Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 10-Jun-2019 | Report No: PIDC26736

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Mali	P168812		Mali Access to Finance Project (P168812)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
AFRICA	Oct 04, 2019	Dec 27, 2019	Finance, Competitiveness and Innovation
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Ministry of Finance	Ministry of Finance	

Proposed Development Objective(s)

To support access to financial services for MSMEs, focusing on the youth and women-led enterprises, and to create opportunities for employment and income generation

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	60.00
Total Financing	60.00
of which IBRD/IDA	60.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	60.00
IDA Credit	30.00
IDA Grant	30.00

Environmental and Social Risk Classification	Concept Review Decision

Substantial	Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Mali has been experiencing instability and conflict since the 2012 military coup and the occupation of the northern regions by armed groups.** The Algiers peace agreements of 2015 between the government and two rebel coalitions provided an impetus for decentralization with the creation of a development zone in the northern regions. However, the implementation of the agreements has faced challenges. Security, critical to economic recovery and poverty reduction, remains fragile in the face of continued attacks by armed groups on UN peacekeepers, the Malian army, and civilians, especially in the northern and central regions. In parts of the central region, increased inter-ethnic tensions have significantly worsened the security situation, to the point where farmers in some areas were unable to cultivate their land during the 2018 cropping season. Tourism was brought to a halt, and thus removed a previously crucial source of demand for goods and services in both the Center and the North. While ODA has rebounded, the public investment budget remains limited, the construction sector has not recovered, transport costs have stayed high, and private sector investment (whether domestic or foreign) is still limited, with insecurity cited as the chief business obstacle in the most recent Enterprise Survey. All of these factors affect job creation and the productivity of existing jobs.

2. **The fragile political and security context risks to further deteriorate Mali's human development outcomes, which are amongst the lowest the world.** Poverty is multi-dimensional in Mali and the country currently ranks 182nd of 188 countries in the Human Development Index and 153rd out of 157 countries in the World Bank's recently published Human Capital Index (HCI, a measure of the amount of human capital that a child born today can expect to attain by age 18). Mali's HCI at 0.32, is well-below the regional Sub-Saharan Africa average of 0.40, low-income countries' average of 0.38 and only above that of Chad in the Sahel region. When compared to its neighboring countries, Mali remains a long way behind in achieving universal access to education. Education has worsened markedly in the conflict-affected regions: the gap in literacy between the center-north and the south has widened from four percentage points among children who completed schooling just before the start of the conflict to twelve percentage points among those who reached school age during the conflict. Three in ten children face chronic malnutrition (stunting), which causes cognitive and physical limitations that can last a lifetime. The fertility rate remains amongst the highest in the world with 6 children per woman, contributing to a population growth rate of 3 percent, which makes poverty reduction challenging.

3. **Women and the youth suffer more severely from the consequences of conflict and extreme poverty.** With only 0.678 of Gender Inequality Index, Mali is ranked 157th out of 160 countries in the 2017 index. Only 8.8 percent of parliamentary seats are held by women (against 23.5 percent in SSA), 7.3 percent of adult women have reached at least a secondary level of education (against 28.8 percent in SSA) and 12 percent of women are literate (against 27 percent of men).Whilst the young age structure of the population presents a unique opportunity for a demographic dividend, in the

context of limited security and high unemployment, it can have the opposite effect. Under these circumstances, many youth risk being exposed to criminality and banditry. Youth unemployment is over two times bigger than the national average, with young girls (aged between 15-24) facing additional barriers on the job market where the employment gap between men and women reaches 3 percentage points. According to the World Development Indicators, 94 percent of women have a vulnerable employment in Mali in 2018 (against 83 percent of men), and at least 97 percent of female workers in the non-agricultural sector had an informal status in 2015.

4. **The prolonged political and security crisis is also a major additional burden on Mali's private sector which was already struggling with a challenging economic context and burdensome business environment.** Political instability was ranked as top constraint by Malian enterprises in 2016 Enterprise Survey, followed by access to finance, informal sector practices and corruption. Mali ranks 145 out of 190 in the World Bank's Doing Business report. Improvements are needed in all areas of business regulation, with the biggest challenges revolving around: Property registration, business taxation and contract enforcement.

Sectoral and Institutional Context

5. **Mali's economic growth has been led by the private sector as the leading provider of jobs.** The productive sector is led by agriculture which is estimated to account for 41 percent of GDP, followed by the services sector (40 percent) and industry (19 percent). A large share of economic activity is transacted by informal companies, which are estimated to account for about half of all Malian enterprises[1].

6. **The financial sector plays a vital role as a financier of economic activity, with banks and MFIs serving as the main service providers catering to different market segments.** The banking sector, which accounts for more than 90percent of total financial sector assets, is the backbone of Mali's financial system and caters primarily to larger and more established firms. The microfinance sector is much smaller in size, accounting for less than 5 percent of financial system assets, but outpaces the banking sector in terms of outreach and inclusion. The microfinance sector accounts for more than 1.8 million deposit accounts (against 1.1 million banking deposit accounts) and provides financing to market segments which are either excluded or underserved by the banking sector and predominantly informal (microenterprises, subsistence firms, women-led firms, farmers, etc.).

7. **While the private sector has experienced steady growth over the past decade, it has failed to meet Mali's large and growing pool of young Malians entering the labor market.** Unemployment's remains high, estimated at 9 percent on a national level, and is even higher in certain populations including youth (40.3 percent), women (10.4 percent) and in certain regions such as Gao or Koulikoro (>30 percent)[2]. Youth unemployment is of particular concern in a country where over half of the country's population is aged 24 years or younger, with a total of about 3.6 million Malians between the ages of 15 and 24. The vast majority of these youth reside in Bamako and the surrounding provinces (Kayes, Koulikoro, Sikasso, and Segou), and only 22 percent live in the central and northern parts of the country. Most of these youth (over 90%) are employed in generally low productivity/ quality jobs in the informal agriculture and service sector. A large proportion of also fail to successfully transition into employment, remaining unemployed or inactive in the labor market. For those aged between 15-19 years old, the unemployment rate is 40.3 percent, whilst for those aged from 20-24 years old, the unemployment rate sits at 19.6 percent. There is also clearly a gender dimension to youth unemployment in Mali, with substantially lower labor force participation rate for young women than men. If productive employment

[1] Source: Census of MSMEs in Mali, April 2019.
[2] Source: 2017 Mali Household Survey.

opportunities do not open up for the youth cohort, it will pose both a major development and security challenge to the country.

8. **On the supply side, youth entering the labor market also tend to lack the basic literacy, technical skills, and soft skills required to productively contribute to private sector growth.** As of 2016, the gross enrolment rate for primary education stands at 77 percent, whilst the completion rate stands at 58 percent. An estimated 1.9 million children of primary school age are currently not in school. The high dropout rate at the primary level has a notable impact on basic functional literacy and numeracy. Early Grade Reading Assessments show that more than two-thirds of Malian students complete the second year of basic primary without basic reading skills. Job-relevant technical and soft skills required to capitalize on existing employment opportunities are often in short supply. Lack of education and required skills is cited as a major or very severe constraint to business development by about 15% of the firms included in the recent enterprise surveys. At the post-primary level, this is partly driven by the limited options for diversification. Over 90 percent of secondary level students are enrolled in the general academic secondary stream (college and lycée) with less than 10 percent in the TVET system. For the secondary system, the general track is often too theoretical and disconnected from the realities of the work place.

9. **The private sector's capacity to grow and create new jobs is hampered by the difficult economic environment and a very poor business climate which is not conducive to formal enterprises.** After political instability, access to finance was the most important challenge cited by Malian firms in a 2016 Enterprise survey, followed by poor informal sector practices and corruption. The prolonged conflict and insecurity add to the vulnerabilities of an already fragile economy. It has a direct impact on the businesses operating in affected areas through increased expenditures to secure their assets and businesses and increased operational risks. The increase in risks and costs also impacts the appetite of investors and banks to invest or finance these companies.

10. **Private sector financing is constrained by a financial sector which is confronted with its own limitations and challenges.** The Microfinance sector has been in a state of emergency since 2009, when the collapse of several large MFIs made thousands of low-income depositors lose access to their savings overnight, along with a loss of confidence in financial institutions. The continued lack of adequate supervision[3] remains the biggest threat to the financial soundness of the microfinance sector. The MFI supervision unit at the Ministry of Finance lacks the capacity and resources to ensure effective oversight over the sector, with only 20 staff for supervising 87 MFIs and about 900 branches. The MFI supervision unit also lacks adequate information system to process data, relying on manual filing of financial reports which is prone to errors. The resulting gaps in the sector's oversight are a major risk factor which impede the detection and prevention of unscrupulous business practices which have been the main driver of failing MFIs.

11. **The challenges of Mali's MFI sector continue to weaken public confidence in the financial system, exacerbating as the problem of limited access and usage.** According to the latest Global Findex survey conducted in 2017, the share of Malian adults with an account at a formal financial institution stood at 18 percent, which represents a significant increase compared to 8 percent in 2011 but remains below the average in Sub-Saharan Africa (33 percent). The gap widens when account ownership data is disaggregated by gender (10percent for women vs 27percent for men), age (14percent for adults aged 15-24 vs 20percent of adults aged 25+) and area (15percent in rural areas). Most financial transactions are settled outside the financial system: While 54 percent of Malians reported to have saved money over the past year, only

[3] The oversight of the microfinance sector is shared between WAEMU banking commission, which oversees 13 MFIs with more than XOF 2bn in assets, and the MFI supervision unit within the Ministry of Finance which is in charge of the vast majority of MFIs whose assets fall below that threshold.

6 percent reported to have done so at a formal financial institution. A similar pattern is observed for borrowing. Of 43 percent of Malians reporting to have borrowed some money over the past year, only 6 percent report having done so from a formal financial institution.

12. **The fast-growing mobile money sector has emerged as an accessible and affordable alternative provider of financial services, surpassing banks and MFIs in terms of account ownership and usage.** According to the 2017 Global Findex survey, 24 percent of Malian adults reported to have a mobile money account, almost doubling the number of account holders over the course of three years (14 percent in 2014). The gap in account ownership is also less pronounced when disaggregated by gender (20 percent for women vs 29 percent for men) or area (21percent in rural areas), and even inversed when disaggregated by age (25 percent for adults aged 15-24 vs 24 percent of adults aged 25+). The high share of mobile money account holders is enabled by one of the highest mobile penetration rates in the region.

13. **The banking sector remains sound and profitable, but lacks the capacity, know-how and incentives to finance SMEs.** Banks are reluctant to lend to SMEs due to higher risks and costs as primary reason, followed by the lack of long-term funding and adequate collateral. Successful SME banking requires a solid business model with enabling systems, processes, human resources and scale to adequately assess the risks and serve this segment profitably – features which most Malian banks lack to date. As banks allocate their financial resources using risk/return considerations, most banks limit their lending to few established SMEs, while smaller and less established enterprises remain un/underserved.

14. **On the demand side, there are a number of factors that are associated with limited access to finance for SMEs.** SMEs tend to be less endowed with financial resources (collateral), managerial skills, transparency, etc., which renders them – in combination with smaller loan amounts – less attractive to banks. These difficulties, which are commonly observed at the global level, are accentuated by the aforementioned weaknesses in Mali's business environment. One example is the lengthy and costly process to register and enforce collateral claims, which results in banks requiring higher value of collateral to access credit. Such challenges are tougher for some segments such as young enterprises (lack of collateral and limited track record), women owned enterprises (lack collateral) and agricultural enterprises (lack collateral, transparency and managerial skills). Early stage innovation financing presents an even higher risk due to the added complexity of highly uncertain outcomes, requiring more sophisticated investment vehicles and support mechanisms.

15. **Both at local and regional levels, ongoing initiatives express the governments' engagement to support MSMEs' development but successes are still limited.** The government of Mali adopted in 2011 a Private Sector Framework Law (LOSP) which, at its section 4, calls for the government's action for establishing appropriate financing mechanisms for MSMEs, particularly women and youth led (article 67). Such financing mechanisms include a public private investment company, a private sector guaranty fund and a matching grant financing scheme (article 68). The current private sector SME guarantee fund, as a result of the framework law, has started the provision of guarantees but lacks resources to meet increasing demands. The regional SME support initiative, led by the BCEAO, also aims at facilitating MSMEs' access to finance by improving both the supply side (BCEAO's refinancing for financial institutions), the demand side (competitively selecting BDS providers to build participating MSMEs' capacities) and repayment facilitation by improving MSMEs' access to public procurement as well as streamlining the payment of their bills. The authorities have also adopted a National Microfinance Strategy in 2015 which aims to strengthen the soundness of the microfinance sector by strengthening capacities in the sector and ensuring an effective supervision.

16. **The government has made some efforts in support of employment, as reflected in the country's National Employment Strategy (Politique Nationale de l'Emploi).** The PNE focuses on three major employment related constraints: (a) an insufficient supply of productive and decent jobs; (b) a deficit of skills leading to low employability; and (c)

weaknesses in the labor market in terms of employment information and recruitment practices, and the challenges of matching labor demand with labor supply. The Government's commitment to address the broader unemployment challenges have also led to the creation of several agencies working on this agenda that are housed under the Ministry of Youth, Employment and Citizen Development and the Ministry of Education. These include: the Agency for the Promotion of Youth Employment (Agence pour la promotion de l'emplois des jeunes au Mali, APEJ); the Fund for the Support of Vocational Training and Apprenticeships (Fonds d'Appui à la Formation Professionnelle et à l'Apprentissage, FAFPA); the National Directorate for Training (Direction Nationale de la Formation professionnelle, DNFP); the Revolving Fund for Employment (Fond Auto-Renouvelable pour l'Emploi, FARE); as well as the National Agency for the Promotion of Employment (Agence Nationale pour la Promotion de l'Emploi, ANPE).

17. **This project aims to strengthen the financial soundness and intermediation capacity of Mali's financial sector to support its contribution to financial inclusion, entrepreneurship and youth employment.** This will be achieved by; (i) strengthening the capacity of the supervisory body of the microfinance sector as a top priority in order to restore public confidence in the sector as a vital source of financing for microenterprises, (II) facilitating access to digital financial services to promote sustainable financial inclusion in remote/rural and fragile areas, (iii) supporting greater access to finance for SMEs by intermediation capacity of the banking sector through the provision of seed/early stage financing, risk-sharing and long-term financing to support their creation and growth, along with the provision of technical assistance and business development for MSMEs themselves to strengthen their capacity and support their development plans. Finally, the project aims to support youth employment through the provision of income generating activities and skills development for targeted beneficiaries, which can facilitate transition into longer-term employment. In addition, it aims to provide direct cash support and training in order to provide income and employment generating opportunities.

Relationship to CPF

18. **The Country Partnership Framework (CPF) FY16-19 has two areas of focus, which this operation supports: (i) creating economic opportunities; and (ii) building resilience.** The project's contributions to the two focus areas is illustrated in the figure below:

Component	Sub-component	Creating economic opportunities	Building resilience
Strengthening MFI Sector and Support Digital Payments	**Strengthening MFI Capacity and Supervision**	More Financing for MSMEs, more sales, more jobs	
		More jobs in MFI sector	Protecting assets of depositors
	Supporting digital financial services	Reducing cost and risks of business transactions in conflict zones	Lower costs and risks for remittances to fragile and rural areas
Expanding Access to Finance for MSMEs	Early stage finance	More high-growth firms and skilled jobs	
	Risk-sharing	Enabling credit to start-ups	De-risking MSMEs in fragile areas
	Long-term finance	Increase in investment and job creation	
Capacity Building and Income Generating Activities	Labor intensive public works	Short-term provision of income to vulnerable groups	
	Income generating activities	Support to start and grow business	Support to diversify sources/markets
	Foundational skills	Support youth integration in labor market	

C. Proposed Development Objective(s)

To support access to financial services for MSMEs, focusing on the youth and women-led enterprises, and to and create opportunities for employment and income generation

Key Results (From PCN)

19. **The expected key results of the project are**: (i) Increase in the number of MSMEs (including start-ups; women-led firms and rural enterprises) which have access to credit; (ii) increase in the number of MFIs which are in compliance with reporting requirements and prudential norms; and (iii) Increased number of MSMEs receiving capacity building (disaggregated by gender and age) (iv) beneficiaries employed through labor-intensive public works or income generating activities, number (disaggregated by gender) and (v) beneficiaries of income generating activities reporting a higher income six months after completion (disaggregated by gender)

D. Concept Description

20. **The project is expected to have a significant impact on the Malian economy by increasing access to credit for MSMEs, promoting entrepreneurship and providing income generating activities.** The project intends to achieve its objectives via three main channels: (i) strengthening the performance and stability of the microfinance sector and facilitating access to digital financial services to promote sustainable financial inclusion; by (ii) improving the supply of credit for MSMEs (guarantee funds, pre-seed and seed grants, acceleration, etc.) and promoting entrepreneurship and strengthening SMEs' capacity for demand of credit (capacity building, support to ecosystem providers, support to business development service (BDS) providers, etc.), and by (iii) providing income and employment generating activities to young Malians.

1. Description

Component 1: Increasing access to financial services to the unserved and underserved (USD 10mn)

Sub-component 1.1 – Strengthen supervision and support capacity of microfinance sector

21. **The objective of this sub-component is to strengthen the stability and capacity of the microfinance sector as a key provider of financial services for low-income groups and small firms.** This objective will be realized through two main channels: (i) Support to strengthen capacity of the CCS/SFD supervision unit to ensure it can effectively supervise the sector to restore the stability of the system as well as public confidence; and (ii) support to MFIs to help them improve their governance and information systems. To strengthen supervisory capacity, the project aims to provide resources to enable the supervision unit to recruit and train qualified staff according to the sector's needs, as well as invest in upgrading its physical infrastructure and information systems to support the supervisory work of its staff.

22. **Support to strengthen the capacity of MFIs will primarily focus on supporting their MIS systems and capacity to support greater compliance with prudential requirements and reporting**. Some support to MFIs may also include training for MFI management and staff on risk-management, corporate governance and other key functions. Finally, the project also envisages to provide support to strengthen financial infrastructures. Examples include support to strengthen the

performance of credit information platforms/systems to facilitate credit-risk management for MFIs (e.g. supporting MFI reporting to credit bureaus) and collateral registries to facilitate the use of collateral to access credit. Increasing the scope of information providers (banks, MFIs, utilities, etc.) and the quality of data submitted to the credit reporting system is key to enable credit bureaus to develop more advanced credit information products (e.g. scoring for individuals and MSMEs) which can unlock credit to un- or underserved segments.

Sub-component 1.2 – Support access to digital financial services

23. **This subcomponent will support microfinance institutions in achieving digital transformation in a view to enhance usage of digital financial services (DFS)**. Digital transformation for MFI is which is tri-fold: 1) strategic and market level positioning, 2) acquisition of digital tools (MIS, scoring software, etc.) and Network extension. According to the latest BCEAO report on the microfinance sector, there were 75 entities (Corporations and coops combined) and 472 services points across the territory at end June 2018. The project will select MFIs and engage them in a replicable digital transformation process. The transformation agenda will involve support for the MFIs to determine their strategic positioning in the DFS industry. For such, the MFI could be supported to meet emoney licensing conditions, automate its own pay-ins and pay outs or simply join the emoney distribution network. Another area of this agenda is to help MFIs acquire adequate digital tools to improve their daily financial transactions. Such tools will involve alternative scoring methodologies and a mutualized information system. Third, the MFIs will be supported in growing their own network by offering digitized services to clients in remote areas.

24. **This sub-component is expected to modernize payment flows in existing MFIs active in agri value chains involving women.** FASO JIGI which could serve as a pilot in this scheme, has a network of 3256 members active in rice, millet, and beans value chains with 50% women. The network covers remote areas such as Niono, Segou, Bla and Macina. FASO JIGI borrows from KAFO JIGINEW (MFI) and National Bank for Agricultural development and onlends to its members. These loans are processed manually and paid out in cash, revealing huge opportunity for digitization. The digital transformation program for MFIs in Mali will improve existing lending activity towards SMEs and Coops, build digital skills of clients, improve transparency and enhance customer data availability. Once familiar with digital tools, the MFIs network will help channel other financial services such as social safety nets.

Component 2: Expand Access to Finance for SMEs to Promote Enterprise Creation and Growth (USD 20mn)

25. **The objective of this component is to provide financing, risk-sharing and capacity building to incentivize greater private sector lending towards SMEs, women-led enterprises and agricultural firms to address financing constraints along their life cycle.** The project aims to finance the provision of long-term finance and risk-sharing instruments (partial credit guarantees) to address the two most important constraints to banks' lending to SMEs: Lack of long-term resources and risk-sharing tools. The project aims to build on existing institutional mechanisms in Mali mandated to support SME finance by proposing to designate Mali's Private Sector Guarantee Fund (PSGF) as the leading implementing agency for this component. The PSGF, a public-private fund licensed and supervised by the WAEMU banking commission, is already operational and has started to issue guarantees, but lacks the resources to scale-up its activity to meet the high demand of the Malian market. The PSGF is well placed to administer the long-term finance and risk-sharing facilities under this project and could also implement part of the proposed capacity building for MSMEs.

26. **The project also envisages to support the establishment of an investment fund for seed/early stage financing for start-ups.** The absence of a structured offering for seed/early-stage financing represents an important obstacle for entrepreneurs in their earliest stages of development, preventing many promising commercially viable business ventures

from seeing the light of day due to the lack of adequate financing. The project envisages to support the establishment of a Malian seed/early stage fund through technical assistance and financing upon the completion of a business plan.

27. **The proposed financing instruments for MSMEs are more likely to have the desired outcomes and impact if associated MSME demand side constraints are addressed alongside financial support.** The project aims to support this objective, in line with the regional MSMEs' access to credit strategy, by providing tailored technical assistance for entrepreneurs on key issues relevant to the creation and expansion of their businesses (see Component 3.2 for details).

Component 3: Income and Employment Support (USD 26mn)

Sub-component 3.1 – Labor-intensive Public Works

28. **This sub-component seeks to provide direct income support, with a focus on youth and those in the most conflict affected regions.** The goal of the activity is to provide direct short-term income support (and support demand for goods and services in the community). This support will be provided to youth in the most conflict affected regions in areas where (i) the usual economic opportunities have been particularly disrupted, and (ii) in situations where short-term support may help consolidate a movement toward stabilization. The focus on labor-intensive public works instead of cash transfers is justified on the grounds that: (i) most regions are already benefiting from cash support through the Jigisemejiri Project; (ii) the areas being targeted are in particular need of community level infrastructure being rebuilt; and (iii) to avoid a top-down selection process in what is a fragile setting. The targeting of the LIPWs would be at the household level. The component will finance the wages of selected beneficiaries, which will constitute no less than 60 percent of the total costs. In addition to the wages, the component will finance non-wage costs involved in providing basic materials and equipment as well as the administrative and beneficiary training costs incurred by the implementing agency. Based on international experience, the remuneration will be set just below the market wage, to discourage the participation of people from better-off households. Microprojects for LIPWs will be proposed by villages based on their local development plan and a menu of activities which vary according to the level of insecurity. NGOs will manage field sites and payments will be made by independent payment agencies, recruited by the project. At least 30 percent of participants will be women, with the project to focus on the specific barriers to female participation in the design and preparation of this sub-component. The team will aim to ensure that all payments are done through a financial instruction or payment service provider in order to encourage access to and usage of formal financial services. The community microprojects supported through LIPWs may include:

a. Support to agricultural and livestock activities: seeding sites and rangeland; deepening and maintaining water points; planting and maintaining live barriers, water collection micro-dams, stone lanyards, and controlling or ending bushfires, controlling sand dunes, and preparation of vegetable gardens;
b. Support to community space: solid plastic waste collection; maintenance of drainage ditches, basic maintenance of schools, health posts, sport fields, and markets.
c. Support to female workers: Provision of childcare services to women working at the public work sites and those working in agriculture in the village.

29. **The public works will follow a 'chantier école' model with work in the morning and training in the afternoon.** Accompanying measures for LIPW participants will include: functional literacy and numeracy training; technical skills training (including the skills required for the successful execution of their micro-project); life skills training; and psycho-social support, given that many beneficiaries will have been exposed to violence and trauma. The exact training package

will be tailored to each beneficiary depending on their specific requirements. The project would finance the development of these training modules and the costs associated with their execution (trainers, learning materials etc.).

Sub-component 3.2 – Income Generating Activities

30. **This sub-component will support the development of income-generating activities (IGAs)**. The goal is to help the creation or strengthening of small self-employment/business activities that can contribute to support incomes and those of their households, especially in the lean season. The targeting would be at the individual level. To support IGAs, the component will (a) provide a cash grant (notionally, on the order of XOF 200,000-250,000 based on the Malian experience with this profile of participants); (b) work with beneficiaries to prepare a simple business plan, including a basic market assessment; (c) assist with ongoing light business mentoring over two business cycles; (d) offer capacity building and technical assistance for prospective or existing firms on key issues relevant to the creation and expansion of their businesses (management, financing, marketing, accounting, etc.); and (e) provide a broader training package equivalent to that being provided for LIPW beneficiaries. Dedicated modules/windows could be developed to target vulnerable or disadvantaged groups (e.g. youth and women-led enterprises, agricultural firms and young enterprises (start-ups)) or regions. In addition, for those IGAs that demonstrate promise for further development, the possibility of extending an additional matching grant or credit line (such as those supported through Component 2) will be explored. Based on a preliminary assessment of value chains in the broad targeted areas, these activities may include but not be limited to: vegetable gardens, fishing and fish processing, cereal trade, cattle-raising for meat production, poultry, basic food processing, services to agriculture such as mechanics, carpentry, veterinary agents, masons, electricians and services such as solar panel maintenance, cell phone repairs, and basic child care/house maintenance given the prevalence of temporary domestic work among poor young women. At least 40 percent of those participating in the IGAs will be women, with specific barriers to their participation to be addressed throughout project preparation.

31. **Eligible beneficiaries will receive support in defining simple business plans; grants will be allocated based on the feasibility and likely sustainability of activities.** Eligible beneficiaries will receive training and support from implementing agencies to develop basic plans for a business activity. In order to allow beneficiaries to choose activities they have a genuine interest in, the project will not limit the range of possible activities ex-ante. Eligible beneficiaries may associate in small cooperatives to maximize investments and reinforce mutual support mechanisms. Plans will then be evaluated by a technical committee composed of local government representatives against predefined criteria, including the likely market for goods and services produced by the proposed activity; feasibility in terms of funding needed and the ability of the beneficiary to carry out the activity; the likely impact on the local economy; and the likely sustainability of the proposed activity. In assessing feasibility, evaluators will particularly consider previous experience of the applicant with business activities, as well as any training the beneficiary may have that is related to the proposed activity. It is hoped that this consideration will help (i) restart some activities lost due to conflict and insecurity, and (ii) start activities among beneficiaries who have previously participated in training programs but not received the necessary funding to establish themselves. Business plans that the technical committees deem to be viable will be financed through grants given in two instalments – first upon receipt of a validated business plan to allow for up-front investment and second, midway through the implementation of the activities.

32. **Beneficiaries of the IGA would also have access to a broader training package, which would be the equivalent of that offered through sub-component 3.1.** This would include basic literacy and numeracy training, technical skills training (including financial literacy), life skills training, and psycho-social support. The exact structure of this training package will be tailored to each beneficiary according to their needs.

Sub-component 3.3 – Delivery systems for income and employment support

33. **The objective of this sub-component is to support the development of the delivery systems required to implement the LIPW and IGA.** This will include support for developing: (a) a communications and outreach strategy; (b) a targeting mechanism, which effectively identifies the beneficiaries most in need of support; (c) a sound MIS for enrolment, complicating verification, and payments; (d) a grievance redress mechanism (GRM); and (e) the guidelines for an M&E framework. At each stage of the delivery cycle, the project will aim to build on and improve the systems already put in place through the LIPW and IGA being piloted through the Mali Emergency Safety Nets Project (*Jigesemejiri).*

Component 4: Project Management and Implementation Support (4mn)

34. **This component provides resources to support project management and overall project implementation.** This includes funding to set-up and maintain the project implementation unit throughout the duration of project implementation and avail additional resources to support project implementation as needed.

2. Overall Risk and Explanation

35. **The general risks associated with project implementation are summarized in the Systematic Operations Risk-rating Tool (SORT).** The overall risk is substantial due to elevated risks associated with the on-going security threats and social tensions. Key risks to economic stability are on-going security threats and social unrests (political and between communities) and strikes over civil servant wages and benefits (education sector mainly). Economic stability could be impacted by risks related to price volatility in gold, cotton sectors and/or unfavorable weather events that could impact agricultural production, as well as oil prices which have a direct effect on imports. However, growth is projected to hold steady at about 5percent over the medium term. In terms of institutional capacity, the project will build off the existing capacity of the Ministry of finance who is responsible for the mobilization and management of public resources and the oversight of financial institutions and national funds, establishing the legal and regulatory framework for the financial sector in collaboration with the BCEAO, and the supervision of MFIs. Given the existing capacity and their experience in managing World Bank and other development partners' projects, the institutional capacity risk of the main implementing partner is so far evaluated at moderate. Furthermore, the ongoing legal reforms of the MFI law by the BCEAO are expected to help mitigate the institutional capacity building and sustainability risk. During preparation, mitigation measures will be outlined to minimize risks associated with institutional capacity to ensure sound project implementation and sustainability.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

The project will be implemented throughout Mali, but with a concentration of activities in the center of the country. Mali

faces environmental and social challenges related to its Sahelian character and whose vulnerability is aggravated by the impacts of climate change affecting the main economic sectors, in particular the agricultural sector. In addition to these climatic challenges, the context of insecurity of Mali characterized by the attacks of Jihadist groups in the north and center, and the recent upsurge of inter-ethnic rivalities, especially in the central part of the country. The insecurity matter with all it's related issues, GBV matters, land acquisition and or economic and assets losses during the project implementation, are among the reasons that make the social risks substantial.
The LIPW and IGA activities that the project will implement are small-scale, low-impact, but cumulative, can have significant impacts on the environment and the fragile social situation of the intervention sectors. The environmental risk is substantial and the measures will have to be taken by the Malian party to put in place an institutional framework that will be able to develop the necessary measures and effectively implement the measures that will be planned. An EMSF, a RPF, a SEP and LMP should be prepare and disclose. In addition, the activities with the PSGF for support to SMEs will require the use of the standard 9, which should lead to an evaluation of the environmental and social management system of the PSGF for the implementation of support to SMEs in compliance with all other standards of the World Bank's ESF

Note To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document**.**

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