



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 10-May-2019 | Report No: PIDISDSA24173



BASIC INFORMATION

A. Basic Project Data

Country Mali	Project ID P164242	Project Name Mali Governance of Mining Sector	Parent Project ID (if any)
Region AFRICA	Estimated Appraisal Date 07-Mar-2019	Estimated Board Date 20-Jun-2019	Practice Area (Lead) Energy & Extractives
Financing Instrument Investment Project Financing	Borrower(s) Ministere des Finances	Implementing Agency Ministere des Mines	

Proposed Development Objective(s)

Strengthen the capacity of the mining sector to contribute to Mali’s medium-term growth and sustainable development objectives through improved sector management and governance.

Components

- Component A: Improving access to, and management of, mineral resources
- Component B: Strengthening governance and transparency of the extractive industries revenues
- Component C: Maximizing the contribution of extractive industries to shared growth
- Component D: Contingency emergency response
- Component E: Project coordination and training and project preparation facility

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	40.00
Total Financing	40.00
of which IBRD/IDA	40.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	40.00
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IDA Credit	40.00
Environmental Assessment Category	
B-Partial Assessment	
Decision	
The review did authorize the team to appraise and negotiate	

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Mali is a vast landlocked country affected by fragility, conflict, and violence.** Formerly, the land of several precolonial empires, for centuries, its northern city of Timbuktu has been a key regional trading center and center of Islamic culture. Modern-day Mali is a low-income country with a non-diversified economy that is vulnerable to commodity price fluctuations and climate change. Mali's population is estimated at 19 million (2018) with a high average growth rate at around 3% t per year and a median age of 16 years. The population is expected to reach 35 million in 2035. With a gross domestic product (GDP) per capita of around USD 763 in 2017, Mali remains a poor country. Its human capital development is constrained by a low adult literacy rate (33.07%) with a large gender disparity (While the male literacy rate is 45.07%, for females it is as low as 22.2%). In 2017, Mali ranked 154th out of 157 countries in the United Nations Human Capital Index. Mali is also one of the 19 most fragile countries in the world where development results are affected by Fragility, Conflict and Violence (FCV). The key drivers of fragility are economic uncertainty, poor governance, security and crime. Economic fragility is mainly due to the lack of economic opportunities, while security and crime-related fragility stems from multiple and complex interrelated factors that have led to the emergence of radicalized insurgent groups competing for control of power in the northern regions of Mali. Governance-related fragility results from incomplete decentralization and insufficient social accountability, which eventually undermined the authority of the state in some areas, particularly in the north. In 2015, a peace agreement was signed by the Government and two armed groups to end the conflict in the north of the country. The peace agreement has created the minimum conditions for the Malian authorities to address the challenges of poverty reduction, including in the North. However, implementation remains challenging as the security situation in North Mali remains volatile while intercommunal violence engulfs the Center of Mali and risks spreading to other regions.

2. **Mali's fragility was exacerbated by the 2012 crisis and its aftermath:** For the first time, the territorial integrity of Mali was threatened, raising concerns about Mali's internal capacity to cope with challenges to ensure physical security of its population. The conflict was not an isolated event but the result of pent-up frustrations and unresolved problems dating back to the early days of independence. The crisis demonstrated that one of the main challenges for Mali lies in nation building and political governance. The restoration of people's confidence in public administrations is becoming a priority and the evolution of the way in which Malian democracy operates is now emerging as a major issue. The system of consensus politics has led to the emergence of a procedural democracy with a bureaucracy characterized by elitist, urban-oriented policies and captured institutions which face difficulties to deliver quality services. The conflict has wiped out much of the progress made previously. Once the conflict erupted, 36% of the total



population of the north fled to the south of Mali and to neighboring countries. The crisis had dramatic effects on public infrastructure and services. The conflict reduced human mobility, limited access to markets and led to theft of assets. Farmers were cut off from their activities; traders were unable to move and herders with many livestock have been forced to leave conflict zones to settle in safer areas. The conflict has shaken investor confidence, decimated the Malian tourism industry and led to a virtual withdrawal of donor support. The northern half and central areas of the country continue to face significantly instability.

3. **The multidimensional crisis has had a considerable impact on the country's economic fragility, but the mining sector helped to mitigate the impact.** Although mining could contribute to the dynamics of conflict and therefore exacerbate fragility, it played a mitigating role during the 2012 crisis. Unlike similar situations in the DRC, Sierra Leone and Liberia, non-state actors did not take control of the sector or use its revenues to fuel the conflict. This is partly because Mali has a solid mining tradition and is well-integrated in the community. While mining is not a major contributor to GDP, it is a key driver of growth through Foreign Direct Investment (FDI), exports, and local purchases. During the crisis, mining played a mitigating role when the drop of economic activity was partly offset by a strong performance of gold mining (+7.5%)¹. Mineral production also helped to mitigate the decline in the secondary (manufacturing) sector and to avoid a recession². Real GDP growth reached 4.9% in 2018 slightly below 5.4% in 2017 and is expected to remain at the 5% level in the medium term, in line with Mali's past performance and long-term potential. The economic structure has not changed much since the 1990s, but mining has the potential to make a greater contribution to GDP and to reduction of extreme poverty (estimated to have declined from 46.3% in 2015 to 42.7% in 2017).

4. **Mining has the potential to strengthen Mali's resilience by stimulating growth, creating new economic opportunities, and generating revenues for social services.** Mali has historically relied on mining as a driver of exports. The mining tradition dates to 1433, when Malian Emperor Kankou Musa famously brought down world gold prices by flooding the Middle East with Malian gold on his way to pilgrimage to Mecca. Since these ancient times, mining continues to be a source of alternative livelihood for many Malians (second only to agriculture). Artisanal and small-scale mining (ASM) occupies about 400,000 people and an estimated 2.2 million dependents, most of whom are young people³. Industrial-scale mining did not start until the 1970s when donor-funded large exploration program led to the discovery of new deposits. As a result, the Kalana gold mine was developed in South-Western Mali with technical assistance from the then Soviet Union. During the following decade, UN-funded exploration programs using soil geochemistry led to the discovery of several gold deposits and the subsequent development of the Syama gold mine. The 1990s saw the intensification of exploration activities and the discovery of new world class gold mines. During this period, seven gold deposits were discovered, including three in the southern part of the country (Syama, Morila, Kalana) and four in the west of the country (Sadiola, Yatela, Loulo, Tabakoto). However, most of these mines are at or near depletion. To leverage industrial mining with a view to build economic resilience, the Government adopted in 1994 a strategy aimed at developing the mining sector to offset or reduce the dependence on rain-fed agriculture. The implementation of this strategy enabled Mali's economy to achieve remarkable resilience. Thanks in part to the sustained growth of the mining sector, Mali has achieved economic resilience in the face of adverse shocks, recurring droughts and major conflict that led to the 2012 economic and political crisis. The government recently adopted a new mining policy aimed at diversifying and integrating mining production into the economy as a factor of sustainable development. Figure 1 shows how mining contributed to Mali's resilience by playing a counter-cyclical role throughout

¹ Mali Economic Update Janvier 2013

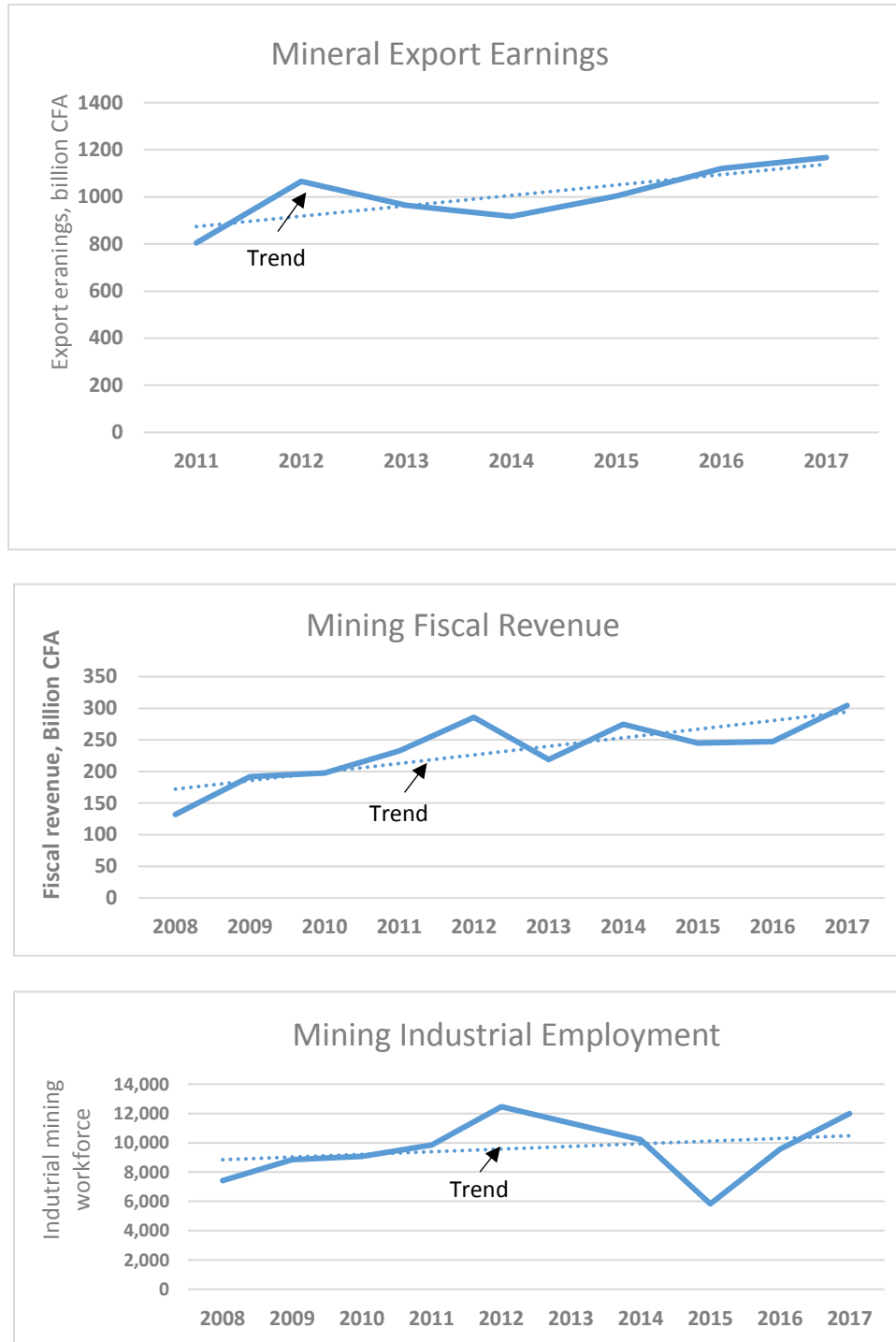
² Socioeconomic and Fiscal Impact of Large-Scale Gold Mining in Mali – WP S 7467

³ G. Hilson: Artisanal Small Scale Mining and Agriculture, Exploring their Links in Sub-Saharan Africa. IIED, 2016.



the crisis years by offsetting decline in other sectors with strong export earnings and fiscal performance, and robust employment.

Figure 1: Mining Contribution to Economic Resilience of Mali



Source: Graphs prepared from data compiled by the Ministry of Mines and Petroleum

5. **Mining can also contribute to peace consolidation and stability by stimulating local development and shared growth around mining districts.** The decentralization process in Mali, which was initiated in the late 1990s, resulted in establishment of autonomous local authorities (703 communes, 56 counties and 10 regions plus the District of Bamako) with specific responsibilities related to the provision of public services, particularly in health, education and water management. In the early days of decentralization, local authorities became responsible for managing the civil registry, administrative affairs including archives and budget, and sanitation. In 2002, additional responsibilities were transferred in the areas of health, education and water management and most recently mining in 2017. Pursuant to the Algiers Peace Agreement, local governments are responsible for their own economic, social and cultural development programs through the management of their own resources, which are mainly made up of resources transferred by the central government. One of the main resources available for mining communities is the local business tax known as *patente*, which is distributed according to the following allocation ratio: 60% to municipalities, 25% to counties and 15% to regions. These receipts are paid to the public treasury through the decentralized regional unit of the General Directorate of Taxation (DGI) for the benefit of the eligible municipalities. Although they represent only between 2.3 and 2.5% of total mining revenues, local business taxes from mining companies' revenues are significant source of income for mining districts. Table 1 presents the magnitude of payments made by large-scale mining companies to local communities within mining districts. According to the 2018 EITI report covering fiscal year 2016, the payments made by the mining companies in the form of *patente* grew from about 4.1 billion CFA in 2015 to 5.2 billion CFA francs in 2016. These amounts were paid to the mining communities of Kayes, Kénieba, Sikasso, Bougouni, Kadiolo, Yanfolila where they were used to finance local development projects. There are 15 mining communities currently receiving and managing receiving mining local business taxes (see Table 2).

Table 1: Local contributions paid by large-scale mining companies in 2015 (in FCFA)

Company	Locality	Business license tax (Patente)	Corporate Contributions	Road taxes	Total
YATELA SA	Sadiola	290,303,390	29,030,340	14,515,169	333,848,899
SEMOS SA	Sadiola	457,794,400	45,779,440	22,889,725	526,463,565
BME SARL	Sadiola	4,619,880	461,990	230,993	5,312,863
LTA MALI SA	Sadiola	55,386,708	5,538,670	2,769,336	63,694,714
BLY MALI SA	Sadiola	86,208,035	8,620,800	4,310,402	99,139,237
SOMILO SA	Loulo	1,062,798,122	106,279,813	53,139,906	1,222,217,841
SEMICO SA	Tabacoto	275,445,893	27,544,589	13,772,295	316,762,777
Goukoto SA	Kenieba	490,705,563	49,070,556	24,535,278	564,311,397
GMS	Tabacoto	2,637,355	263,735	131,868	3,032,958

Total		2,725,899,346	272,589,933	136,294,972	3,134,784,251
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Source: Ministry of Mines and Petroleum

Table 2: List of mining communities receiving and managing mining business taxes

N°	COMMUNITY	MINE	MINING COMPANY	COUNTY	REGION
1	Sadiola	Sadiola	SEMOS SA	Kayes	Kayes
2		Yatéla	YATELA SA	Kayes	Kayes
3	Sitakily	Kofi	SEMIKO SA	Kéniéba	Kayes
4	Sitakily	Segala	SEMIKO SA	Kéniéba	Kayes
5	Sitakily	Loulo	SOMILO SA	Kéniéba	Kayes
6	Kéniéba	Gouunkoto	GOUNKOTO SA	Kéniéba	Kayes
7	Kéniéba	Fekola	FEKOLA SA	Kéniéba	Kayes
8	Sanso	Morila	MORILA SA	Bougouni	Sikasso
9	Domba				
10	Gouandiaka	Kalana	SOMIKA SA	Yanfolila	Sikasso
11	Gouandiaka	Kodiéran	WASSOUL'OR SA	Yanfolila	Sikasso
12	Séré Moussa ani Samou	Komana	SOCIETE MINIERE DE KOMANA (SMK SA)	Yanfolila	Sikasso
13	Finkolo Ganadougou	Nampala	NAMPALA SA	Sikasso	Sikasso
14	N'Tjikouna				
15	Fourou	Syama	SOMISY SA	Kadiolo	Sikasso

Source: Ministry of Mines and Petroleum

B. Sectoral and Institutional Context

Economic potential of mining

6. **Basic geological work has been undertaken in Mali, largely financed with foreign aid, confirming that Mali has promising mineral potential.** Regional surveys have identified significant potential for a diversified resource base. These include, for example, lithium (in Bougoun), kaolin (in Gao), bauxite (resources of 120 million tonnes in Sitadina, Kita, Kenieba), iron ore (resources of 1360 million tonnes in areas such as Kita, Kéniéba, Diamou), and other minerals. Table 3 summarizes the known mineral potential of Mali. The mineral potential is yet to be developed, however, because of insufficient exploration and development investment by the private sector, largely due to deficient government policies and weak sector institutions. In addition, large amounts of geological data generated has not been properly organized, synthesized and made readily available to potential investors. Mali's geological coverage is also incomplete. While most geological work focused on gold bearing formations within the Birrimian greenstone belt, the sedimentary basin, which is critical to the diversification of the mineral potential outside the gold sector, is yet to be explored. Thus, mineral production is focused on gold, which has more than doubled in the past ten years to an average of 50 metric tons per year. In addition, there is an estimated production of 20 metric tons of gold from artisanal and small-scale mining (ASM), bringing total production to about 70 metric tons a year. The diversification of mineral production through the development of non-gold resources would stimulate sector growth and mitigate volatility arising from heavy reliance on gold production.

Table 3: Mali's Mineral Potential



Mineral	Estimated resources
Gold	800 metric tons
Phosphates	20 million metric tons (Tilemsi)
Limestone	40 million metric tons (Bafoulabé, Hombori)
Salt	53 million metric tons (Taoudéni)
Bauxite	1.2 billion metric tons (Kayes, and West of Bamako)
Iron	2 billion metric tons (Kayes)
Manganese	10 million metric tons (Ansongo)
Bituminous shale	10 billion metric tons
Marble	60 million metric tons
Lignite	prospects discovered in the Gao region
Gypsum	405 000 metric tons
Uranium	5 000 metric tons of d'U3O6 and 200 metric tons of U3O2 at 0,085 %
Lead-zinc	1.7 million metric tons

Source: Ministry of Mines and Petroleum

7. **The mining sector is critical to the economic development of Mali.** Sector revenues contribute about 7% to the GDP, tax revenues generated by gold are around 250 billion FCFA and mining exports constituted 68% of total exports in 2016. The mining sector has the potential to make a significant contribution to the sustainable development objectives of the Government and, for this reason, is a priority area for policy support by the government. The government has adopted a new mining policy, which sets the priorities of the mining sector with the following actions:

- Strengthen knowledge and mapping of the mining and geological potential of Mali's subsoil;
- Develop learning and training in the mining and oil fields (mining school);
- Better support the mining contracts and strengthen the independent monitoring of the sector; and
- Strengthen partnerships between mining companies and the Malian private sector.

8. With the new mining policy, the government aims to diversify and integrate mining production into the economy as a factor of sustainable development, as well as to meet the challenges of governance, transparency and protection of the environment. The new mining policy also aims to establish an enabling environment for private sector development.

9. **The Government of Mali has prepared a strategy paper for growth and poverty reduction for the period 2016-2018, known as the "Strategic Framework for the Economic Recovery and Sustainable Development of Mali" (CREDD).** Through CREDD, the government has defined sustainability goals achievable by 2030, based on the potential and resilience of the country to maintain a growth trajectory focused on inclusive development, reducing poverty and inequalities in a peaceful and united Mali. The first phase of the CREDD (2016-2018) has just ended and the new CREDD (2019-2023) aims at the following strategic objectives: (i) consolidation of democracy and improvement of governance, (ii) restoration of peace and security and strengthening of living together, (iii) inclusive growth and structural transformation of the economy, (iv) environmental protection and resilience to climate change, and (v) human capital development. Overall, CREDD aims to reduce the incidence of poverty from 44.9% in 2017 to 40% in 2023. Mining is one of the key sectors expected to enable Mali to achieve the objectives of the new CREDD.

10. **The Government intends to leverage the mining sector as a catalyst for inclusive multi-sectoral growth toward the objective of achieving emerging country status for Mali.** A well-performing and sustainable extractive



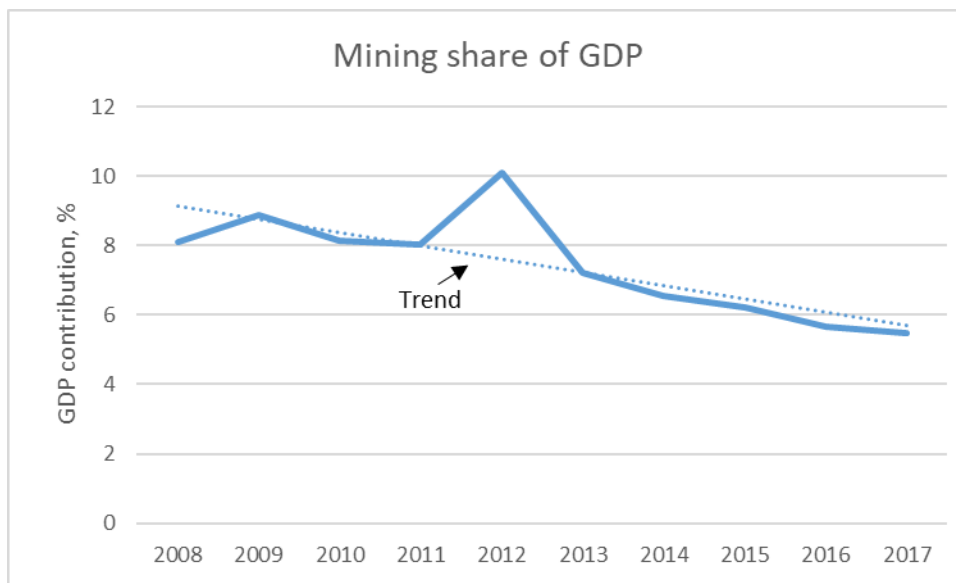
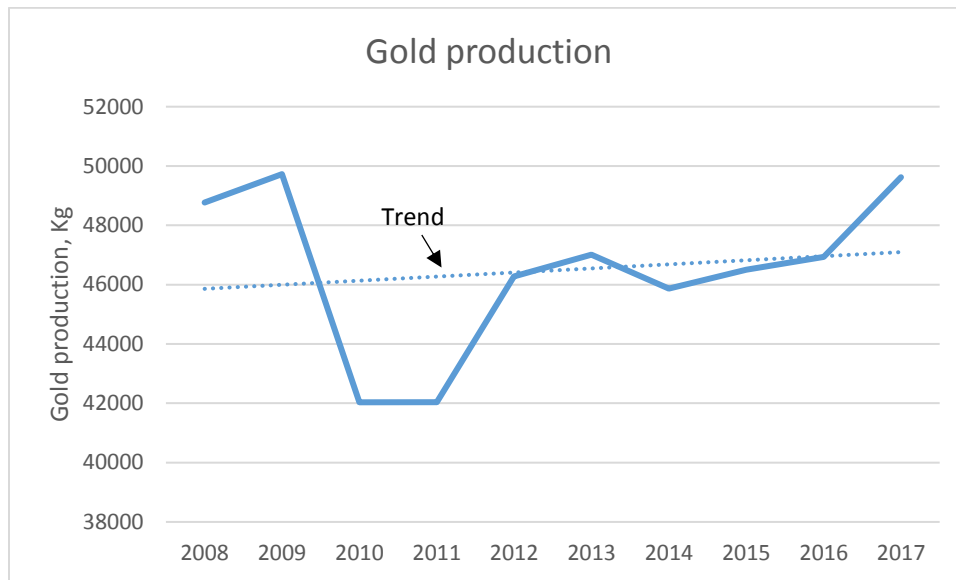
sector is expected to address the financing needs of the Government, the creation of economic linkages with other sectors, the reduction of economic volatility, and the creation of jobs, especially for the youth. To this end, the Government's objectives for the mining sector within the new CREDD are: (i) to ensure the diversity of mineral discoveries by deepening the knowledge of the geological potential through acquisition of new geo-scientific data; (ii) to create an enabling environment for investment into expanding current gold production as new development of minerals outside the gold sector; (iii) to promote the sustainable development of small-scale mining for gold and industrial minerals; (iv) to strengthen Government capacity to manage the sector; and (v) to improve the governance of extractive industries revenues. The Government also intends to leverage the FDI potential of the mining sector to maximize finance for development and stimulate public-private partnerships to develop social infrastructure around mining communities through operationalization of initiatives such as the "Power of the Mine".⁴ In addition to this, the Government is seeking to retain existing investment in operating mines, but also attract new investment.

Sector Challenges and Constraints

11. **Despite its significant potential, the performance of the mining sector has been below expectation.** For the country's significant mining potential to be realized, Mali needs to grow and diversify mineral production, improve sector governance, and stimulate mining-led broad-based growth. Over the years, the World Bank has supported Mali in making the most out of its mining sector (see Paragraph 36), but there are still several challenges ahead. First, the major mines which fueled production growth in Mali are nearing their depletion point (the Morila mine is scheduled to be closed down in 2020 after nearly 20 years of operation; the Yatela mine has already been depleted and in care maintenance; the Sadiola mine is nearing depletion after 20 years of operation, but its life could be extended by another 10 years if new proposed investment goes forward). As Figure 2 shows, industrial gold production trend has been nearly flat since 2008, while mining contribution to GDP has been declining in view of the slow pace of developing new mines. With the depletion of mineral reserves and price volatility, the challenge faced by Mali is to strengthen the ability of the mining sector to serve as a buffer during economic shocks or political crises. This is achieved by stimulating investment toward the expansion of current operations, attracting new FDI in exploration within and outside the gold-bearing greenstone belt, and promoting linkages to achieve mining-led broad-based growth.

Figure 2: Evidence of Nearly Flat Gold Production and Declining GDP Contribution Trends

⁴ See [Sudeshna Ghosh Banerjee, Zayra Romo, Gary McMahon, Perrine Toledano, Peter Robinson, Ines Perez Arroyo. The Power of the Mine: A Transformative Opportunity for Sub-Saharan Africa. The World Bank Group. 2015.](#)



Source: Source: Prepared from data provided by the Ministry of Mines and Petroleum

12. **Investment opportunities are limited due to lack of reliable geoscientific data to promote the sector.** The National Geology and Mines Department lacks modern geological and mining information systems to set up geoscientific databases and effectively promote the country’s mineral resources by producing basis geological maps of prospective areas. The geoscientific database includes about 80 survey and aerial maps at 1/200 000 scale, and about 50 maps at scales varying from 1/1,500,000 to 1/500,000. The Department has a datacenter with a limited number of electronically archived documents. This inventory of data is inadequate for a country with a total land area of 1,241,000, square kilometers, a third of which is desert. The dearth of new gold discoveries is affecting the sector through depletion of known resources and a push toward marginal resources with high costs of production. Mali has about 23,000 square kilometers of greenstone belt formations which are known to host significant mineralization in other parts of the world. For instance, Mali has been able to develop only 13 gold deposits of which 11 are in production so far, which is well



below its potential. By comparison, 5 times as many mines were developed in the Abitibi region of Western Quebec, Canada, over a similar stretch of greenstone belt. Due to limited knowledge of the geological potential of the greenstone belt of Mali, FDI into the mining sector has been relatively low compared to Ghana or Guinea which also host the same formations. Annual FDI averaged about US\$34 million between 2011 and 2017, dipping to US\$14 million in 2014, but recovering vigorously in 2015 and 2016.⁵

13. **Weak institutional capacity severely limits the Government's ability to properly manage the sector.** The management of the mining sector is shared among eight entities: President's Office, Prime Minister's Office, Ministry of Mines, Ministry of Finance, Mali Investment Promotion Agency, Chamber of Mines, and National Extractive Industries Transparency Initiative (EITI) Secretariat. These entities not only suffer from low capacity, their efficiency is further diminished because of duplication of efforts and sometimes institutional conflicts. The lack of unified voice on the position of the Government with respect to key mining policy and fiscal issues is straining relationships with investors and increasing risk perceptions about regulatory stability.

14. **The potential of ASM is constrained by informality, as well as environmental and social problems:** ASM is a traditional, often informal, village-based activity with significant potential for rural employment. It is currently focused on extracting—by manual or semi-mechanized methods—the gold contained in the primary alluvial and mountainside deposits. Manual mining and panning of gold employ an estimated 400,000 people, including migrants from neighboring countries, women, and the youth. The ASM occupation is regulated by the mining law, but ASM workers often operate in the informal sector and rarely follow the requirements of the law. The modus operandi is often inefficient and environmentally destructive. In addition, revenues generated from the activity follow informal channels to avoid paying taxes. The ASM activity is also associated with significant social, safety, health, and environmental problems and risks. However, it also offers upside potential. For instance, it is a source of alternative employment to the youth in rural areas. Sometimes ASM workers encroach mining concessions held by large-scale investors, creating the possibility of tensions and conflict with mining companies. Most of them are young people living in neighboring communities in mining areas. There are also children, some of whom are of school age.

15. **Weak resource governance prevents maximum value realization from the mining sector.** Mali has been implementing the Extractive Industries Transparency Initiative (EITI) since 2007. In May 2017, the International EITI Board agreed that Mali has made significant progress in implementing the 2016 EITI Standard but found several weaknesses which must be addressed to improve resource governance. These included: the governance of the multi-stakeholder group, the granting and management of licenses, the completeness and reliability of the data, the disclosure of sub-national transfers, the systematic disclosure of data by government entities actively involved in the EITI reporting, and the inclusion of artisanal and small-scale activities in EITI reports. At the local level, mining revenues generated from the patent are predominantly used to fund the running costs of local government instead of delivery of social services. Moreover, not all funds received by central government are transferred to local communities. For instance, the 2018 EITI report includes a significant discrepancy of 328 million CFA francs between the disclosure mining companies and those made by the central tax authorities. These lapses often affect the global ranking of Mali with respect to resource governance. In the 2017 Resource Governance Index⁶, Mali ranked 35th out of 81 countries and had a score of 53 out of 100. It ranked among countries where weak governance limited society's benefits from mining. Although Mali had a good resource revenue management score (70 out of 100), it scored poorly in terms of the quality of the enabling environment (42 out of 100) which in turn affected the value realization score (48 out of 100). Mali's

⁵ Data from Banque Centrale des Etats de l'Afrique de l'Ouest, Direction nationale pour le Mali.

⁶ Natural Resource Institute: 2017 Resource Governance Index <https://resourcegovernance.org/sites/default/files/documents/2017-resource-governance-index.pdf>



poor resource governance ranking reflects the weakness or absence of policies and regulations which promote mineral-induced, broad-based, and shared growth. There is an opportunity to use mining revenues to stimulate local development through participatory budgetary processes.

Gender Analysis

16. Women represent half of the artisanal mining workforce, but they face significant historical and cultural constraints to empowerment. In Mali, an estimated 50% of artisanal miners are women. However, gender gaps are acutely pronounced in the mining-related economic activities as well as at the household level in mining communities. As identified in the 2015 World Bank Systematic Country Diagnostic (SCD) for Mali, women face considerable social, economic and institutional barriers. On the 2017 Global Gender Gap Index, Mali ranks 139th out of 144 countries listed, and 126th on economic participation and opportunity.⁷ UN Women estimated that more than 35% of Malian women are victims of sexual violence at least once in their lives.⁸ With limited voice and power of action, little control over household income and restricted access to means of production, women are therefore marginalized into less profitable activities and an environment that prevent them from being vocal about their disadvantageous situations.⁹

17. When engaging in economic activities in ASM communities, women are relegated to low-pay occupations: supply of goods in the mines, upkeep of children, and up to 90% of the panning of alluvial gold. Many women work as temporary helpers for different groups of miners, mainly in the crushing and washing of waste rock, or for cooking and cleaning. The remuneration for this work is often low and poorly defined. Very often women are paid in kind (waste rock rather than gold), and while working side-by-side with men on gold digging, cultural tradition dictates that women turn over all gold to their husbands, who remain the sole owners of family assets. Although women are legally entitled to acquire artisanal mining rights, women face stiff competition as well as cultural barriers in trying to become mine title holders. Some activities in the value chain, such as direct extraction from pits, are off-limit to women due to cultural and religious beliefs. Women who chose to earn a living from mining often must combine their work with household chores and child care. As a result, children are uprooted from the normal setting and brought up around mine sites where they are exposed to risks of accident and disease.

18. In the meantime, as important stakeholders in poverty reduction and community well-being, women's contribution to social capital, which features elements of social organizations, networks, norms, and trust, is a crucial aspect in artisanal mining communities in Mali.¹⁰ Assessment on Malian women's economic situation has shown that women require attention to the specificities of their income generating activities, need support for women's organizations, and wish for more access to more types of productive activities to gain autonomous management of their own business.¹¹ In the mining sector, women have organized themselves into women miners' associations to advocate gender-sensitive policies and enhance capacity building and economic empowerment of their members.

⁷ World Economic Forum. *The Global Gender Gap Report 2017*. World Economic Forum. Geneva, Switzerland. 2017.

⁸ Habibatou Gologo. *16 Days of Activism against Gender-Based Violence*. The World Bank Group. 2019.

⁹ The World Bank Group. *Mali Systematic Country Diagnostic*. The World Bank Group. Washington DC. June 22, 2015.

¹⁰ Jennifer J. Hinton, Marcello M. Veiga, Christian Beinhoff. *Chapter 11: Women and Artisanal Mining: Gender Roles and the Road Ahead. The Socio-Economic Impacts of Artisanal and Small-Scale Mining in Developing Countries*. Ed. G. Hilson, Pub. A.A. Balkema, Swets Publishers. Netherlands. 2003.

¹¹ African Development Bank, Islamic Development Bank, The United Nations, the World Bank Group. *Assessing Recovery and Development Priorities in Mali's Conflict-Affected Regions*. The World Bank Group. Washington DC. March 2016.



C. Proposed Development Objective(s)

19. The objective is to strengthen the capacity of the mining sector to contribute to Mali's medium-term growth and sustainable development objectives.

Development Objective(s) (From PAD)

20. Strengthen the capacity of the mining sector to contribute to sustainable, inclusive and shared growth, through improved sector management and governance.

Key Results

21. The PDO-level indicators are:

- Expanded geological coverage (share of the high-potential greenstone belt area covered by geological survey).
- Conducive environment for growth and diversification of the mining sector (Fraser Institute Mining Investment Attractiveness Index).
- Adequate institutional capacity to manage the sector (institutional effectiveness assessment).
- Improved governance of extractive industries (resource governance index).
- Rationalization of artisanal and small-scale mining (number of ASM cooperatives established and supported under the project).
- Economic empowerment of women in mining (percentage of women in mining supported by the project).

D. Project Description

22. The project aims to improve the contribution of the mining sector to the Government's long-term growth objectives by emphasizing growth and diversification of mineral production, improved governance and extractive revenues, and mining-induced local economic development. To this end, the project's activities focus on (i) improving the enabling environment for diversification and growth of the mining sector; (ii) strengthening resource governance and transparency; and (iii) maximizing the socio-economic impact of mining by developing economic and fiscal linkages with the local economy. The proposed project components are described below.

Component A: Creating conditions for growth and diversification of the mineral sector (US\$19.00 million)

23. This component aims to build the Government's institutional capacity for sustainable management of the mineral sector. Activities proposed for support under this component include:

24. **Subcomponent A1 – Improving and expanding geological coverage (US\$14.20 million):** This subcomponent aims to improve geological knowledge to promote new gold potential and attract investment into non-gold minerals with a view to diversifying mineral production. It will support: (i) detailed geological mapping (ground geophysical survey) and associated capacity building of prospective areas on a more detailed scale at 1/50,000 covering 14 topographic sheets, and targeted geological ground works in 20 areas designated as ASM corridors; (ii) regional geological mapping (airborne geophysical survey) at 1/200,000 scale covering 16 sheets of high potential localities: Kayes / Bakel, Kankossa, Yelimane, Sandare, Bafoulabe, Bafing-Makana, Nioro, Diema, Kita, Sirakoro, Kolokani, Banamba, Dioila, Koutiala and Sikasso; and (iii) design and implementation of geodata use protocols to ensure transparency and efficiency of end uses for data.



25. **Subcomponent A2 - Updating the policy and regulatory framework in support of diversification of mineral production (US\$0.60 million):** This subcomponent will support consulting services aimed at: (i) updating the mining policies and regulations to encourage exploration investment outside the gold sector; (ii) drafting specific environmental, social, health and safety regulations for mining, and mine closure policies; and (iii) preparing a policy and regulatory framework for ASM, including social regulations and guidelines on gender and child labor.

26. **Subcomponent A3 - Strengthening institutional arrangements and capacity for efficient management of the mineral sector (US\$4.20 million):** The activities under this subcomponent support: (i) organizational structuring to improve regulatory management of the sector (including establishment of ASM Unit and inter-ministerial mining unit, and strengthening inspection and mineral sector promotion functions); and (ii) institutional capacity building of the Senior Ministry staff and the established Inter-Ministerial mining unit on contract negotiations (including financial and economic modeling, review of technical and feasibility reports, updating model agreements for specific commodities, and developing negotiations strategies) and contract monitoring (including training for inspections of operations, technical, environmental and financial audits, and market trend monitoring).

Component B: Strengthening Revenue Transparency and Governance (US\$3.10 million)

27. This component aims to leverage and complement Bank-funded and donor-funded governance enhancement projects to improve extractive revenue transparency at the national and local levels, and to build the capacity of local governments to manage revenues from extractive industries as well as other revenues received pursuant to the Agreement of Peace and Reconciliation signed in 2015 to transfer of up to 30% of budget revenues to local governments. The project will complement Bank support for strengthening fiscal management in local governments (with a focus on the mining districts) for better service delivery by strengthening transparency, traceability and accountability of mining revenues. It will also coordinate with, and leverage the activities of, donor interventions for mining governance in Mali. These include: (i) OECD supply chain due diligence implementation support consisting of capacity building and advice on implementation of the OECD guidance in the mining sector, capacity building of local law enforcement to monitor money laundering and terrorism financing, and development of a network of tripartite risk monitoring units in mineral producing areas; (ii) the GIZ-funded *extractive sector governance enhancement project* (project No. 2014.1512.3) which supports improving tax collection and supervision in the extractive sector, enhancing transparency and the role of civil society in reform processes in the extractive sector, and establishing a sectoral database to improve accountability; and (iii) the Canada-funded Extractive Sector Monitoring Project (*Projet d'Amélioration de la Surveillance de l'Industrie extractive en Afrique francophone subsaharienne*) which focuses on building the capacity of the Public Auditor's Office (*Contrôle Général des Services Publics du Mali*) and other relevant stakeholders to monitor the extractive industries. In view of the concurrent support provided by these governance projects, the scope this component is limited to two sub-components:

28. **Sub-Component B1 - Improving extractive revenue transparency (US\$1.60 million):** This sub-component will support the Mali EITI Secretariat through consulting, outreach activities and studies aimed at improving sector governance through: (i) enhancing the disclosure mechanism for subnational transfers to reinforce revenue reconciliation activities for subnational transfers at the level of three local authorities in Mali (region, circle and commune); (ii) developing and implementing a mining sector beneficial ownership roadmap; and (iii) integrating ASM sector data into EITI reports to improve transparency of revenues from artisanal mining.



29. **Sub-Component B2 - Promoting social accountability and direct citizen engagement in managing extractive industry revenues at the national and local levels (\$1.50 million):** This sub-component emphasizes provision of support for consultative processes to strengthen social accountability and participatory decision making about revenue management by: (i) support of feasibility study and implementation of the integration of EI data on a digital platform encompassing all data on the extractive sector (tax data, public treasures, customs, etc.); and (ii) promoting public awareness of extractive revenue data through debates on the governance and transparency of social payments, corporate social responsibility (CSR) and other contextual data related to the extractive sector (dissemination of EITI information on a large scale, translation of data in computer graphics, local language, production of skits, organization of events around the EITI process, communication tools and animation of EITI Clubs in the universities).

Component C: Maximizing the Local Development Impact of Mining (US\$12.4 million)

30. This component focuses on upstream TA to pilot linkages between ongoing private and public initiatives with a view to maximize the economic impact of mining and to ensure that benefits are widely shared. It emphasizes: (i) supporting the rationalization of small-scale mining, an activity which has a potential to benefit directly 400,000 people and an estimated 2.2 million dependents; (ii) leveraging private mining investments in clean energy to improve access to energy in rural areas (for instance facilitating the use of mine solar power investments to improve energy access for an estimated 15,000 people around mining operations); and supporting economic empowerment of women, who represent 50% of the ASM workforce. Accordingly, the following subcomponents will be supported:

31. **Subcomponent C1 - Promoting responsible development of small-scale and artisanal mining (US\$6.00 million):** Rationalization and formalization of ASM could pave the way for the emergence of a class of local mining entrepreneurs who are fully integrated into the economy. This could also provide a viable alternative for youth employment. The key activities include building the capacity of the Ministry of Mines to: (i) provide technical (geological and mining) advisory services to delineate ASM blocks and design sustainable mine plans, organize and register ASM actors, establish chain of custody and responsible supply chains, issue ASM authorizations and monitor activities; (ii) acquire and set up demonstration units to train miners and demonstrate acceptable ASM practices; and (iii) conduct ASM environmental management, including motoring of water pollution management in ASM areas, diagnosis/mapping of water pollution, and establishment and implementation of mitigation measures, monitoring and alert system of potential large-scale ASM pollution.

32. **Subcomponent C2 – Maximizing mining-led local development (US\$3.00 million):** this component will support carrying out a program of activities aimed at assisting the Government to maximize mining-led local development including: (i) strengthening select local entities' capacity to manage mining revenues through the piloting of participatory mechanisms for budget allocation and investment planning; (ii) provision of technical assistance designed to maximize local development derived from mining activities (excluding any implementation and/or infrastructure investments) ; and (iii) developing a strategic framework to leverage solar power investments plans and improve local communities' access to clean energy access in mining areas.

33. **Subcomponent C3 – Economic empowerment of women and youth in mining (US\$3.40 million):** To address gender gaps in Mali's ASM sector and youth unemployment, this subcomponent will support economic empowerment of women and youth in artisanal mining by: (i) supporting two women miners associations (AFEMINE and FEMINA) to be trainers of their members in non-mining occupations in which women have a comparative advantage (for instance collection, cutting, polishing and crafting of semi-precious stones for jewelry or art); (ii) training mining youth groups to in non-mining alternative livelihoods, such as reclamation, restoration and conversion of previously mined ASM



sites into vegetable farming cooperatives; (iii) supporting the outreach activities of organizations involved in awareness-raising and prevention of resource conflicts at the community level and gender-based violence (GBV) in mining areas.

Component D: Contingency Emergency Response (US\$0.00)

34. The objective of this component is to provide support for immediate response to an eligible crisis or emergency. The contingency is triggered in the event of a natural or man-made crisis that has caused or is likely to imminently cause a major adverse economic and/or social impact to Mali. Eligible crisis or emergency may include an epidemic (such as an Ebola crisis) or a climate-related natural disaster. The component allocates US\$ 0 funding, but if an emergency is triggered, funding may be reallocated to the component from other components.

Component E: Project Coordination and Training (US\$4.00 million)

35. The objective of this component is to strengthen the Government's capacity for coordination and management of the Project including supporting the enhancement of, inter alia: (i) project management and coordination; (ii) training, advisory services, and knowledge exchange; (iii) fiduciary management; (iv) safeguard management; and (v) monitoring and evaluation (M&E).

Project Preparation Advance (US\$1.50 million)

36. The proposed credit includes a Project Preparation Advance (PPA) of US\$1.5 million. The PPA was designed to support the initial project preparation and management, procurement of office equipment, and safeguards related studies, including the preparation of the Strategic Environmental and Social Assessment (SESA).



E. Implementation

37. A Project Coordination Unit (PCU) will be established within MMP with support from the Project Preparation Advance. The implementation arrangements include a Project Steering Committee (PSC) at the Ministerial Level, an Inter-Ministerial Implementation Committee, and a Project Coordination Team including a Coordinator, an Extractive Industries Specialist, and a Procurement and FM Specialists. During the Preparation Phase, the project will be supported by an existing PCU with over 15 years of experience with Bank-funded projects. This PCU, called PAAR (Rural Mobility and Connectivity Project - P160505) is anchored in the Ministry of Infrastructure and will provide fiduciary and safeguard support and training to the new PCU being established under MMP. The PAAR will also assist with the drafting of the Project Implementation Manual (PIM), which will be finalized prior to project effectiveness.

38. During the preparation phase a PPA of US\$1.5 million will be used to support of the implementation arrangements, including setting up the PCU and undertaking preparatory activities. More specifically, PPA funds will be primarily used for (1) preparatory studies to inform project design, conduct baseline studies, and prepare safeguard instruments (including the SESA); (2) fund implementation of PPA activities, including a technical implementation unit and a fiduciary management agency; and (3) support of pilot projects and proof of concepts for innovative activities to be supported under the project. During the PPA phase, support of implementation arrangements involve funding the incremental cost of the technical unit at the Ministry of Mines and the fiduciary management fees of a National Coordination Unit in the Infrastructure Ministry under a Bank-funded Project (Rural Mobility and Connectivity Project - P160505-PAAR). After the PPA Phase, the project management component will cover the cost of the new PCU at the Ministry of Mines as well as any additional capacity needed for procurement, financial management, safeguards management, and monitoring and evaluation capacity.

Institutional and Implementation Arrangements

39. The PSC will be chaired by the Minister of Mines or its Secretary General and it will review and approve the annual work programs and the budget of the project. The PSC will include officials of the Ministry of Mines, the Ministry of Environment, Sanitation and Sustainable Development, the Ministry of Finance, the Ministry of Local Development, the Ministry of Energy and the industry associations (Chamber of Mines, Small-scale miners Associations, Women miners Associations), the Secretariat of EITI-Mali and Civil Society.

40. The PSC will have the mandate to: (a) review the progress of project implementation as well as the results achieved, (b) discuss and address the project implementation issues, and (c) review and approve the annual Project Implementation Plan and Reports prepared by the PCU, including reports on planned and executed budgets. The PCU will be the Secretariat of the PSC. It will be responsible to prepare the documents based on relevant contributions by all institutions involved in Project implementation.

41. During the first year, the project will be implemented by a technical unit within the Ministry of Mines with technical support from consultants and fiduciary management from the PAAR. The PAAR is an established National Coordination Unit which currently handles several Bank-funded projects and has over 15 years of experience in fiduciary management. Following the first year, a full-functioning Project Coordination Unit will be established within the Ministry of Mines in coordination with other donors active in the extractive sector. The PCU will include a coordinator, a procurement specialist, a financial management specialist, an environmental specialist, a social development specialist, and an evaluation and monitoring specialist. The PCU under the responsibility of the Ministry of Mines will coordinate the overall implementation of the project on a day-to-day basis. It will coordinate the annual work plan and budget and oversee the financial management and procurement of the project. It will be responsible for



all fiduciary aspects of the project including procurement, disbursement, accounting, financial reporting, and M&E of the project, and ensuring audits of project account. It will prepare bi-annual reports recording the progress of the project. The activities of the PCU will be supplemented by close supervision by the World Bank through semi-annual missions and daily oversight by a liaison consultant. A midterm review will take place no later than three years of implementation with the objective of assessing progress to date and if necessary to re-direct the project by integrating additional lessons learned and realities on the ground. The project account will be audited annually by independent auditor acceptable to IDA and should be submitted to IDA no later than six months after the closing of the fiscal year in Mali (i.e. June 30).

42. A project implementation manual (PIM) will be prepared and adopted within three months following project effectiveness. The PIM will be a compendium of procedures for implementing the project. It details the organizational and technical procedures that govern the project, including financial management, procurement, and social and environmental safeguards procedures and the Grievance Redress Mechanism (GRM). A separate administrative, financial management and procurement manual as well as a specific manual for managing the Contingency Emergency Response Component (CERC) will be prepared. The GRM will allow the PCU to address issues in a timely manner.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

Most of the activities of the project consist of policy reforms and capacity building which are not location-specific. The project proposes airborne geological survey covering the areas of Yanfolila, Bougouni, Massigui, Sikasso, Tienko, Tingrela and Niellé in the region of Sikasso and the areas of Bouly, Bakel, Kayes, Kossanto, Kéniéba, Dinguiraye and Bafing Makana in the Kayes region. In addition there is a for artisanal and small-scale mining through targeted geological ground works in designated ASM corridors in the gold producing areas of Sikasso and Kayes.

G. Environmental and Social Safeguards Specialists on the Team

Emeran Serge M. Menang Evouna, Environmental Specialist
Mahamadou Ahmadou Maiga, Social Specialist
Tolidji Blaise Donou, Environmental Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The Project is rated as Category B. The project activities are limited to technical assistance activities in the mining sector. There are no physical activities requiring footprint associated with the project. But, it will be necessary to mainstream the



environmental and social objectives, principles and measures in (i) law/regulations to prepare/revise, (ii) procedures, (iii) stakeholders' training programs, (iv) specific studies on environmental and social in the mining sector. The activities like development of an environmental and social management framework for mining and petroleum, policy and regulatory framework for artisanal and small-scale mining, including social regulations and guidelines on gender and child labor, etc. will be implemented under the project. All of project component should have environmental and social approach. For that the project will prepare the mining sector Strategic Environmental and Social Assessment (SESA) during implementation. The SESA TOR were reviewed and approved by the Bank, and the complete SESA is due six months after the project effectiveness. In the process of developing said SESA, the Recipient will ensure adequate stakeholder engagement and consultations on the draft SESA, in a manner satisfactory to the World Bank.

Despite the fact that the project will build government capacity in contracts negotiations, including financial and economic modeling, review of technical and feasibility reports, updating model agreements for specific commodities, and developing negotiations strategies, this policy is not triggered.

The project activities are not expected to impact any critical natural habitats.

The project activities are not expected to impact any forests.

No pesticides will be used in the project

The project is not expected to impact on physical cultural resources.

There are no IP in the project area.

Involuntary resettlement is not envisaged in project.

The project is not expected to finance dams.

No international waterways are expected to be affected by project activities.

The project activities will not be implemented in the disputed areas as described by the policy.

Performance Standards for Private Sector Activities OP/BP 4.03 No

Natural Habitats OP/BP 4.04 No

Forests OP/BP 4.36 No

Pest Management OP 4.09 No

Physical Cultural Resources OP/BP 4.11 No

Indigenous Peoples OP/BP 4.10 No

Involuntary Resettlement OP/BP 4.12 No

Safety of Dams OP/BP 4.37 No

Projects on International Waterways OP/BP 7.50 No

Projects in Disputed Areas OP/BP 7.60 No



KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The project is not expected to have any large scale, significant or irreversible adverse impacts and risks. The impacts that are anticipated are mostly related to the sampling and testing of mineral resources. The adverse impacts are expected to be limited in the sampling area footprint.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The potential indirect and/or long term adverse impacts and risks are those related the mining exploitation phase that is not considered in this project.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

As the project will strengthen the institutional capacity of the government in mining sector, no other project alternative is considered.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The borrower has adequate institutional capacity for safeguards policies. At national level, Mali has a legislative and regulatory framework which is conducive to good environmental and social management. Mali has signed a number of international treaties and conventions and has experience with the Bank's Safeguard Policies due to Bank-funded projects across different sectors. However, implementation capacity remains limited. Environmental policies and their compliance are governed by the Ministry of Environment, Sanitation and Sustainable Development through The National Directorate of Sanitation, Pollution and Noises Control "Direction Nationale de l'Assainissement et du Contrôle des Pollutions et des Nuisance" (DNAPCN).

The DNAPCN is responsible for safeguards compliance of all projects in the country. This agency is familiar with the World Bank safeguard instruments such as the Environmental and Social Management Framework (ESMF), Environmental Impacts Assessments (ESIA) and Environmental and Social management Plans (ESMPs), the Resettlement Policy Framework (RPF) and Resettlement Action Plans (RAPs). However DNAPCN remains understaffed and has limited logistic capacity. Despite several donor-funded capacity building initiatives, DNACPN is still largely relying on donor funds projects to carry out its field supervision duties. DNAPCN has field Units named DRAPCN that are in charge to review and validate Environmental and Social Notices. These regional bodies often do not have the equipment necessary to monitor social and environmental impacts, their staff lacks training, and management capacity is very thin. The EA archives system of DNACPN remains weak and is mainly manual.

At the level of Ministry of the Ministry of Mines, the environmental and social capacity remains very weak. They have not yet implemented World Bank funded projects. It was agreed that a Project Implementing Unit (PIU) will be set up in the Mines Ministry and this Unit will be staffed with at least one full time skilled environmental safeguards Specialist and one Social development specialist. In addition, the World Bank project team will also consider providing capacity building and training on safeguards to this PIU through proposed Component E (Project Coordination and Training) of the project.



It was agreed that the project will support the preparation of an Environmental and Social Mining Strategic Assessment as project outcome. The preparation of the ToRs of this study are prepared prior to project appraisal.

Specific support to DNACPN: Based on the very weak capacity of DNACPN, the project will provide a technical and institutional capacity building package support.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The main stakeholders are local communities groups that are surrounding the mining sites; public administrations (Mines, Environment, Agriculture, Health, Energy and Water), local municipalities, mining companies; Local and international NGOs, media. During the implementation of the project a consultation plan will be prepared and implemented mainly during the preparation of the Mining SESA.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
30-May-2018	30-May-2018	

"In country" Disclosure

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

NA

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

NA



Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

NA

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

NA

Have costs related to safeguard policy measures been included in the project cost?

NA

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

NA

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

NA

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APPROVAL

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Approved By

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Country Director:	Michael Hamaide	13-May-2019