected to recover much of the decline that resulted from temporary measures introduced during 2008. The measures and actions that underpin higher 2009 revenues include: (1) the application of the normal tax regime following the expiration of temporary duty and VAT exemptions for rice and selected food products in September 2008; (2) higher average per unit taxation of fuel products; (3) strengthened customs administration particularly through scanning of cargoes, the application of ASYCUDA++, redeployment of staff and improved control of customs exemptions; (4) reduction of exemptions through review of provisions in the investment code and the law regulating property development; (5) property tax administration; and (6) applying excises more broadly.

13. With respect to 2009 spending, increases of 15.9 percent for education and 12 percent for health are planned to support achievement of the Millennium Development Goals. A recovery in capital spending is planned including through the creation of a special agriculture fund financed by privatization receipts and an expansion of road and bridge construction. The budget envisages an advance to CMDT of CFAF 15 billion for input financing and an advance of CFAF 5 billion to strengthen the financial position of Energie du Mali. The BHM may also require budgetary support.

2. Reform Program for 2009-10

Rural Development

14. The Government's reform program includes actions to improve the rural sector's contribution to pro-poor growth. As part of the efforts to adopt a sector wide approach in the sector, a joint working group (government, producer organizations and development partners (PTF)) was formed and the preparation of the sector wide investment program launched. Planned actions include the first joint GoM - donor review of the agricultural sector.

15. The Government gives priority to reforms in the cotton sector, given its growth potential and key role in economic securing cash incomes for the rural population. Actions in this sector target improved management, productivity and competitiveness. The Government cleared at the end of December 2008 arrears owed by CMDT to cotton producers (CFAF 3.7 billion) to ensure participation of competitive producers in the production of cotton in the ongoing campaign. In addition, a decree was adopted introducing a price mechanism aligning the seed cotton price to the international market price for the 2009/2010. The Government plans to conclude the privatization of the four subsidiaries of CMDT by end-2009. Other preparatory actions of the privatization program include the preparation of a social plan, including relocation and resizing of the

current CMDT workforce. The Government plans to establish key institutions for the private management of the cotton sub-sector, notably a joint cotton producers/private ginning companies' inter-professional association, a service provider for cotton grading, a cotton observatory, and a disaster fund. A framework for financing research activities on cotton will also be defined, while establishing clear operational arrangements, within the cotton inter-profession and with commercial banks, for the financing and management of key operations for the 2010-2011 campaign, i.e.: input supply, price setting mechanism, management of the "fonds de soutien" and cotton production monitoring. Efforts are also being made to increase technology transfer and service provision to cotton producers to increase yields.

16. Improving productivity of agriculture and the management of natural resources in the area supervised by the ON is another key priority. The Government has moved forward with the master plan of the Niger Authority and the development contract between the state, the Niger Authority, and agricultural producers. Planned actions include the adoption of an investment program for the ON region, detailing public and public and private partnerships planned for irrigation and other infrastructure projects; a program for large scale private investments and territorial development for smallholders; and adoption and implementation of a financing mechanism for the irrigated plots. The Government plans also to address access to assets (and titles), notably land, to women and youth and establish a guarantee fund.

Infrastructure

17. Reducing infrastructure bottlenecks is a key priority of the Government. Actions in the road and transit sector have benefited from strong support from a number of donors and progress is being made. Priority areas for reinforced policy reform include electricity and telecommunications.

18. For electricity, ongoing and planned actions for 2009 and 2010 include the expansion of rural electrification and the adoption of regulations and norms for the electricity sector. Also, the Government plans to formulate a contractual framework for the provision of electricity services and a strategy to mobilize donor support for the development of the sector. Other actions planned or ongoing include the promotion of alternative sources of energy, preparation of studies on tariffs, optimal electricity investment, and the undertaking of EDM organizational, accounting and financial audits. Finally, the Government plans to adopt and implement the restructuring plan for EDM and the new tariff and subsidy policy for electricity.

19. Regarding telecommunications, planned actions for 2009 and 2010 include the revision of the legal framework for telecommunications and implementation of the new laws and regulations, including by making operational a regulatory body for telecommunications (CRT), the adoption of the National Strategic Plan for the New Information and Communication Technologies, completion of the privatization process of SOTELMA and licensing of a third operator for mobile phones.

Business Environment

20. To improve the business environment, the Government intends to implement an action plan that would reduce the number of procedures, time and cost of starting and

expand a business. Measures in the action plan include: (i) establish a one stop window; (ii) adopt a decree to eliminate the Notification to the Direction de l'Assainissement except for projects that have an impact on public health and safety; (iii) operationalize the unique firm identification number (NINA) by ensuring interconnection of the service providers involved and training staff; (iv) simplify corporate taxes; (v) improve the judicial system; (vi) adopt an inter-ministerial decision establishing the period of validity of import and export licenses issued by the National Directorate of Commerce and Competition at twelve (12) months; (vii) adopt transparent procedures to allocate lands; and (viii) submit to Parliament a new Investment Code, that shifts emphasis from administering incentives to assuring investors rights and obligations.

21. To attract investment for the mining sector, planned actions include: (i) complete and publish the first audit report (of 2006 mineral taxation); (ii) complete all validation steps and submit validation request to EITI International Secretariat; (iii) improve the legal, regulatory and institutional framework for sustainable gold production, notably through a revised mining law and regulations including taxation regime issues; (iv) implement the Program for the Development of the Mining Sector and preparation and implementation of a strategy for communities located near mining zones; and (v) continue prospection of mining resources (including oil), establishment of a mechanisms to finance mining activities (including the creation of an institution to manage government assets in the sector), preparation of geological and geochemical maps, and regular publication of reports on gold production (quantity and value).

Public Financial Management

22. The Government will continue to consolidate the structural reform process, particularly in public finance management, by deepening reforms under the PAGAM-GFP. The appraisal and formulation of second phase of this program was initiated in early 2009.

23. Much progress was made to improve strategic planning through the medium term budgetary framework prepared by the Ministry of Finance, and the medium term expenditure frameworks prepared by the sector Ministries. In the medium term, the Government plans to prepare MTEFs for all ministries on the basis of a harmonized methodology. For 2009, the objective is to adopt four new MTEFs, namely those for the Ministries in charge of: (i) Finance; (ii) Economy, Industry and Trade; (iii) Domestic Security and Internal Protection; and (iv) Youth and Sports. The new METFs will be consistent with the sector's implementation capacity and the macroeconomic framework. The Government will pursue this results-based management approach and stronger links between the budget instrument and the sector and national strategies. In this context, an analysis of the various MTEF methodologies will be made so as to adopt a harmonized methodology with enough embedded flexibility to take into account sector and ministerial specificities. In the medium term (2010), efforts will be made to update at least the MTEFs of the Ministries in charge of the social sectors according to the new methodology, and ensure better alignment of external aid with national priorities through the adoption of a framework for the selection and prioritization of investment projects.

24. The Government plans to finalize the interconnection of the chain of expenditure using the computer application PRED 4 with all ministries and regions. Currently, interconnections are operational for eleven credit managers in the central administration and four regions (computerized circuit of the public expenditure chain). The Government plans to use the computerized system to prepare and issue, within four weeks after the end of each quarter, a budget execution report, including the BSI, with information from the whole chain of the budget (including payments) of all ministries and regional budget departments and publish information on the MoF's website. The Government also plans to include information of expenditure by functional classification in the budget execution report submitted to Parliament (*Loi de Reglement*) and continue capacity building efforts in the General Directorate of the Budget (DGB). The interconnections will also permit the preparation of analytical reports on budget execution within the timelines established under the WAEMU guidelines. Finally, the Government intends to issue quarterly reports on the status of payments to suppliers, within 6 weeks after the end of the quarter, in the context of the implementation of the arrears monitoring system aligned with the WAEMU Directive. Other measures planned include: (i) the establishment of a mechanism to anticipate the accumulation of pending orders for payment in the treasury (the Government intends to acquire computer resources for the production of a quarterly monitoring report on pending orders so as to consolidate mechanisms that will prevent their accumulation); and (ii) the establishment of mechanisms for monitoring the implementation of public expenditures to the final destination in the education and health sectors.

25. A revised procurement code, in line with WAEMU guidelines, was approved by the National Assembly in 2008. Actions planned for 2009 include: (i) establish the procurement control department and the independent procurement regulatory institution including the nomination of the regional procurement control department managers and the management of the independent procurement regulatory institution; (ii) strengthen capacities for implementing the new institutional and regulatory frameworks, as well as for using the new public procurement code, by training the senior staff of the DGMP, ministries and the private sector; (iii) extend the database with integrated procurement management system to all contracting authorities and assess the procurement system using the 12 OECD/DAC indicators; (iv) ensure preparation of procurement plans in all Ministries, as an enforcement of the new Public Procurement Code; and (v) publish regularly the public procurement gazette providing details on largest contracts signed and post it on the DGMP website.

26. A major challenge for Mali in its budget system is to strengthen the control functions (administrative, internal, external, judicial and legislative). This is required not only to ensure reliability of the budget system but also to improve dialogue between the Government and its partners on the efficiency of public expenditure, official development assistance, and poverty reduction policies. The Government adopted an action plan to strengthen the institutions responsible for control functions of the budget and their coordination based on the recommendations of the study completed in 2008. Measures include: (i) submission to Parliament of the new organic law of the Accounts Section (Section des Comptes) and the law on the status of financial judges a review of the organic law of the Supreme Court to increase the staff of the Audit Section; and (iii) allocation of resources in the 2011 budget for at least 10 new financial judges. To

enhance oversight, the Government intends to submit to Parliament the draft Budget Execution Report (*Loi de Règlement*) of each year within the deadline established by law.

Improving Basic Social Service Delivery

27. The Government intends to reinforce actions to accelerate progress towards achieving the MDGs. For education, emphasis will be given to improved access and quality, notably through better trained and larger numbers of teachers. A national survey of education sector staff, at central and decentralized level of the MEBALN and the MESSRS was complete in recent months. A human resource management strategy so as to retain teachers in rural areas will be adopted in 2009. Given the importance of nutrition for education outcomes, the Government also intends to adopt a new institutional, legal and regulatory framework for school feeding; it has included CFAF 1.6 billion in the 2009 budget for this program, to be allocated to the poorest regions of the country. These reforms will be accompanied by a strong investment program to expand infrastructure availability, increase the availability of textbooks, and adjust curricula.

28. Actions planned by the Government to accelerate progress towards the health MDG targets include: (i) improvement of geographic access to essential health services and availability of qualified human resources; (ii) provision of quality and affordable medicines, vaccines and consumables throughout the country; (iii) reduction of health care costs for the poor, particularly immunization, antenatal consultation, family planning, and the cost of integrated management of childhood illness (IMCI) services; (iv) reforming hospital establishments and research institutes; (v) building the institutional capacities of the Ministry of Health and all health structures; (vi) expand social security coverage and improvement of access by the most destitute to basic social services and micro-finance; and (vii) expansion of community health. For both health and education, the Government intends to prepare and adopt human resource strategies, which will determine the proper staffing of facilities throughout the country and the financial incentive systems to retain and motivate the staff employed in rural and remote areas.

29. Socio-economic governance in the water sector has led the Government of Mali to adopt the Drinking Water Supply Development Strategy. The integrated water resources management is the new approach being developed in the sector. Significant efforts still need to be made in improving access by the populations to drinking water. In order to better manage water in the communities, the Government has issued texts to involve the municipal councils, the private sector and civil society. For safe drinking water, the Government's priorities include: (i) strengthening of the deconcentrated technical services; and (ii) promotion of the private sector. Specific targeted actions include commencing the works for the supply of drinking water in the five localities of Segou, continuing the works for the supply of drinking water of Fana, and supporting the decentralization policy and assisting local governments to fully plan, execute and manage their water supply systems. The Government also plans to introduce innovative ways of managing water supply systems and in particular encourage local public-private partnerships (PPP) between the communes and the local private sector. The Government also intends to delegate the management of five drinking water supply systems to private operators.

3. Monitoring and Evaluation

30. The implementation of actions supported by the PRSC will be coordinated by the Ministry of Economy and Finance through a commission chaired by the Secretary-General of the Ministry, and comprising, in particular, the Ministry of Finance and the representatives of the other ministries and structures involved in the reform program.

MINISTRE DE L'ECONOMIE
ET DES FINANCES

REPUBLIQUE DU MALI
Un Peuple - Un But - Une Foi

Secrétariat Général

Bamako, le 16 AVR 2009

N° 0343 /MEF-SG



Confidentiel

Le Ministre de l'Economie et des Finances

A M. Robert ZOELLICK,
Président de la Banque Mondiale
Washington D.C.
Etats Unis d'Amérique

Objet : Lettre de Politique de Développement du Troisième Crédit d'Appui
à la Stratégie de Réduction de la Pauvreté (CASRP3).

Monsieur le Président,

J'ai l'honneur de vous soumettre la présente Lettre de Politique de Développement en appui à la requête du Gouvernement du Mali sollicitant l'assistance de la Banque mondiale pour le troisième Crédit d'Appui à la Stratégie de Réduction de la Pauvreté (CASRP-3). L'appui sollicité permettra au Gouvernement de poursuivre la mise en œuvre d'un programme de réformes couvrant les domaines suivants : (a) le renforcement du cadre pour le développement des infrastructures et du secteur privé ; (b) le renforcement de la gestion des finances publiques ; (c) le renforcement de l'accès aux services sociaux de base.

Ce crédit s'inscrit dans un cadre d'appui pluriannuel et contribuera également à la couverture du déficit budgétaire résiduel en assurant le financement du programme de dépenses publiques prioritaires de l'année en cours.

Les documents annexés font partie intégrante de la présente lettre de Politique de Développement. Ils décrivent les objectifs spécifiques, les stratégies et les plans d'actions relatifs à chacune des composantes du programme que le Gouvernement compte mettre en œuvre, ainsi que leur calendrier d'exécution.

Veuillez agréer, Monsieur le Président, l'assurance de ma haute considération.

P.J. :

- Lettre de Politique de Développement.
- Matrice de mesures du CASRP3.



Manoussi TOURE

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REPUBLIQUE DU MALI
Un Peuple - Un But - Une Foi

PROGRAMME DE REFORMES SOUTENU PAR LE TROISIEME CREDIT D'APPLI
A LA STRATEGIE DE REDUCTION DE LA PAUVRETE
(CASRP-3)

1. La présente Lettre de Politique de Développement présente la situation socio-économique actuelle du Mali ainsi que les perspectives sur les trois prochaines années. Elle met en évidence les objectifs spécifiques et les politiques que les autorités ont l'intention de mettre en œuvre dans le contexte du Cadre Stratégique pour la Croissance et la Réduction de la Pauvreté (CSCR) 2007-2011. Dans le but de financer cette stratégie, le Gouvernement de la République du Mali sollicite le soutien des partenaires au développement dont la Banque Mondiale à travers un troisième Crédit d'Appui à la Stratégie de Réduction de la Pauvreté (CASRP-3).

I- CONTENTE POLITIQUE, SOCIAL ET ECONOMIQUE

2. Le Mali continue ses efforts pour promouvoir la stabilité de ses institutions démocratiques. Le pays a initié une transition politique en 1992 et depuis lors, quatre élections présidentielles ont eu lieu dont la dernière tenue en Avril 2007 a connu la réélection de M. Amadou Toumani Touré au premier tour des suffrages avec 72,2% des voix exprimées.

3. Au cours des dernières années, grâce à la volonté de dialogue du Gouvernement et le soutien de pays amis et d'organisations internationales, la situation sécuritaire dans le nord du pays connaît une amélioration avec le retour des combattants et la restitution des véhicules, armes et munitions enlevés. Ces progrès ont permis au Gouvernement de concentrer ses efforts sur la normalisation de la situation socio-économique dans la région à travers divers programmes comme : le Programme Décennal de Développement des Régions Nord du Mali, le Programme Intégré pour le Développement des Régions Nord Mali (PIDRN), le programme de réinsertion socioéconomique des ex combattants.

4. La mise en œuvre du CSCR est globalement satisfaisante même si des défis significatifs demeurent. En effet, au plan macroéconomique, les objectifs de croissance que le Gouvernement s'étaient fixés pour les années 2007 et 2008 (environ 7%) n'ont pas été atteints. En revanche, au niveau des programmes sectoriels, des progrès notables sont à relever :

- tous les objectifs quantitatifs pour l'éducation ont été atteints ; toutefois, même si l'accès des filles et des garçons s'est amélioré, l'objectif d'accès universel à l'éducation constitue toujours un défi ;



- les progrès dans le secteur de la santé ont été modestes et il sera difficile pour le Mali d'atteindre les Objectifs du Millénaire pour le Développement dans le domaine de la mortalité infantile et maternelle.
- Par contre, le taux de prévalence du VIH/SIDA a significativement baissé entre 2001 (1.7%) et 2006 (1.3%)
- De même, des progrès substantiels ont été accomplis dans le domaine de l'accès à l'eau potable.

Objectifs globaux du CSCR 2007-2011

5. Le CSLP de 2^{ème} génération dénommée Cadre Stratégique pour la Croissance et la Réduction de la Pauvreté (CSCR 2007-2011) décrit les politiques et programmes que le pays entend mettre en œuvre sur le plan macroéconomique, structurel et social afin de promouvoir la croissance et réduire la pauvreté, au cours de la période 2007-2011. Le Gouvernement a également élaboré le plan de financement ainsi que les besoins de financement extérieurs qui en découlent pour toute cette période

6. Cette nouvelle stratégie met l'accent sur les attentes majeures découlant de l'évaluation de la mise en œuvre du CSLP qui peuvent conditionner la réalisation des objectifs du CSCR et qui portent essentiellement sur les points suivants : (i) le maintien d'une stabilité de l'environnement macroéconomique et l'établissement d'une cohérence entre les prévisions macroéconomiques et budgétaires ainsi que les apports extérieurs de financement ; (ii) la meilleure adéquation entre les stratégies, les priorités et les programmations budgétaires du Cadre Budgétaire à Moyen Terme (CBMT) et celles des Cadres de Dépenses à Moyen Terme (CDMT) sectoriels, notamment au niveau des plans d'actions et de financement sectoriels détaillés ; (iii) la réduction sensible de la pauvreté et de la faim surtout dans le monde rural, grâce à l'instauration de la sécurité alimentaire ; (iv) l'amélioration de l'état de santé des populations, notamment les plus pauvres ; (v) l'amélioration significative de la quantité et de la qualité de l'offre de l'éducation ; (vi) la création d'un environnement propice au développement du secteur privé et la poursuite des réformes structurelles, telles que les privatisations ; (vii) la poursuite et l'accélération de la réforme de l'Etat par la consolidation de la décentralisation et le renforcement de la gestion des finances publiques.

Objectifs macroéconomiques

7. Les principaux objectifs macroéconomiques pour 2009-2011 sont : (i) atteindre un taux de croissance de 7% en moyenne sur la période, ce qui permettra de relever le niveau du revenu par habitant ; (ii) maintenir une inflation faible; (iii) maintenir un déficit budgétaire finançable.

8. La gestion macroéconomique a été influencée par la volatilité sur les marchés de matières premières. En particulier, les prix élevés des produits pétroliers importés, des intrants agricoles et du riz ont nécessité plus de politiques budgétaires actives pour atténuer les effets sur les consommateurs. Dans le même temps, d'autres secteurs ont bénéficié des prix internationaux élevés, notamment celui de l'or.

Suite à de bonnes conditions climatiques et aux politiques de soutien à la production agricole, la croissance économique a été d'environ 5%. Tirée par les prix élevés des denrées alimentaires, l'inflation s'est accélérée pour atteindre 9.1% dans l'année. Les prix élevés des produits pétroliers et les cours faibles du coton ont occasionné un déficit courant extérieur plus élevé que prévu. Dans le secteur monétaire, un déclin des avoirs extérieurs nets et le ralentissement du crédit à l'économie ont contraint la croissance monétaire, ce qui accroît le besoin d'un renforcement de l'intermédiation financière et du secteur bancaire.

9. Le Gouvernement est parvenu à un accord avec les principaux opérateurs du secteur minier pour le démarrage du paiement des remboursements de TVA sur les exportations d'or accumulés en 2006 et 2007 à travers une émission de bons. Le montant total est estimé à 60 milliards de FCFA et le paiement s'étalera sur trois ans.

10. Les perspectives de croissance économique en 2009 sont influencées par le ralentissement observé au niveau international et notamment, la faiblesse du cours du coton, les conditions difficiles en ce qui concerne le crédit et la possible diminution des transferts des travailleurs à l'étranger ainsi que l'investissement direct étranger et les flux d'aide extérieure. Ces effets négatifs pourraient être compensés par une production agricole (hors coton) plus forte dans le contexte d'une saison pluvieuse favorable, des cours de l'or élevé et des cours à la baisse au niveau des hydrocarbures.

11. La loi de finances 2009, soumise au Parlement en octobre 2008, renouvelle des priorités sur les investissements productifs dans le secteur de l'agriculture et des transports tout en augmentant les dépenses courantes nécessaires à l'atteinte des objectifs de développement du millénaire notamment dans l'éducation et la santé. Les ressources sont prévues à la hausse compte tenu des recettes de privatisation importantes attendues et l'augmentation des appuis extérieurs suite à la table ronde bailleurs de fonds organisée en juin 2008.

12. La pression fiscale devrait s'améliorer suite à la forte réduction des mesures temporaires d'exonérations fiscales introduites en 2008. Les mesures qui soutiennent les recettes fiscales plus importantes en 2009 comprennent : (i) l'application du régime normal de taxation après l'expiration des exonération temporaires de la TVA sur le riz et certains produits alimentaires en septembre 2008 ; (ii) un rétablissement de la fiscalité pétrolière ; (iii) le renforcement de l'administration des douanes à travers notamment l'introduction des scanners, la mise en œuvre de l'application SYDONIA++, le redéploiement des agents et un meilleur contrôle des exonérations douanières ; (iv) la réduction des exonérations à travers des révisions du code des investissements et de la loi régulant le développement de la propriété ; (v) l'administration des droits et taxes sur la propriété.

13. En ce qui concerne les dépenses budgétaires de 2009, une augmentation des dépenses de 15,9% pour l'éducation et de 12% pour la santé est attendue pour soutenir l'atteinte des objectifs de développement du millénaire. Une reprise des dépenses d'investissement est prévue à travers notamment la création d'un fonds de développement agricole, financé par les ressources de privatisation, et une augmentation des constructions de routes et ponts. Le budget de l'Etat envisage un soutien de 15 milliards de francs CFA à la CMDT et une avance de 5 milliards de francs CFA pour

renforcer la position financière de l'EDM. La Banque de l'Habitat du Mali (BHM) a élaboré un plan de restructuration qui nécessite également un soutien de l'Etat

2- PROGRAMME DE REFORMES POUR 2009-2010

Développement rural

14. Le programme de réforme du Gouvernement comprend des actions pour renforcer la contribution du secteur rural à la croissance pro-pauvre. Dans le cadre de la mise en place d'une approche sectorielle dans le secteur, un groupe de travail conjoint (Gouvernement - organisations de producteurs - partenaires au développement) a été mis en place et la préparation du programme d'investissement sectoriel a été lancée. Les actions programmées comprennent notamment la réalisation d'une revue conjointe Gouvernement-Partenaires Techniques et Financiers du secteur de l'agriculture.

15. Le gouvernement accorde la priorité aux réformes dans le secteur du coton, compte tenu de son potentiel pour la croissance et de son importance en tant que secteur pourvoyeur de revenus pour les populations rurales. Les actions dans le secteur ciblent l'amélioration de la gestion, de la productivité et de la compétitivité. Le Gouvernement a réglé en décembre 2008 les arriérés dus par la CMDT aux producteurs (3.7 milliards de francs CFA) afin d'assurer la participation des producteurs performants dans la production de la coton pour la campagne en cours. De plus, un mécanisme de prix a été adopté pour aligner le prix aux producteurs sur les prix internationaux pour la campagne 2009-2010. Le Gouvernement envisage de conclure le processus de privatisation de la CMDT dans le courant de l'année 2010. D'autres actions pour préparer la privatisation ont trait à la préparation d'un plan social comprenant le redimensionnement du personnel de la CMDT et son redéploiement. Le Gouvernement envisage d'établir les institutions-clés pour la gestion privée du sous-secteur, notamment l'interprofession et l'office de classement du coton. Un cadre de financement des activités de recherche liées au coton sera également défini de même que des mécanismes opérationnels clairs entre l'interprofession et les banques commerciales pour le financement de la campagne 2010-2011. Des efforts sont également en cours dans le sens d'un transfert de technologie vers les producteurs afin d'augmenter les rendements.

16. Le domaine de l'amélioration de la productivité de l'agriculture et de la gestion des ressources naturelles dans la zone de l'Office du Niger constitue également une priorité pour le Gouvernement. Il a ainsi adopté en 2008 le Contrat plan 2008/2012 Etat - Office - Exploitants. Les actions prévues regroupent l'adoption d'un programme d'investissement à moyen et long termes à l'Office du Niger qui précise le partenariat public-privé planifié pour l'irrigation, d'autres projets d'infrastructure, des investissements pour la grande irrigation, des aménagements spécifiquement destinés aux exploitations agricoles familiales ainsi que l'adoption de mécanismes de financement de l'irrigation. En outre, le Gouvernement focalisera son attention sur l'accès aux terres notamment pour les femmes et les jeunes et sur la mise en place de fonds de garanties.

Infrastructures

17. La réduction des goulots d'étranglement pour le développement des infrastructures est primordiale pour le Gouvernement. Les actions dans le domaine des routes et du transit ont bénéficié d'un soutien important de la part des partenaires techniques et financiers et des progrès importants ont été réalisés. Les domaines prioritaires incluent l'électricité et les télécommunications.

18. Dans le cadre de l'électricité, les actions planifiées pour 2009 et 2010 comprennent l'expansion de l'électrification rurale et l'adoption d'un cadre institutionnel et réglementaire pour le secteur. Le Gouvernement planifie la formulation d'un cadre contractuel pour la fourniture de l'électricité et une stratégie pour mobiliser le soutien des partenaires techniques et financiers dans le secteur. D'autres actions en cours concernent la promotion d'autres sources d'énergie, la préparation d'étude sur les tarifs de l'électricité, les investissements optimaux dans l'électricité, le cadre organisationnel de EDM, les audits financiers. Le gouvernement entend adopter et mettre en œuvre le plan de restructuration de EDM ainsi que la nouvelle politique tarifaire pour l'électricité.

19. Dans le cadre de la restructuration du secteur des télécommunications, les actions programmées comprennent la révision du cadre légal pour le secteur et la mise en œuvre de nouvelles réglementation comprenant notamment l'opérationnalisation du Comité de Régulation des Télécommunications (CRT), l'adoption de la stratégie nationale pour les nouvelles technologies de l'information et de la communication, la réalisation de la privatisation de la SOTELMA et l'accord de la troisième licence de téléphonie mobile à un privé.

Environnement des affaires

20. Dans le but d'améliorer l'environnement des affaires, le gouvernement envisage de mettre en œuvre un plan d'action qui permettra de réduire le nombre de procédures, la durée et le coût pour commencer et accroître une activité commerciale. Les mesures comprennent notamment l'opérationnalisation du NINA à travers l'interconnexion des services utilisateurs, l'extension de la durée de validité des licences d'importation et d'exportation de 6 à 12 mois, l'adoption de procédure transparente d'attribution des terres, le soumission au parlement d'une révision du code des investissements qui mettra davantage l'accent sur les droits.

21. Afin d'attirer les investissements dans le secteur minier, les actions programmées comprennent : (i) la réalisation et la publication du premier rapport d'audit sur la taxation minière (2006) ; (ii) la réalisation de toutes les étapes de validation et la soumission de la requête au secrétariat international de l'EITI ; (iii) l'amélioration du cadre légal, réglementaire et institutionnel pour la production durable d'or, à travers notamment la révision du code minier et des textes y compris le régime de taxation ; (iv) la mise en œuvre du programme de développement du secteur minier et la préparation de la mise en œuvre d'une stratégie destinée aux populations vivant près des zones minières ; (v) la poursuite de la prospection minière (y compris le pétrole), la mise en place de mécanismes de financement des activités minières, la préparation de plans géologiques et géochimiques et la production régulière de rapports sur la production aurifère (quantité et valeur).

Gestion des finances publiques

22. Le Gouvernement continuera la consolidation du processus de réformes structurelles. En particulier dans le domaine de la gestion des finances publiques, l'objectif est d'approfondir les réformes dans le cadre du PAGAM-GFP dont le processus d'évaluation et de formulation de la seconde phase est amorcé depuis le début de l'année 2009.

23. Des actions importantes ont été engagées depuis quelques années pour améliorer la planification stratégique à travers le cadre budgétaire à moyen terme (CBMT) préparé par le Ministère de l'Economie et des Finances et les cadres de dépense à moyen terme (CDMT) préparés par les Ministères sectoriels. Pour le moyen terme le Gouvernement envisage de préparer des CDMT pour tous les ministères sur la base d'une méthodologie harmonisée. Pour 2009, l'objectif est d'adopter quatre nouveaux CDMT, à savoir ceux pour le Ministère de l'Economie et des Finances, le Ministère de la jeunesse et des Sports, le Ministère de l'Industrie, des Investissements et du Commerce, le Ministère de la Sécurité Intérieure et de la Protection Civile. Ces nouveaux CDMT seront cohérents avec les capacités de mise en œuvre des ministères et le cadre macroéconomique. Cette démarche de gestion axée sur les résultats et de liens plus étroits entre l'instrument budgétaire et les stratégies sectorielles et nationales sera poursuivie par le Gouvernement. Dans ce contexte, une analyse des différentes méthodologies d'élaboration de CDMT sera engagée afin de procéder à l'adoption d'une méthodologie harmonisée tenant compte des spécificités sectorielles et ministérielles. Dans le moyen terme (2010) des efforts seront poursuivis pour actualiser les CDMT des secteurs sociaux selon la nouvelle méthodologie adoptée. De même des critères de sélection et de priorisation des projets seront définis afin de permettre un meilleur alignement des appuis des partenaires techniques et financiers sur les priorités nationales.

24. Le Gouvernement planifie de terminer l'interconnexion de la chaîne de la dépense publique à travers l'application PREDD4 entre tous les ministères et régions. Actuellement, l'interconnexion est effective entre 11 administrateurs de crédits au niveau central de l'administration et quatre régions. Le Gouvernement envisage d'utiliser le système informatisé pour produire au plus tard quatre semaines après la fin de chaque trimestre des rapports d'exécution du budget comprenant le budget spécial d'investissement et toute l'information relative à l'ensemble de la chaîne de la dépense (y compris les paiements) pour l'ensemble des ministères et des régions. Ces informations seront publiées sur le site internet du Ministère des Finances. Le Gouvernement programme également d'inclure la présentation des informations selon la classification fonctionnelle dans le projet de loi de règlement à soumettre à l'Assemblée nationale. Il poursuivra le renforcement des capacités au sein de la Direction Générale du Budget. L'interconnexion permettra également la préparation de rapports analytiques sur le budget selon les délais prescrits au sein de l'UEMOA. Enfin, le programme du gouvernement prévoit la production de rapports trimestriels sur les paiements aux fournisseurs de l'Etat au plus six semaines après la fin du trimestre. D'autres mesures comprennent : (i) la mise en place de mécanisme permettant d'anticiper l'accumulation d'instances de paiement au niveau du trésor ; (ii) l'adoption de mécanismes permettant de suivre l'exécution des dépenses publiques jusqu'à leur destination finale.

25. Dans le cadre de la mise en œuvre des actions pour renforcer le système de passation des marchés publics au Mali, le Gouvernement a mis en œuvre un certain nombre d'actions importantes avec pour objectif d'aligner le dispositif malien sur les normes de l'UEMOA. Ainsi, un nouveau code des marchés publics cohérent avec les directives de l'UEMOA a été adopté par l'Assemblée nationale en 2008. Les actions programmées en 2009 comprennent : (i) la mise en place de l'organe de contrôle, de l'organe indépendant de régulation des marchés publics (nomination des directeurs régionaux des marchés publics et désignation des membres de l'autorité de régulation des marchés publics et de délégation des services publics) ; (ii) le renforcement des capacités pour la mise en œuvre du nouveau cadre institutionnel et réglementaire à travers la formation des cadres de la DGMP, des ministères sectoriels et du secteur privé ; (iii) l'extension de la base de données pour la gestion intégrée du système de passation des marchés publics à l'ensemble des autorités contractantes et l'évaluation du système de passation des marchés publics selon les 12 indicateurs OCDE ; (iv) la préparation de plans de passation des marchés publics au niveau des ministères ; (v) la production régulière de la revue des marchés publics fournissant des détails sur les plus importants marchés passés et sa publication dans le site internet de la DGMP.

26. Un défi majeur que le Mali devra relever dans son système budgétaire constitue le renforcement de la fonction de contrôle sous toutes ses formes (administratif, interne, externe, juridictionnel et législatif). Ceci est nécessaire non seulement pour la fiabilité du système budgétaire en soi mais également pour l'amélioration du dialogue entre le Gouvernement et ses partenaires sur l'efficacité de la dépense publique, de l'aide publique au développement et des politiques de réduction de la pauvreté. Le Gouvernement a adopté un plan d'action pour renforcer les structures de contrôle du budget de l'Etat et leur coordination interne. Les mesures comprennent : (i) la soumission au parlement d'une relecture de la loi organique de la Cour Suprême pour accroître les effectifs de la Section des Comptes, et l'adoption de textes pour renforcer le statut du personnel de la Section des Comptes (statut de magistrats financiers) ; (ii) l'allocation de ressources dans le budget 2011 pour la prise en charge d'au moins 10 nouveaux magistrats financiers. Le Gouvernement programme la soumission à l'Assemblée Nationale selon les délais des projets de loi de règlement.

Amélioration de la livraison des services sociaux de base

27. Le Gouvernement entend renforcer les actions pour accélérer les progrès vers les objectifs de développement du millénaire. Dans le domaine de l'éducation l'emphase sera mise sur l'amélioration de l'accès et de la qualité à travers notamment la mise à disposition de plus d'enseignements qualifiés. Une enquête nationale sur le personnel au niveau central et décentralisé du MEBALN et du MESSRS a été réalisée au cours des derniers mois. Le Gouvernement a donc élaboré une stratégie de gestion des ressources humaines afin de maintenir les enseignants dans les zones rurales. Elle sera adoptée en 2009. Il a mis en place le cadre réglementaire et institutionnel pour un programme intégré de cantines scolaires. Ceci a nécessité l'inscription 1,6 milliards de francs CFA dans la loi de finances 2009. Ces ressources sont affectées aux zones les plus pauvres du pays. Toutes ces réformes seront accompagnées par un programme d'investissement ayant pour objectif d'accroître les infrastructures et la disponibilité des livres et d'ajuster les curricula.

28. Les actions programmées pour accélérer l'atteinte des objectifs de développement du millénaire dans le domaine de la santé comprennent : (i) l'amélioration de l'accès géographique aux services de santé et la disponibilité de personnel qualifié ; (ii) la disponibilité de médicaments à coût accessible, de vaccins et de matériel sanitaire sur l'ensemble du territoire ; (iii) la réduction des coûts de la santé pour les plus pauvres et, en particulier, pour la vaccination, les consultations prénatales, le planning familial et les maladies de l'enfant ; (iv) la réforme des hôpitaux et instituts de recherche ; (v) le renforcement des capacités du ministère de la santé et des autres structures sanitaires ; (vi) l'expansion de la couverture de la sécurité sociale et son accès. Pour les deux secteurs de la santé et de l'éducation, le Gouvernement envisage l'adoption et la mise en œuvre de politique de ressource humaine qui déterminera la disponibilité des personnels dans les zones les moins favorisées du pays.

29. La gouvernance socio-économique dans le secteur de l'eau a conduit le Gouvernement à adopter la stratégie de développement de l'offre d'eau potable. La gestion intégrée des ressources d'eau constitue la nouvelle approche en cours de développement dans le secteur. Des efforts importants restent à fournir pour améliorer l'accès des populations à l'eau potable. En vue de mieux gérer l'eau au sein des communautés, le Gouvernement a préparé des textes pour impliquer les conseils municipaux, le secteur privé et la société civile. Pour l'eau potable, les priorités comprennent : (i) le renforcement de la déconcentration des services techniques (ii) la promotion du secteur privé. Des objectifs spécifiques concernent le démarrage des travaux pour Fana et le soutien de la politique de décentralisation afin que les collectivités soient à même d'exercer pleinement leur gestion des systèmes d'eau. Le gouvernement envisage l'introduction d'innovations dans la gestion de l'eau en encourageant en particulier le partenariat public-privé entre les collectivités et le secteur privé. La gestion de cinq systèmes AEP a été ainsi concédée au privé en 2008 et cette politique se poursuivra en 2009.

3- SUIVI-EVALUATION

30. La coordination de la mise en œuvre des actions soutenues par le CASRP sera assurée par le Ministère de l'Economie et des Finances à travers une commission présidée par le Secrétaire Général du Ministère et comprenant tous les ministères et structures impliqués dans le programme.

Annex 3. Government Matrix of Measures for the period 2009-10

(Prior actions for PRSC-3 and triggers for PRSC-4 are in bold)

Reform objectives	Actions to be completed by March 2009	Actions to be completed by October 2009	Actions to be completed by October 2010	Links with CAS 1/	Links with GPRSF 2/	Indicator	Main donors
Component 1: Improving the Policy Environment for Infrastructure and Private Investment							
1.1 Rural Development							
Improve agricultural productivity and competitiveness	A joint working group (government, producer organizations and development partners (PTF)) is formed and the preparation of the sector wide investment program launched.	Undertake the first joint GoM - donor review of the agricultural sector.	Complete a first sector wide public expenditure review.	O1.3	P1		AFD, AfDB, Denmark, Netherlands, EU, IFAD, MCC, Switzerland, FAO
	Transfer budget resources to CMDT to pay arrears due by CMDT to producers (CFAF 3.7 billion) and adopt a price mechanism aligning the seed cotton price to the international lint market price for the 2009/2010 campaign.	Establish key institutions for the private management of the cotton sub-sector notably the joint cotton producers / private ginning companies / inter-professional association and the service provider for cotton grading.	Operationalize arrangements, within the cotton inter-professional association and with commercial banks, for the financing and management of key operations for the 2011-2012 campaign, i.e.: input supply, price setting mechanism, management of the "fonds de soutien" and cotton production monitoring.	O1.3 O2.1	P1	CAS (2011): Cotton yields increases by 15 percent from its 2005/06 level (950t/ha) by 2011 PRSC (2011): Cotton production Baseline: 190,000 tons (2008/09) Target: 250,000	
	Adopt the master plan 2008-12 of the ON	Approval by the Board of the ON of the program and cartography of public and private investments for the ON zone during the period of the Contract Plan (2008-12).	Mid-term review of the ON Contract Plan (2008-2012).	O1.3	P1 P7	PRSC (2011) Irrigated land in the ON region. Baseline: 92,000 (2009). Target: 116,000	
1.2 Infrastructure Development							

Reform objectives	Actions to be completed by March 2009	Actions to be completed by October 2009	Actions to be completed by October 2010	Links with CAS 1/	Links with GPRSF 2/	Indicator	Main donors
Increase power reliability, access and affordability	Adoption by the Ministry in charge of Energy of the draft EDM restructuring plan, the draft letter of sector policy, and the draft government note on electricity tariff and subsidies.	Adoption by the Cabinet of the new tariff and subsidy policy for electricity.	Operationalize the new tariff and subsidy policies.	O1.2 O2.1	P7	CAS (2011): EDM maintains technical and non-technical losses below 20% PRSC (2011): Reduction of technical losses as percentage of generation: Baseline : 12 (2009) Target 11 Reduction of technical losses as percentage of generation: Baseline: 7 (2009) Target: 6	Aga Khan, BOAD, EXOWAS, EU, India, KfW, Sweden.
Improve the legal and institutional framework for key sectors	Nominate members of the council of the Telecommunications Regulatory Agency (the CRT).			O1.2	P5 P7	CAS (2011): Number of people with access to information technology doubled. Baseline: 23.5/10,000 inhabitants in 2005.	
1.3 Business Environment							
Improve the investment climate and strengthen viability, competitiveness and performance of the private sector.		Submit to Parliament a new Investment Code, that shifts emphasis from administering incentives to assuring investors' rights and obligations.	Submit to Parliament of a revised mining law and regulations, including on taxation regime.	O1.2	P2 P5	CAS (2011): Number of formal manufacturing enterprises increased by 10 percent by 2011. Baseline: 350 Total corporate tax burden reduced from 50% to 47% PRSC (2011): Income tax burden. Baseline:35% (2009) Target: 30%	AfDB, Denmark, EU, IMF, MCC,

Reform objectives	Actions to be completed by March 2009	Actions to be completed by October 2009	Actions to be completed by October 2010	Links with CAS 1/	Links with GPRS F 2/	Indicator	Main donors
	Adoption by Cabinet of a decree establishing the regulations on construction permits.	Ministry of Environmental pass a new Ministerial Decision "Arrêté" to eliminate the Notification to the <i>Direction de l'Assainissement</i> except for projects that have an impact on public health and safety.	Adopt transparent procedures to allocate lands.	O1.2	P2 P5	CAS (2011): Access time to land by firms is reduced from 180 days to 30 days.	
	Complete the first audit report (of 2006 mineral taxation).	Complete all validation steps and submit validation request to the EITI International Secretariat.	Prepare an action plan and implement measures recommended by the EITI International Secretariat in the validation process.	O1.2 O2.1	P4 P5	PRSC (2011): Public availability of information on financial contribution of mining companies, based on audited accounts, to public revenues. Baseline: None (2009) Target: Public information available for FY 2009	

Reform objectives	Actions to be completed by March 2009	Actions to be completed by October 2009	Actions to be completed by October 2010	Links with CAS 1/	Links with GPRSF 2/	Indicator	Main donors
	Adopt an inter-ministerial decision establishing the period of validity of import and export licenses issued by National Directorate of Commerce and Competition at twelve (12) months.		Operationalize the unique firm identification number (NINA) by ensuring interconnection of the service providers involved and training staff.	O1.2	P5. P2.	CAS (2011): Number of formal manufacturing enterprises increased by 10 percent by 2011. Baseline: 350. PRSC (2011) Number of documents to export. Baseline: 9 (2008) Target: 8 Time to export. Baseline: 38 days (2008). Target: 37 days. Cost of licenses to export. Baseline: \$85 (2008). Target: \$80	
Component 2. Strengthening Public Financial Management							
Improve the efficiency, transparency and control of Government operations and reduce opportunities for corruption.	Expand the MTEF to 4 additional ministries (Ministry of Finance, Ministry of Economy, Industry and Trade, Ministry of Domestic Security and Internal Protection, Ministry of Youth and Sports), consistent with the ministries' implementation capacity and the macroeconomic framework.	Adopt a framework for project selection and prioritization which will facilitate the alignment of donor support.	Revise the MTEF for Education, Health, Agriculture, Livestock, Food Security, Equipment and Transport for the planning cycle 2011-14 using the new harmonized methodology.	O 2.1	P4	CAS (2011): Service delivery has improved as evidenced by beneficiary surveys. PRSC (2011): Sectors with budget ceilings defined in the budget circular broadly in line with their respective MTEFs. 3/ Baseline: 6 (2008) Target: 10	AfDB, Canada, EU, France, IMF, Netherlands, Sweden, Germany

Reform objectives	Actions to be completed by March 2009	Actions to be completed by October 2009	Actions to be completed by October 2010	Links with CAS 1/	Links with GPRSF 2/	Indicator	Main donors
	Finalize the interconnection of the chain of expenditure using the computer application PRED 4 (DGB-DNCF-DNTCP- DAF of Sectoral Ministries and regions).	Issue within four weeks after the end of each quarter, a budget execution report, including of the Special Investment Budget (BSI), with information from the whole chain of the budget (including payments) of all ministries and regional budget departments and publish information on the MEF's website.	Issue quarterly reports on the status of payments to suppliers, within 6 weeks after the end of the quarter, in the context of the implementation of an arrears monitoring system aligned with the WAEMU Directive.	O2.1	P 4	CAS (2011): PEFA indicators on quality and timeliness of in-year budget reports and annual financial statements improved from D+ (2007) to at least C+ PRSC (2011): PEFA indicator on timeliness of the issue of reports. Baseline: D (2007) Target: A PEFA indicator on quality of information. Baseline : C (2009) Target: B	
	Issue a circular defining mechanisms, including PETS, to monitor the chain of spending until to the final destination in the sectors of education and health and include corrective measures in the PAGAM action plan.	Undertake public expenditure beneficiary analysis in the health sector and include findings in the allocations of the 2011-14 MTEF for the sector.		O1.2	P4		

Reform objectives	Actions to be completed by March 2009	Actions to be completed by October 2009	Actions to be completed by October 2010	Links with CAS 1/	Links with GPRSF 2/	Indicator	Main donors
	Establish the regional procurement control directorates (<i>Directions Régionales des Marchés Publics</i>) and the independent procurement regulatory body (<i>Autorité de Régulation des Marchés Publics et de Délégation des Services Publics</i>) including by nominating the regional procurement control department managers and nominating the members of the independent procurement regulatory institution.	Strengthen capacity to implement the new institutional and regulatory frameworks and the use of the new Procurement Code by training Staff from DGMP, Ministries and the Private Sector, and installing a database with integrated procurement management system in DGMP and in four ministries.	Extend the database with integrated procurement management system to all contracting authorities and assess the procurement system using the 12 OECD/DAC indicators.	O2.1	P4	CAS (2011): PEFA indicator on procurement increased from C (2007) to at least B (2011). PRSC (2011): Open competitive bidding procedures as percentage of total recorded government contracts (value, combining all sources of financing). Baseline 60 percent (2008) Target: 85 percent	
			Conduct an audit of the 10 largest contracts awarded in 2009	O2.1	P4		
		Ensure preparation of procurement plans in all Ministries, as an enforcement of the new Public Procurement Code	Ensure preparation of procurement plans in all Ministries, as an enforcement of the new Public Procurement Code	O2.1	P4		
	Publish regularly the public procurement gazette providing details on largest contracts signed and publish it on the MoF [DGMP] website	Publish regularly the public procurement gazette providing details on largest contracts signed and publish it on the DGMP website	Publish regularly the public procurement gazette providing details on largest contracts signed and publish it on the DGMP website	O2.1	P4		

Reform objectives	Actions to be completed by March 2009	Actions to be completed by October 2009	Actions to be completed by October 2010	Links with CAS 1/	Links with GPRS/2/	Indicator	Main donors
	Adopt the action plan to strengthen the institutions responsible for control functions of the budget and their coordination in line with the PAGAM.	Submit to Parliament the new organic law of the Audit Section (Section des Comptes) and the law on the status of financial judges.	Allocate resources in the 2011 budget for at least 10 new financial judges.	O2.1	P4	CAS (2011): PEFA grades on internal and external audit have risen from D+ and D (2007) to at least C (2011). PRSC (2011): PEFA indicator on scope of audits. Baseline: D (2007) Target: C	
	Submit to Parliament the draft 2007 budget executing report "Loi de Règlement 2007" within the deadline established by law.	Submit to Parliament of the draft 2008 Budget Execution Report (<i>Loi de Règlement 2008</i>) within the deadline established by law.	Submit to Parliament of the draft 2009 Budget Execution Report (<i>Loi de Règlement 2009</i>) within the deadline established by law.	O2.1	P4	CAS (2011): PEFA grades on internal and external audit have risen from D+ and D (2007) to at least C (2011). PRSC (2011): PEFA indicator on timeliness of audit reports to legislature. Baseline: D (2007) Target: B	
Component 3: Improving Basic Social Service Delivery							
3.1 Education							

Reform objectives	Actions to be completed by March 2009	Actions to be completed by October 2009	Actions to be completed by October 2010	Links with CAS 1/	Links with GPRSF 2/	Indicator	Main donors
Improve access to and quality of basic education.	Complete a national survey of education sector staff, at central and decentralized level of the MEBALN and the MESSRS.	Adoption by the Ministry of Education of a human resource management strategy to retain trained teachers in remote areas.	Allocate in the 2011 budget resources for the incentives to retain trained teachers in remote areas.	O2.3 O2.1 O2.2	P12 P4	CAS (2011): 67 percent completion rate by 2011 (disparities reduced between urban /rural, boy/girl). Baseline: (2005-06). Girls 38%, boys 59%, total 49%. PRSC (2011): Budget allocations for co-payment of teachers in community schools. Baseline: CF AF 2.2 bn (2009) Target: CF AF 3.8 bn)	UNICEF, UNESCO, AFD, Netherlands, Sweden, Belgium, Swiss

Reform objectives	Actions to be completed by March 2009	Actions to be completed by October 2009	Actions to be completed by October 2010	Links with CAS 1/	Links with GPRSF 2/	Indicator	Main donors
	Allocate in the 2009 budget resources for the integrated school feeding program (<i>Cantines Intégrées</i>), for an amount of CFAF 1.6 billion to be allocated to the poorest regions of the country.	Allocate in the 2010 budget of resources for the expansion of the school feeding program (<i>Cantines Intégrées</i>) in line with the school feeding strategy.	Allocate in the 2011 budget of resources for the expansion of the school feeding program (<i>Cantines Intégrées</i>) in line with the school feeding strategy.	O2.3 O2.1 O2.2	P12 P4	CAS (2011): 67 percent completion rate by 2011 (disparities reduced between urban /rural, boy/girl). Baseline: (2005-06). Girls 38%, boys 59%, total 49%. PRSC (2011): Number of children benefit from school feeding programs in the 166 poorest communes. Baseline 13,544 (2008) Target: 200,000	

3.2 Health and Social Development

Reform objectives	Actions to be completed by March 2009	Actions to be completed by October 2009	Actions to be completed by October 2010	Links with CAS 1/	Links with GPRSF 2/	Indicator	Main donors
Improve access to and quality of health services.	Validate the ToR for the evaluation of the financial resources to be transferred to collectivities.	Adopt the operational guidelines of Decree 02-314 and partnerships including framework for the transfer of financial resources to the local communities, <i>Collectivités Territoriales</i> (CT), in line with decree 02-314 (on decentralization) and monitoring and oversight mechanisms at regional level.	Implementation by the Ministry of Health of the operational guidelines of Decree 02-314 and partnerships including (i) transfer budget resources to the CT in line with decree 314 in 2011; (ii) implement capacity building plan for community health centers and community based health centers.	O2.3 O2.1 O2.2	P12 P4	CAS (2011): 60 percent of births assisted by qualified health personnel (Baseline: 49 percent, 2006). Resources transferred from center to municipalities have doubled from 2007 level of 1 billion CFAF. PRSC (2011). Percentage of health current spending budget transferred to decentralized entities . Baseline: 20% (2007) Target: 30%	Belgium, Canada, EU, France, Global Fund, Netherlands, UNICEF, USAID.
	Adoption by the Ministry of Health of a Health Human Resource Policy aimed at improving the availability of staff in health services, with emphasis on peripheral services.	Operationalize the Health Human Resource Policy by establishing the National Directorate of Human Resources in the Ministry of Health and allocating in the 2010 Budget resources to finance the deployment of at least 20 percent of the needs/per year of midwives and Medical Doctors in Mopti, Kayes and Timbuktu regions.	Allocation in the 2011 Budget of resources to finance the deployment of at least 30 percent of the needs/per year of midwives and Medical Doctors in Mopti, kayes and Timbuktu regions.	O2.3 O2.1 O2.2	P12	CAS (2011): 60 percent of births assisted by qualified health personnel (Baseline: 49 percent, 2006). PRSC (2011): Ratio of midwives to population in Mopti, Kayes and Timbuktu. Baseline 1/56,000 (2008) Target: 1/20,000)	

Reform objectives	Actions to be completed by March 2009	Actions to be completed by October 2009	Actions to be completed by October 2010	Links with CAS 1/	Links with GPRSF 2/	Indicator	Main donors
		Adoption by cabinet and submission to the National Assembly of the legal text to create AMO (Health Insurance) and RAMED (Insurance for Medications).	Operatiorize the administrative bodies of AMO and RAMED.	O2.3	P12		
		Signature of conventions regarding the Government co-financing of the contributions of the poor who adhere to health mutual insurance schemes "mutuelles" and reflect corresponding resources in the 2010 budget law.	Allocate in the 2011 Budget of resources to co-finance the health <i>mutuelles</i> .	O2.3 O2.1 O2.2	P12	CAS (2011): 4% of population covered by a health mutual (Baseline: 1.4%, 2005). PRSC (2011): Percent of the population covered by mutual insurance schemes Baseline: 2% (2009) Target: 4%	
	Develop an information system on safety net programs.	Elaborate a new targeting methodology and M&E action plan and start implementation.	Implementation of the action plan .	O2.3	P12		

3.3 Drinking Water

Reform objectives	Actions to be completed by March 2009	Actions to be completed by October 2009	Actions to be completed by October 2010	Links with CAS 1/	Links with GPRSF 2/	Indicator	Main donors
Improve health outcomes through access to clean drinking water.	Delegate the management of five (05) drinking water supply (AEP) systems to private operators.	Delegate the management of 15 systems AEP to private operators.	Delegate the management of 30 systems AEP to private operators.	O2.3	P 12	PRSC (2011) Share of days in the year in which water service is provided (delegated AEP drinking water systems in Kayes, Koulikoro, Mopti, Gao and Timbuktu) regions that are functional. Baseline 85% (2008) Target: 90%	

1/ CAS Objectives (O)

- (1.1) Help Mali integrate with regional and global markets
- (1.2) Contribute to improve provision of basic services and critical production factors
- (1.3) Undertake targeted sector interventions to accelerate growth
- (2.1) Advance the public expenditure reform agenda
- (2.2) Support decentralization
- (2.3) Deliver results in key social sectors

2/ GPRSF Priorities (P):

- 1 Food security and rural development;
- 2 Development of small and medium size enterprises
- 3 Protection and sustainable management of natural resources
- 4 Consolidation of public administration reform
- 5 Pursuance of reform of the business environment
- 6 Development of the financial sector
- 7 Development of infrastructures
- 8 Promotion of democratic governance and public freedoms
- 9 Capacity building for the civil society
- 10 Strengthening of regional and sub-regional integration initiatives
- 11 Creation and promotion of long-term jobs
- 12 Development of access to basic services
- 13 HIV/AIDS control

14 Integration into the Multilateral Trade System.

3/ 2008: Education, Health, Agriculture, Equipment and Transport, Fishery, Decentralization –

2009: Health, Agriculture, Equipment and Transport, Fishery, Decentralization, Ministry of Domestic Security and Internal Protection.

2010: Education, Health, Agriculture, Equipment and Transport, Fishery, Decentralization, Ministry of Domestic Security and Internal Protection, Ministry of Youth and Sports.

2011: Education, Health, Agriculture, Equipment and Transport, Fishery, Decentralization, Ministry of Domestic Security and Internal Protection, Ministry of Youth and Sports

Annex 4: Results Framework

Policy Area	PRSC-3 Prior Action	PRSC-4 Trigger	Indicator	Baseline	Target for		
					2009	2010	2011
Component 1: Improving the Policy Environment for Infrastructure and Private Investment							
Rural Development	Transfer budget resources to CMDT to pay arrears due by CMDT to producers (CFAP 3.7 billion) and adopt a price mechanism aligning the seed cotton price to the international lint market price for the 2009/2010 campaign.	Establish key institutions for the private management of the cotton sub-sector, notably the joint cotton producers / private ginning companies inter-professional association and the service provider for cotton grading.	Cotton production (tons) (2008/09)	190,000 (2008/09)	200,000	220,000	250,000
Electricity		Approval by the Board of the ON of the program and cartography of public and private investments for the ON zone during the period of the Master Plan (2008-12).	Irrigation in the ON region (ha)	92,000 (2009)	92,000	105,000	116,000
		Adoption by the Cabinet of the new tariff and subsidy policy for electricity.	Reduction of technical losses as percentage of generation.	12 (2009)	12	12	11
Telecommunications	Nominate members of the council of the Telecommunications Regulatory Agency		Reduction of non-technical losses as percentage of generation.	7 (2009)	7	6	6
Business		Submit to Parliament a new Investment Code,	Income tax burden	35% (2009)	35%	30%	30%

Policy Area	PRSC-3 Prior Action	PRSC-4 Trigger	Indicator	Baseline	Target for				
					2009	2010	2011		
environment		that shifts emphasis from administering incentives to assuring investors' rights and obligations.							
		Complete all validation steps and submit validation request to the EITI International Secretariat.	Public availability of information on financial contribution of mining companies, based on audited accounts, to public revenues	None (2009)	None	Public information available for FY 2006-2008.	Public information available for FY 2009.		
			Number of documents to export Time to export (2008) Cost of licenses to export	9 (2008) 38 days (2008) \$85 (2008)	8 37 days \$80	8 37 days \$80	8 37 days \$80		
Component 2. Strengthening Public Financial Management									
Planning	Expand the MTEF to 4 additional ministries (Ministry of Finances, Ministry of Economy, Industry and Trade, Ministry of Domestic Security and Internal Protection, Ministry of Youth and Sports), consistent with the sector's implementation capacity and the macroeconomic		Number of sectors with budget ceilings defined in the budget circular broadly in line with their respective MTEFs (Validated MTEFs).	6 (2008)	8	9	10		

Policy Area	PRSC-3 Prior Action	PRSC-4 Trigger	Indicator	Baseline	Target for		
					2009	2010	2011
Intra-year reporting	framework.	Issue within four weeks after the end of each quarter, a budget execution report, including of the Special Investment Budget (BSI), with information from the whole chain of the budget (including payments) of all ministries and regional budget departments and publish information on the MoF's website.	PEFA indicator on timeliness of the issue of reports. PEFA indicator on quality of information	D (2007) C (2009)	D C	C+ B	A B
Procurement	Establish the regional procurement control directorates (<i>Directions Régionales des Marchés Publics</i>) and the independent procurement regulatory body (<i>Autorité de Régulation des Marchés Publics et de Délégation des Services Publics</i>) including by nominating the regional procurement control department managers; and nominating the members of the independent procurement		Open competitive bidding procedures as percentage of total recorded government contracts (value, combining all sources of financing)	60% (2008)	75%	80%	85%

Policy Area	PRSC-3 Prior Action	PRSC-4 Trigger	Indicator	Baseline	Target for		
					2009	2010	2011
Budget external oversight	regulatory institution.	Submit to Parliament the new organic law of the Audit Section (Section des Comptes) and the law on the status of financial judges.	PEFA indicator on scope of audits	D (2007)	D	D+	C
	Submit to Parliament the draft 2007 budget executing report "Loi de Règlement 2007" within the deadline established by law.		PEFA indicator on timeliness of submission of audit reports to legislature.	D (2007)	C	C+	B
Component 3: Improving Basic Social service Delivery							
Education		Adoption by the Ministry of Education of a human resource management strategy to retain trained teachers in remote areas.	Budget allocations for co-payment of teachers in community schools	CFAF 2.2 bn (2009)	CFAF 2.2 bn	CFAF 3.0 bn	CFAF 3.8 bn
	Allocate in the 2009 budget resources for the integrated school feeding program (<i>cantines intégrées</i>), for an amount of CFAF 1.6 billion to be allocated to the poorest regions of the country.		Number of children benefit from school feeding programs in the 166 poorest communes.	13,544 (2008)	110,000	170,000	200,000
		Adopt the operational guidelines of Decree 02-314 and partnerships	Percentage of the health current spending budget transferred to	20% (2007)	20%	25%	30%

Policy Area	PRSC-3 Prior Action	PRSC-4 Trigger	Indicator	Baseline	Target for		
					2009	2010	2011
		including framework for the transfer of financial resources to the local communities, <i>Collectivités Territoriales (CT)</i> , in line with decree 02-314 (on decentralization), and monitoring and oversight mechanisms at regional level.	decentralized entities				
	Adoption by the Ministry of Health of a Health Human Resource Policy aimed at improving the availability of staff in health services, with emphasis on peripheral services.	Operationalize the Health Human Resource Policy by establishing the National Directorate of Human Resources in the Ministry of Health and allocating in the 2010 Budget resources to finance the deployment of at least 20 percent of the needs/per year of midwives and Medical Doctors in Mopti, Kayes and Timbuktu regions.	Ratio of midwives to population in Mopti, Kayes and Timbuktu	1/56,000 (2008)	1/50,000	1/30,000	1/20,000
		Signature of conventions regarding the Government co-financing of the contributions of the poor who adhere to health mutual insurance schemes " <i>mutuelles</i> " and reflect corresponding resources in the 2010 budget law.	Percent of the population covered by mutual insurance schemes	2% (2009)	2.0%	3%	4%
Drinking Water	Delegate of the management of five		Share of days in the year in which water service is	85% (2008)	90%	90%	90%

Policy Area	PRSC-3 Prior Action	PRSC-4 Trigger	Indicator	Baseline	Target for		
					2009	2010	2011
	(05) drinking water supply (AEP) systems to private operators.		provided (delegated AEP drinking water systems in Kayes, Koulikoro, Mopti, Gao and Timbuktu).				

Annex 5: Mali-PRSC 2 Summary of Policy Actions

(Progress by end March 2008)

Medium-term objectives	PRSC-2 (2007) (Prior actions in bold)	Indicator(s)	Indicator reference value (year)	2008	Agency	Comments
Strengthen the links between the poverty reduction strategy and the sector strategies.	Operationalize the interconnection of finance departments of four ministries and four regional budget departments, consistent with the network infrastructure established by AGETIC.	Number of weeks after the end of each month to produce the budget execution report (including functional, economic and administrative classification) ^f	Over 6 weeks (2006) Target (2008): 4 weeks	Over 6 weeks	<u>Execution:</u> MEF/DGB, MEF/DNTC P, MEF/DNCF <u>Monitoring:</u> MEF/DGB	11 DAF and 4 DRB, 3 regions and the District of Bamako are connected to the electronic version of PRD4, but implementation reports are not yet regularly produced.
Strengthen the procurement system	Draft Decree on the Procurement Code is approved by the Technical Committee.	Threshold for periodic reviews of the contracting authorities	CFAF 10 million (2006)	CFAF 20 million	DGMP, CNCS.	A new procurement code was prepared and adopted by the Cabinet in April 2008 and signed in August 2008.
Support to Growth	The micro-finance supervision unit located in the Ministry of Finance is adequately funded in the 2008 budget.	The micro finance sector is well integrated in the financial sector reform program			Mof/DNTCP	Links between the microfinance and banking sectors are strengthening. The recent rapid growth of the microfinance industry has led to problems in the financial positions of some institutions and consolidation in the industry is expected. The current supervision arrangements do not allow the Ministry of Finance to fully evaluate the financial health of the sector. the country
Improve the investment climate.	Operationalize the one-stop window (guichet unique) for investors, and taking into account the new law for the single identification process.	Number of procedures to create an enterprise Time taken to create an enterprise Cost of creating an enterprise (percent of GDP per capita).	13 (2006) 42 days (2006) 202 (2006)	11 26 days 122.5	MPAT/DNS I; MEF/DNI; MEF/DNTC P; INPS ANPE MIPIME	Measures for operationalizing the one-stop window are being implemented. The window is expected to start functioning by end 2009.
Improve enterprise taxation (to align it with WAEMU best practice)	In the context of a new general tax code, reduce the property registration fees for property acquired by firms	Taxes and fees other than registration tax.	20.7 percent (2006) Target: 12% (2008)	12 percent	MEF/DNI	

Medium-term objectives	PRSC-2 (2007) (Prior actions in bold)	Indicator(s)	Indicator reference value (year)	2008	Agency	Comments
	for operational purposes.					
Strengthen the road maintenance financial and institutional framework	Implement measures to increase the share of revenues from road user fees to 40 percent of the 2008 road maintenance budget.	Share of user fees in the Road Authority's budget Share of the road network that is maintained	15 percent (2006) Target: 40% (2008) 65 percent Target: 67% (2008)	38 percent 67 percent	<u>Execution:</u> MEF; <u>Monitoring:</u> The Road Authority (RA) <u>Execution:</u> AGEROUTE, RA <u>Monitoring:</u> SDR	
Increase the ON area developed through private funding	Publish the document describing the irrigation financing mechanism scheme in the Office du Niger Zone (including the draft text for the creation of the department charged with managing irrigation financing).	Number of hectares developed with private funds Number of professional cultivators (larger than 30 ha)	0 (2005)	834	ON	The FM structure for irrigation has been created.
Improve supply and quality of health services	Adopt a budget for the 2008 program based on the MTEFs of the two ministries, including a provisional health map taking into account the private sector in the statistics of existing health centers.	Current resources allocated to health and social development as a share of the Government current expenditure	MS: 10.18 percent (2005) Target: 10.73% (2008) MDS: 5 percent (2005) Target: 6.08 (2008)	10.73 percent 6.08 percent	MS/DAF MDS/DAF	The budget for 2008 was adopted based on the MTEF data of the two ministries.

Annex 6: IMF Relations Note



Office Memorandum

To: Mr. Sudhir Shetty

April 26, 2009

From: Mark Plant *MP*

Subject: **Mali Current Economic Situation**

IMF staff are of the view that the economic situation in Mali remains substantially unchanged from that reported in the Chairman's Statement of December 11, 2008, attached.

Attachment

cc: Ms. Antoinette M. Sayeh
Mr. Hugh Bredenkamp

DMSDR1S-#3898149-v1-Mali Current Economic Situation.DOC April 26, 2009 (3:02 PM)



Press Release No. 08/317
FOR IMMEDIATE RELEASE
December 11, 2008

International Monetary Fund
Washington, D.C. 20431 USA

**IMF Executive Board Completes First Review under PRGF Arrangement for
Mali and Approves US\$7.5 Million Disbursement**

The Executive Board of the International Monetary Fund (IMF) has completed the first review of Mali's performance under a program supported by a three-year Poverty Reduction and Growth Facility (PRGF) arrangement. The completion of the review allows for the disbursement of SDR 5 million (about US\$7.5 million), which would bring total disbursements under the arrangement to SDR 17.99 million (about US\$26.8 million).

The Executive Board also approved the authorities' request for waivers of nonobservance of two structural performance criteria concerning taxation of oil products and the call for tenders for the sale of the state telecommunications company.

The PRGF arrangement with Mali was approved on May 28, 2008 (see Press Release No. 08/126) for an amount of SDR 27.99 million (about US\$41.7 million).

Following the Executive Board's discussion, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, said:

“Economic developments in Mali in the first half of 2008 were dominated by an inflationary surge, now abating, from rising food and fuel prices. Against this difficult backdrop, the Malian authorities are to be commended for implementing sound macroeconomic policies and structural reforms.

“With the likelihood of an increasingly difficult international environment in the coming period, it will be especially important that Mali be able to respond to shocks. Continued reliance on grants, highly concessional financing, and privatization receipts limits the risk of debt distress. A continuing challenge will be to design carefully-targeted schemes to protect the most vulnerable and difficult-to-reach population groups from external shocks.

“With elevated downside risks, added caution and flexibility may be needed in fiscal policy implementation. While the fiscal program has been adjusted to make room for additional growth-enhancing public investment in agriculture and regional infrastructure, fiscal consolidation will continue to be pursued. This will be achieved through increasing government revenue through an

improvement in tax administration and policy and a strengthening of public expenditure management.

“The international financial turmoil and the risk of a global recession pose a substantial challenge to maintaining Mali’s macroeconomic stability and growth over the medium term, underlining the need for the authorities to pursue their structural reform agenda. In particular, the government should continue to disengage from commercial activities, including in the cotton, banking, and telecommunications sectors, thereby reducing the fiscal burden of money-losing state enterprises in those sectors. In this context, the Fund welcomes the authorities’ renewed resolve to restructure the housing bank, strengthen the financial operations and expansion prospects of the cotton ginning and energy companies, and complete the privatization of the national telecommunications provider,” Mr. Portugal said.

Annex 7: Summary of Relevant Lending Operations and Key Analytical Underpinnings

PRSC Component	Lending Operations	Analytical Work	Government Studies
Enhancing the Regulatory and Institutional Framework for Infrastructure and Private Investment	<ol style="list-style-type: none"> 1. Second Transport Sector Project (planned FY07) 2. EPPFMC (FY06) 3. Mali - First Poverty Reduction Support Credit (PRSC-1) 4. Mali - Second Poverty Reduction Support Credit (PRSC-2) 5. Mali - Second Poverty Reduction Support Credit Supplemental Loan - Food Price Crisis Response (FPCR) 6. Agricultural Competitiveness and Diversification Project (FY06) 7. Growth Support Project (FY05) 8. Financial Sector Development Project (FY00) 9. Transport Corridors Improvement Project (FY04) 10. Agriculture Services and Producer Organizations (FY02) 11. National Rural Infrastructure Project (FY01) 12. Energy Sector Development Project (FY09) 13. Fostering Agricultural Productivity Project (FY10) 	<ol style="list-style-type: none"> 1. Country Economic Memorandum (FY06), covering overall growth diagnostics and sector assessments on transport and transit facilitation, financial sector, industry, agriculture and energy. 2. Investment Climate Assessment (FY06) 3. Integrated Trade Diagnostic Study: Expanding and Diversifying Trade for Growth and Poverty Reduction (FY04) 4. Transport Support to Sustainable Economic Growth (FY04) 5. Aw, Djibril and Geert Diemer (2005). Making a Large Irrigation Scheme Work: A case Study from Mali. World Bank, Directions in Development Series. (This documents the success of the WB supporting irrigation reforms in Mali's Office du Niger zone). 6. Integrated Value Chain Analysis (textiles/garment, cotton, livestock) (2004 background paper for the Growth Support Project) 7. Strategies for cotton in West and Central Africa : enhancing competitiveness in the Cotton-4 - (2007) 8. Doing business 2008 Mali : a project benchmarking the regulatory cost of doing business in 178 economies 9. WAEMU FSAP (FY09) 10. Rural Finance Study (FY09) 11. Doing business 2009 : country profile for Mali - comparing regulation in 181 economies – Working Paper 12. Mali-ICT Policy Dialogue TA <p><u>Ongoing or Planned</u></p>	<ol style="list-style-type: none"> 1. Le Mali: Proposition pour une stratégie de Croissance et Développement à l'Horizon 2010, Rapport du Synthèse » (November 1997). 2. Le code des investissements du Mali : analyse et recommandations, Octobre 2008 3. Contribution du coton à la croissance économique au Mali, ODHD, en cours 4. Etudes Tarifaires ses Services Publics de l'Electricité et de l'Eau (Rapport Final, 2008) 5. Rapport du Progress du CADRP, 2008

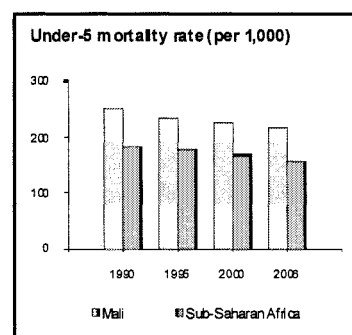
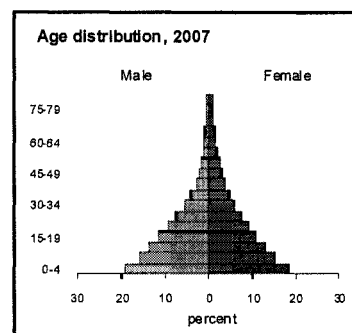
PRSC Component	Lending Operations	Analytical Work	Government Studies
		13. Policy Notes on Growth (FY10) 14. Mali Investment Climate Assessment using panel data (FY10) 15. Mali - ICT Policy Dialogue (FY10) 16. Improving Governance for Scaling up SLM in Mali (FY10) 17. Fostering Agricultural Productivity in Mali (FY10)	
Strengthening Public Financial Management	1. Economic Policy and Public Finance Management Credit (EPPFMC; FY06) 2. SAC III (FY02) 3. SAC IV (FY05) 4. Household Energy & Universal Access (FY04) 5. Agriculture Services and Producer Organizations (FY02) 6. Rural Community Development Project (FY06) 7. Education Sector Expenditure Project (FY01) 8. Emergency Locust (FY04) 9. Development Learning Ct LIL (FY04) HIV/AIDS MAP SIL (FY04)	1. PEMFAR (FY09) 2. PEFA (FY07) 3. Education Country Status Report (FY06) 4. Health Services Utilization Study (FY05) 5. CPAR (FY04) 6. CFAA (FY03) 7. HIPC Assessment and Implementation of Action Plans to Strengthen Capacity to Track Poverty Reducing Public Expenditures (FY04) 8. IMF ROSC: Fiscal Transparency Module (FY02) 9. MTEF TA Transport Sector (FY04) 10. MTEF TA Health sector (FY03) 11. Rapport analytique sur le système de passation des marches publics (FY07) 12. Mali - Recommandations visant a renforcer le programme anti-corruption : Recommandations visant a renforcer le programme anti-corruption. <u>Ongoing or Planned</u> 13. Mali ROSC Accounting & Auditing (FY10) 14. First Africa Stockpile Program Project : procurement plan (FY09) 15. AML/CFT Assessment of Mali (FY09) 16. Rural water and sanitation sector: public expenditures review (FY09)	1. Rapport sur la Consolidation du PRODESS (2005-09) 2. Eléments de Diagnostic du Système Educatif Malien. Le renouvellement de la politique éducative pour l'atteinte des objectifs du millénaire et la réduction de la pauvreté 3. World Health Organization Report (The world health report 2006 - working together for health). 4. World Health Organization, African Health Monitor, January-June 2007 –crisis in human resources for health in the African regions) 5. l'Audit de la Fonction Ressources Humaines au sein de l'Administration publique (MFRERI/CDI, janvier 2006) 6. Rapport sur la santé dans le monde 2006

PRSC Component	Lending Operations	Analytical Work	Government Studies
Improving Basic Social Service Delivery	1. Mali Education Sector Investment Program (FY07)	<ol style="list-style-type: none"> 1. Education Sector Expenditure Program Project - Implementation Completion and Results Report - Adama Ouedraogo (FY08) 2. L'éducation au Mali : Diagnostic pour le renouvellement de la politique éducative en vue d'atteindre les objectifs du millénaire - <i>Africa Human Development series</i> – (FY08) 3. 2006 : 2009: Mali Health Country Status Report – Technical Assistance - Tonia Marek 4. 2007: Mali - Health Sector Development Program - Implementation Completion and Results Report -Tonia Marek 5. Mali - Socio-economic differences in health, nutrition, and population (FY08) 6. Using primary health services in Mali : an analysis and perspectives - <i>Africa human development working paper series ; no. 87</i> (FY06) 7. Mali - Rural water and sanitation sector : public expenditures review (2008) 8. Evaluation of the World Bank assistance to primary education in Mali (2007) <p><u>Ongoing or Planned</u></p> <ol style="list-style-type: none"> 9. Skills Development Study (FY10) 10. Social Safety Nets Programs in Mali (FY10) 	
Other relevant Studies		<ol style="list-style-type: none"> 1. Gender Assessment (FY06) 2. Poverty Assessment (FY05) 3. Cotton and Poverty in Mali (FY06) 4. Oil price increase impact 	12. Profil de pauvreté des communes du Mali - Indice de pauvreté communale (IPC), ODHD, 2009, en cours

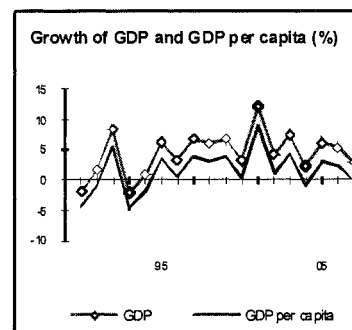
PRSC Component	Lending Operations	Analytical Work	Government Studies
		<p>study (FY06)</p> <p>5. Support to household survey (FY01)</p> <p>6. Health Country Status Report (FY04)</p> <p>7. Assessing the potential impact on poverty of rising cereals prices : the case of Mali - <i>Policy Research Working Paper</i>, George Joseph and Quentin Wodon</p> <p>8. 2008: Impact of rising rice prices and policy responses in Mali : simulations with a dynamic CGE model - <i>Policy Research Working Paper</i> - Kofi Nouve and Quentin Wodon</p> <p>9. Legal Reform and Legal Aid for Advancement of Women (FY07)</p> <p>10. Development of the cities of Mali : Challenges and priorities (FY08)</p> <p>11. Migration in Africa : a review of the economic literature on international migration in 10 countries (2007)</p>	<p>13. Enquête de référence de l'Initiative des 166 communes, ODHD/DNSI, en cours</p> <p>14. Transferts de revenus et réduction de la pauvreté au Mali, ODHD</p> <p>15. Tendances et déterminants de la pauvreté au Mali (2001-2006), ODHD/DNSI</p> <p>16. Pauvreté alimentaire au Mali, ODHD, 2007</p> <p>17. Profil de pauvreté des communes du Mali - Indice de pauvreté communale (IPC), ODHD, 2006</p> <p>18. Gestion de l'environnement pour un développement humain durable, ODHD</p> <p>19. Dynamique de l'Analyse de la Pauvreté au Mali de 1993 à 2003</p> <p>20. Décentralisation et réduction de la pauvreté, ODHD, 2003</p>
Environmental Management		<p>1. Agricultural Competitiveness and Diversification Project (FY06)</p> <p>2. Growth Support Project (FY05)</p> <p>3. Agriculture Services and Producer Organizations (FY02)</p> <p>4. Mali - Additional financing for the Household Energy and Universal Access Project (FY09)</p>	

Annex 8: Mali at a Glance

Key Development Indicators	Sub-Saharan Africa		
	Mali	Sub-Saharan Africa	Low income
(2007)			
Population, mid-year (millions)	12.3	800	1,296
Surface area (thousand sq. km)	1,240	24,242	21,846
Population growth (%)	3.0	2.4	2.1
Urban population (% of total population)	32	36	32
GNI (Atlas method, US\$ billions)	6.1	762	749
GNI per capita (Atlas method, US\$)	500	952	578
GNI per capita (PPP, international \$)	1,040	1,870	1,500
GDP growth (%)	4.3	6.2	6.5
GDP per capita growth (%)	1.3	3.7	4.3
(most recent estimate, 2000-2007)			
Poverty headcount ratio at \$1.25 a day (PPP, %)	..	50	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	..	72	..
Life expectancy at birth (years)	54	50	57
Infant mortality (per 1,000 live births)	119	94	85
Child malnutrition (% of children under 5)	30	27	29
Adult literacy, male (% of ages 15 and older)	33	69	72
Adult literacy, female (% of ages 15 and older)	16	50	50
Gross primary enrolment, male (% of age group)	90	99	100
Gross primary enrolment, female (% of age group)	71	88	89
Access to an improved water source (% of population)	60	58	68
Access to improved sanitation facilities (% of population)	45	31	39



Net Aid Flows	1980	1990	2000	2007 *
<i>(US\$ millions)</i>				
Net ODA and official aid	262	479	359	825
<i>Top 3 donors (in 2006):</i>				
European Commission	42	42	10	127
France	45	129	98	82
Netherlands	13	35	43	66
Aid (% of GNI)	14.8	19.9	15.0	14.9
Aid per capita (US\$)	43	62	36	69
Long-Term Economic Trends				
Consumer prices (annual % change)	..	0.6	-0.7	1.5
GDP implicit deflator (annual % change)	16.3	4.9	5.6	2.6
Exchange rate (annual average, local per US\$)	211.3	272.3	712.0	449.9
Terms of trade index (2000 = 100)	102	144	100	114
(% of GDP)				
Population, mid-year (millions)	6.1	7.7	10.0	12.3
GDP (US\$ millions)	1,787	2,421	2,422	6,863
Agriculture	48.3	45.5	41.6	36.5
Industry	13.2	15.9	20.6	24.2
Manufacturing	6.5	8.5	3.8	3.1
Services	38.5	38.6	37.9	39.1
Household final consumption expenditure	87.4	79.8	79.4	74.0
General govt final consumption expenditure	11.6	13.8	8.6	14.1
Gross capital formation	15.5	23.0	24.6	21.0
Exports of goods and services	14.7	17.1	26.8	26.5
Imports of goods and services	29.1	33.7	39.4	35.6
Gross savings	1.9	15.1	16.0	14.2



1980-80 1990-2000 2000-07
(average annual growth %)

23	2.7	3.0
0.8	4.1	5.4
3.3	2.6	4.8
4.3	6.4	4.5
6.8	-1.4	5.1
1.9	3.0	6.5
0.6	3.2	0.4
7.9	3.2	22.2
3.6	0.4	6.2
4.8	9.9	6.3
6.6	3.5	3.9

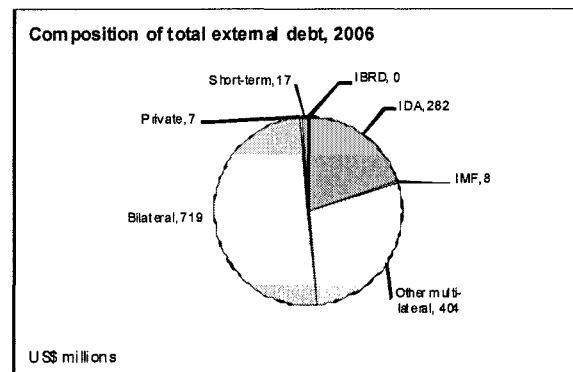
Note: Figures in *italics* are for years other than those specified. 2007 data are preliminary. .. indicates data are not available.
a. Aid data are for 2006.

Development Economics, Development Data Group (DECDG).

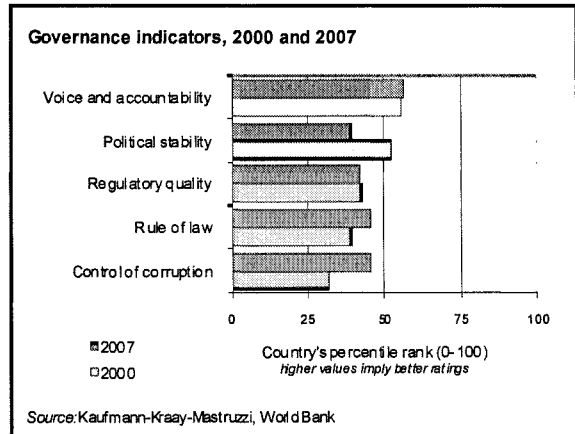
Balance of Payments and Trade	2000	2007
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	547	1622.6
Total merchandise imports (fob)	595	1,882
Net trade in goods and services	-324	-824
Workers' remittances and compensation of employees (receipts)	73	280
Current account balance as a % of GDP	-227 -9.4	-589 -9.6
Reserves, including gold	381	1,298
Central Government Finance		
<i>(% of GDP)</i>		
Current revenue (including grants)	15.7	21.3
Tax revenue	13.1	14.9
Current expenditure	11.6	12.8
Overall surplus/deficit	-6.6	-7.9
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	..

External Debt and Resource Flows

<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	2,980	1,436
Total debt service	94	80
Debt relief (HPC, MDR)	707	982
Total debt (% of GDP)	123.0	24.5
Total debt service (% of exports)	13.0	4.2
Foreign direct investment (net inflows)	82	185
Portfolio equity (net inflows)	0	6



Private Sector Development	2000	2008
Time required to start a business (days)	-	26
Cost to start a business (% of GNI per capita)	-	121.5
Time required to register property (days)	-	29
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2007
Access to/cost of financing	..	63.6
Corruption	..	48.7
Stock market capitalization (% of GDP)	..	..
Bank capital to asset ratio (%)	..	..



Technology and Infrastructure	2000	2007
Paved roads (% of total)	12.1	18.0
Fixed line and mobilephone subscribers (per 1,000 people)	0	21
High technology exports (% of manufactured exports)	14.8	4.0

Environment

Agricultural land (% of land area)	32	32
Forest area (% of land area)	10.7	10.3
Nationally protected areas (% of land area)	-	3.8
Freshwater resources per capita (cu. meters)	..	5,167
Freshwater withdrawal (% of internal resources)	10.9	..
CO2 emissions per capita (mt)	0.05	0.05
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	-	..
Energy use per capita (kg of oil equivalent)	-	..

World Bank Group portfolio

	2000	2007
<i>(US\$ millions)</i>		
IBRD		
Total debt outstanding and disbursed	0	0
Disbursements	0	0
Principal repayments	0	0
Interest payments	0	0
IDA		
Total debt outstanding and disbursed	957	452
Disbursements	49	139
Total debt service	14	3
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	78	7
Disbursements for IFC own account	57	7
Disbursements for IFC own account	0	0
Portfolio sales, prepayments and repayments for IFC own account	9	0
MIGA		
Gross exposure	0	16
New guarantees	0	0

Note: Figures in italics are for years other than those specified. 2007 data are preliminary.
.. indicates data are not available. - indicates observation is not applicable.

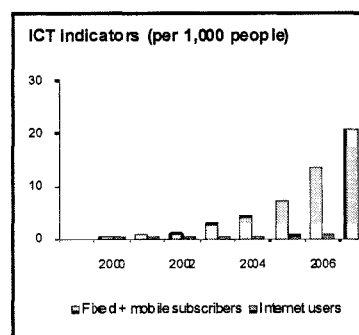
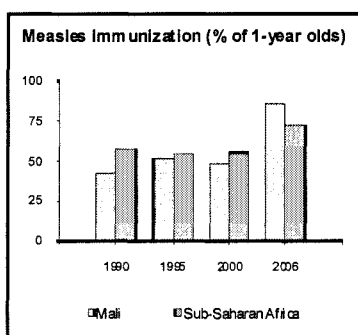
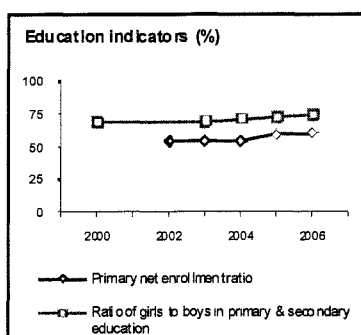
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Millennium Development Goals

Mali

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Mali			
	1990	1995	2000	2007
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	..	..	..	-
Poverty headcount ratio at national poverty line (% of population)	..	..	..	64.4
Share of income or consumption to the poorest quintile (%)	6.9	4.6	6.1	-
Prevalence of malnutrition (% of children under 5)	..	38.2	30.1	28.0
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrolment (net, %)	25	..	46	77
Primary completion rate (% of relevant age group)	10	13	33	49
Secondary school enrolment (gross, %)	8	..	19	28
Youth literacy rate (% of people ages 15-24)	..	..	24	-
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	57	..	68	69
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	..	..	50
Proportion of seats held by women in national parliament (%)	..	2	12	10
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	250	233	224	217
Infant mortality rate (per 1,000 live births)	140	131	124	119
Measles immunization (proportion of one-year olds immunized, %)	43	52	49	86
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	582
Births attended by skilled health staff (% of total)	..	40	41	-
Contraceptive prevalence (% of women ages 15-49)	..	7	8	-
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	1.5	1.5
Incidence of tuberculosis (per 100,000 people)	302	295	288	280
Tuberculosis cases detected under DOTS (%)	..	16	17	26
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	33	42	51	63
Access to improved sanitation facilities (% of population)	35	39	42	45
Forest area (% of total land area)	11.5	..	10.7	10.3
Nationally protected areas (% of total land area)	..	..	..	3.8
CO2 emissions (metric tons per capita)	0.1	0.1	0.1	0.1
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	..	..	..	-
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	0.1	0.2	0.4	0.7
Mobile phone subscribers (per 100 people)	0.0	0.0	0.1	20.1
Internet users (per 100 people)	0.0	0.0	0.1	0.8
Personal computers (per 100 people)	..	0.0	0.1	0.4



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

9/24/08

Development Economics, Development Data Group (DECDG).

Annex 9: Mali – Key Economic Indicators

	2003	2004	2005	2006	2007	2008 Est.	2009 Proj.	2010 Proj.
National accounts (as % GDP at current market prices)								
Gross domestic product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture ^a	35.8	33.4	33.7	36.9	36.5	35.0	35.0	35.1
Industry ^a	21.8	21.9	22.3	24.0	24.2	24.2	24.4	24.3
Services ^a	34.7	36.5	36.2	39.1	39.3	40.8	40.7	40.6
Total Consumption	...	...	...	70.8	74.0	77.7	73.5	73.9
Gross domestic fixed investment	21.1	21.7	22.3	23.4	23.3	20.4	19.4	19.7
Government investment	6.8	7.4	6.9	8.0	8.5	5.3	7.8	7.2
Private investment (includes increase in stocks)	14.3	14.3	15.4	15.4	14.8	15.1	11.6	12.5
Exports (GNFS) ^b	26.0	24.6	25.7	30.0	26.5	24.2	24.7	25.0
Imports (GNFS)	33.2	32.9	33.4	35.1	35.6	34.7	31.5	32.0
Gross domestic savings	14.0	13.5	13.7	18.3	14.2	9.9	12.6	12.7
Gross national savings ^c	15.0	13.4	14.1	19.4	15.5	12.4	12.8	12.9
<i>Memorandum items</i>								
Gross domestic product (US\$ million at current prices)	4362	4874	5,305	5,866	6,863	8129	8377	8913
Real annual growth rates (%, calculated from 1987 prices)								
Gross domestic product at market prices	7.4%	2.2%	6.1%	5.3%	4.3%	5.0%	3.9%	4.3%
Balance of Payments (US\$m)								
Exports (GNFS) ^b	1152.6	1236.8	1359.3	2133.8	2016.0	2104.9	2309.4	2489.4
Merchandise FOB	928.4	976.8	1099.6	1769.3	1622.6	1673.7	1902.6	2047.1
Imports (GNFS) ^b	1470.1	1645.7	1772.6	2496.1	2705.0	3022.9	2940.7	3185.2
Merchandise FOB	987.8	1094.1	1245.6	1711.5	1882.6	2080.5	2000.4	2204.9
Resource balance	-317.4	-408.9	-413.3	-362.3	-689.0	-918.0	-631.3	-695.7
Net current transfers (including official current transfers)	207.5	193.1	227.5	-284.5	-589.0	-702.4	-609.0	-675.7
Current account balance (after official capital grants)	-161.2	-278.3	-259.7	-284.5	-589.0	-702.4	-609.0	-675.7

	2003	2004	2005	2006	2007	2008 Est.	2009 Proj.	2010 Proj.
Net private foreign direct investment	130.8	58.5	61.2	186.7	280.1	311.2	233.4	231.2
Long-term loans (net)	130.6	86.7	206.8	135.0	157.1	498.4	922.0	653.1
Official	159.4	110.7	224.8	77.7	193.4	149.5	287.4	284.7
Private	-28.8	-24.0	-18.0	57.3	-137.8	14.5	-123.7	-29.9
Other capital (net, including errors and omissions)	-245.9	313.4	454.1	-270.8	-236.8	334.4	758.3	398.2
Change in reserves ^d	145.8	-180.3	-462.4	95.0	148.1	-116.0	421.0	49.0
<i>Memorandum items</i>								
Resource balance (% of GDP at current market prices)	-7.3%	-8.4%	-7.8%	-2.4%	-5.6%	-11.3%	-7.5%	-7.8%
Public finance (as % of GDP at current market prices) ^e								
Current revenues (incl. grants)	20.9	21.4	21.5	56.2	21.3	18.9	21.4	20.3
Current expenditures	12.9	13.6	13.5	12.9	12.8	11.7	13.6	13.2
Current account surplus (+) or deficit (-)	8.0	7.8	8.0	43.3	8.5	7.2	7.8	7.1
Capital expenditure	9.2	10.4	11.1	12.0	11.7	9.5	12.4	11.0
Foreign financing	6.7	5.6	6.0	7.3	6.6	4.5	7.2	7.1
Monetary indicators								
M2/GDP (at current market prices)	31.0	29.8	30.0	36.9	31.8	31.0	31.0	31.0
Growth of M2 (%)	25.5	-2.4	9.5	8.8	9.3	0.5	9.4	6.6
Private sector credit growth / total credit growth (%)	330.1	106.0	-48.7	-403.7	51.1	148.6	23.3	-550.0
Price indices(annual percentage change)								
Merchandise export price index	1.6	2.0	0.8	37.3	3.8	16.2	12.7	9.0
Merchandise import price index	2.8	0.5	13.9	6.2	3.4	13.4	-18.3	8.3
Merchandise terms of trade index	-1.1	1.5	-11.5	29.4	0.4	2.5	37.8	0.6
Consumer price index (% growth rate)	-1.3%	-3.1%	6.4%	1.5%	1.4%	9.1%	3.3%	1.9%
GDP deflator (% growth rate)	2.9%	-0.7%	2.1%	5.1%	2.6%	8.9%	3.2%	2.5%

Annex 10: Financing

(Percent of GDP)

	2009	2010
	Proj	Proj.
Revenue and grants	21.4	20.3
Total expenditure and net lending	26.0	24.2
Overall fiscal balance (payment order basis)		.
Including grants	-4.6	-3.9
Excluding grants	-9.5	-8.1
Adjustment to cash basis	-1.1	-1.3
Overall fiscal balance (cash basis, incl. grants)	-5.7	-5.2
External financing (net)	3.7	3.6
Domestic financing (net)	2.0	1.5
Banking system	-2.2	1.3
Privatization receipts	4.2	0.1
Other financing	-0.1	0.1
Financing gap	0	0

Sources: Ministry of Finance; and IMF staff estimates and projections.

Annex 11: Mali – Progress toward the Millennium Development Goals

Millennium Development Goals	MDG Status 2001	Current Status 2007	GPRSP target 2007	Likelihood of achieving MDG target by 2015
1. Poverty and Hunger				
<i>Eliminate extreme poverty</i>				
Incidence of poverty(%)	68.3	64.4	56.0	unlikely
Incidence of poverty in rural areas (%)	79.2	79.5	72.0	unlikely
<i>Eliminate hunger</i>				
Prevalence of malnutrition, underweight children below 5 years(%)	38.0		28.0	unlikely
2. Achieve universal primary education				
Gross primary enrollment rate (%)	64.4	77.6	77.0	Possible
Gross female enrollment rate (%)	53.7	68.0	66.8	
3. Promote gender equality				
Raise ratio of girls/boys in primary school to 100%	65.0	79.0	69.0	unlikely
4. Reduce child mortality				
Child mortality (per 1,000 under 5 years)	229.0	191.0	229.0	unlikely
5. Improve maternal health				
Maternal mortality (per 100,000 live births)	582.0	582.0	580.0	unlikely
6. Combat HIV/AIDS and others diseases				
HIV prevalence rate (%)	1.7	1.3	1.7	likely
7. Ensure environmental sustainability				
Proportion of individual with access to water: national	61.6	63.0	70.4	likely
<i>in which</i> rural	54.1	58.0	66.4	likely

Source: World Bank, GPRSP 2007-2011.

MALI

- SELECTED CITIES AND TOWNS
- ⊙ PROVINCE CAPITALS
- ⊕ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- REGION BOUNDARIES
- - - INTERNATIONAL BOUNDARIES



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