

Document of  
**The World Bank**

Report No: PGD88

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT FOR A

PROPOSED DEVELOPMENT POLICY CREDIT

IN THE AMOUNT OF EURO 188.3 MILLION  
(US\$210.0 MILLION EQUIVALENT)

AND A

PROPOSED DEVELOPMENT POLICY GRANT

IN THE AMOUNT OF SDR 29.0 MILLION  
(US\$40.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF MALI

FOR THE

SUSTAINABLE ENERGY AND IMPROVED SERVICE DELIVERY FOR INCREASED STABILITY  
DEVELOPMENT POLICY FINANCING

November 13, 2019

Energy and Extractives Global Practice  
Africa Region

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Republic of Mali  
**GOVERNMENT FISCAL YEAR**  
*July 1 – June 30*

**CURRENCY EQUIVALENTS**

(Exchange Rate Effective as of October 31, 2019)

Currency Unit = CFA Franc (CFAF)

US\$1.00 = CFAF 588.03812839

US\$1.00 = Euro 0.89645899

US\$1.00 = SDR 0.72495813

**ABBREVIATIONS AND ACRONYMS**

AEDD	Environment and Sustainable Development Agency ( <i>Agence de l'Environnement et du Développement Durable</i> )
ANICT	National Local Government Investment Agency ( <i>Agence Nationale d'Investissement des Collectivités Territoriales</i> )
ASACO	Management of Community Health Centers ( <i>Associations de Santé Communautaire</i> )
BCEAO	Central Bank of West African States
CAA	Agriculture Learning Center
CGS	School Management Committee
CIE	Côte d'Ivoire Energies
CIV	Côte d'Ivoire
CMDT	Malian Textile Development Company ( <i>Compagnie Malienne de Développement des Textiles</i> )
CNOP	National Confederation of Farmers' Organizations ( <i>Confédération Nationale des Organisations Paysannes</i> )
CPF	Country Partnership Framework
CPIA	Country Policy and Institutional Assessment
CREDD	Strategic Framework for Economic Recovery and Sustainable Development of Mali ( <i>Cadre Stratégique pour la Relance Economique et le Développement Durable du Mali</i> )
DGABE	Directorate General for the Administration of State Property
DLI	Disbursement Linked Indicator
DNACPN	National Directorate of Control of Pollution and Nuisances ( <i>Direction Nationale de l'Assainissement et du Contrôle des Pollution et des Nuisances</i> )
ECOWAS	Economic Community of West African Countries
EDM-SA	Energie du Mali
EIA	Environmental Impact Assessments
EU	European Union
FAOSTAT	Food and Agriculture Organization of the United Nations Statistics
FDI	Foreign Direct Investment
FNACT	National Local Government Support Fund
FY	Fiscal Year
GDP	Gross Domestic Product
GoM	Government of Mali
GRM	Grievance Redress Mechanism
GWh	Gigawatt hour
IBM	Iterative Beneficiary Monitoring

IDA	International Development Association
IMF	International Monetary Fund
IPF	Investment Project Financing
ISO	International Standards Organization
kWh	Kilowatt hour
LDP	Letter of Development Policy
LG	Local Government
M&E	Monitoring and Evaluation
MEF	Ministry of Economy and Finance
MV	Medium voltage
MW	Megawatt
NEPP	National Policy for Environmental Protection
NFC	Near Field Communication
NGOs	Non-Governmental Organizations
NPLs	Non-Performing Loans
NRDS	National Development Strategy for Rice ( <i>Stratégie Nationale de Développement de la Riziculture</i> )
OAG	Office of the Auditor General
PER	Public Expenditure Review
SDR	Special Drawing Rights
SCD	Systematic Country Diagnostic
SNCC	National Strategy on Climate Change
SOE	State-owned Enterprise
SP-LOA	Coordinator for Agricultural Land Law ( <i>Secrétaire Permanent – Loi d’Orientation Agricole</i> )
SSA	Sub-Saharan Africa
WAAPP	West Africa Agriculture Productivity Program ( <i>Programme de Productivité Agricole en Afrique de l’Ouest</i> )
WAEMU	West African Economic and Monetary Union
WB	World Bank
WBG	World Bank Group

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REPUBLIC OF MALI

MALI SUSTAINABLE ENERGY AND IMPROVED SERVICE DELIVERY FOR INCREASED STABILITY DPF

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**SUMMARY OF PROPOSED FINANCING AND PROGRAM**

**BASIC INFORMATION**

Project ID	Programmatic	If programmatic, position in series
P167547	Yes	1st in a series of 2

**Proposed Development Objective(s)**

Delivering a more financially sustainable electricity sector, more targeted and efficient agricultural subsidies and supporting pro-poor decentralized service provision

**Organizations**

Borrower: GOVERNMENT OF MALI - MINISTRY OF FINANCE

Implementing Agency: GOVERNMENT OF MALI - MINISTRY OF FINANCE

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Financing</b>	<b>250.00</b>
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**DETAILS**

International Development Association (IDA)	250.00
IDA Credit	210.00
IDA Grant	40.00

**INSTITUTIONAL DATA**

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**Overall Risk Rating**

## Results

Indicator Name	Baseline	Target
Results Indicator #1: Recovery rate of public consumption bills	50% (2018)	90% (2021)
Results Indicator #2: EDM-SA costs recovery rate, excluding operational subsidy	68% (2018)	80% (2022)
Results Indicator #3: Electricity imports from CIV (average flow)	50 MW (2018)	180 MW (2023)
Results Indicator #4: Beneficiaries (households) of subsidized inputs distributed through e-vouchers	0 (2019)	50,000 (2021)
Results Indicator #5: Increase in yield for smallholders (less than 3 hectares) receiving agricultural input subsidies through the e-voucher system	0% (2019)	10% (2021)
Results Indicator #6: Laboratory results testing fertilizer quality are systematically published and accessible on a website	Not published (2019)	Published (2021)
Results Indicator #7: Increase in the number of communes with functional land commissions	50% in 300 communes (2018)	75% of 703 communes (2021)
Results Indicator #8: Percentage of school committees receiving their management fund at the beginning of the school year	0 (2019)	50% (2021)
Results Indicator #9: Percentage of village health workers funded by ASACOs who provide nutritional care	0 (2019)	45% (2021)

## IDA PROGRAM DOCUMENT FOR A PROPOSED CREDIT AND GRANT TO REPUBLIC OF MALI

### 1. INTRODUCTION AND COUNTRY CONTEXT

1. This document presents the first Sustainable Energy and Improved Service Delivery for Increased Stability Development Policy Financing (DPF-1) in the amount of US\$210 million equivalent Development Policy Credit and US\$40 million equivalent Development Policy Grant to the Government of Mali (GoM). The operation is designed to support the implementation of the Second Growth and Poverty Reduction Strategy Paper for the period 2019-2023, known as the Strategic Framework for Economic Recovery and Sustainable Development of Mali (*Cadre Stratégique pour la Relance Economique et le Développement Durable du Mali*, CREDD). This is the first operation of a series of two single tranche operations.

2. Mali is a sparsely populated, predominantly dry, landlocked Sahelian country with an undiversified, agriculture-based economy. With an area of 1,241,248 sq. km, it shares 7,000 km of boundaries with seven countries - Algeria, Niger, Burkina Faso, Côte d'Ivoire, Guinea, Senegal and Mauritania. It has an estimated population of 18.5 million in 2017, of which 63 percent live in rural areas and 12 percent in the capital, Bamako. The country is divided into ten administrative regions excluding Bamako. The northern regions of Gao, Kidal, and Timbuktu represent two-thirds of the entire country's area but host only 10 percent of its population. The populated areas are concentrated in the south and close to the Niger and Senegal Rivers.

#### Box 1: Focus on Fragile, Conflict and Violence (FCV) Issues in Mali

Mali has experienced recurrent conflict, particularly in the north, since independence in 1960. More recently, a series of events and geo-political developments, mostly associated with the situation in the north, helped spark a coup d'état in 2012. The Algiers Peace Accord (*"Accord pour la paix et la reconciliation au Mali"*) in 2015 includes a wide range of provisions, including on security sector reform, disarmament, demobilization and reintegration (DDR), governance reform, deepening of decentralization, and socio-economic development of northern regions. The implementation of the agreements of the Peace Accord remains slow. Moreover, the northern regions are still marked by recurrent episodes of violence, amidst continued presence of violent extremist groups.

Violence in the center and south were mostly isolated incidents until 2017, although these incidents contributed to a general sense of insecurity. Since 2017, the situation has deteriorated in the center of Mali (Mopti and Segou regions in particular). The impact of conflict and violence is now slowly moving southwards, with more recent violent events reported in the Koulikoro, Kayes and Sikasso regions. The spreading violence in Mali has an impact on Niger, Burkina Faso and even northern Benin, where local rather than global violent extremist groups capitalize on daily insecurity.

Yet the crisis should primarily be seen as a manifestation of long-standing vulnerabilities in the overall country's governance and social structures, which were aggravated by a combination of internal and external pressures and coming to a head due to events in the north. This is a national problem that requires national policy responses. Several drivers contributed to the deterioration of trust, increased

tension, and repeated conflicts over the past decades: limited state presence and institutional capacity to enforce a positive state presence, weakening the state's legitimacy. The mounting tensions, competition and lack of economic opportunities, fueled by exclusionary politics around power and land/natural resources has increased social pressures and aggravated grievances. Mali is also a country with difficult climate conditions, extreme poverty, and risk of food insecurity if the rains fail or transport is interrupted, thus adding to the instability. The fiscal cost of insecurity is now becoming a significant factor for institutions and services, which the state is struggling to deploy equitably throughout the country. Security spending rose sharply to 21 percent of all spending in 2018. Shrinking state capacity to pursue inclusive public policies needs to be urgently addressed.

3. **Inadequate social and economic services impact stability.** The inadequacy of service provision is reflected by the 2017 Human Capital Index which, with a score of 0.32, puts Mali amongst the world's five worst performers. Expected years of schooling is 5.1 for girls and 6.0 for boys but, as quality is low, the adjusted rate of learning is 2.5 years and 3.0 years respectively. In education, primary school gross enrollment was 76 percent in 2017. But in rural areas the enrollment was 10 percentage points lower. In other areas too, service provision is deficient. Overall access to electricity of 39 percent is below the Sub-Saharan Africa (SSA) average and is largely confined to urban centers (86 percent urban and 19 percent rural). For those who have access, service is often of poor quality as Energie du Mali or EDM-SA averages 41 major power outages per year and Mali ranked 159 out of 190 countries on getting electricity in the 2019 Doing Business Report. In addition, there is a significant disparity in electricity tariffs between urban/peri-urban customers connected to the grid and rural customers supplied by private-led mini-grids. Such mini-grid customers pay more than twice for electricity services compared with the former connected to the grid, who also benefit from any operating subsidies to EDM-SA. As part of the Sahel Alliance (G5), Mali has signed on to double electricity access by 2023, as the lack of electricity services was identified as a driver of fragility. Access to potable water (defined as access to safe water within 30 minutes from home) increased from 53 percent in 2000 to 83 percent in 2017. Bamako and the largest centers will almost achieve universal access to potable water with the ongoing investment programs (access to public, piped water and stands at 82 percent). While the access rate in rural areas is 73 percent, it is notably lower in the remote and fragile areas (66 percent in the Timbuktu region and 58 percent in the Gao region). The 40 percent poorest population is consistently underserved. As part of its efforts to improve stability, the Government has recognized the need to strengthen the social contract, which involves gradually reducing regressive energy subsidies and re-investing in human capital, social services, and rural access to services.

4. **Poverty has been declining steadily but more focused government support is needed to continue or accelerate this trend.** In 2013, the poverty rate was estimated at 50.9 percent (60 percent in rural areas compared to 28 percent in urban areas). Since then it has been on a downward trajectory (equally so for both urban and rural areas). The Malian economy is critically dependent on agriculture. It is the main source of income for about 80 percent of the population. Improved poverty rates due to positive per capita growth rates have generally been linked to good performance of the crop sector. The downward trend in poverty rates stalled in early 2018 as agro-pastoral households in the semi-arid, northern parts of the country were affected by food insecurity due to inadequate rains. The latest rainy season has been favorable and the downward trend in poverty rate has resumed. This underscores the high sensitivity of the economy and poverty rates to climate and services. This year, a 34 percent increase in cereal production is expected over last year's production. This bodes well for above-average cereal

availability in the 2018-2019 consumption year and will facilitate food security and poverty reduction in the coming year. Going forward, targeted support by the Government for critical services and support in the agriculture sector will be important for decreasing poverty rates<sup>1</sup>.

5. **In its efforts to strengthen the social contract, there is an urgent need to reduce high and varied subsidy requirements for electricity with the intent that these are available in the budget for further spending on human capital.** The subsidy requirement for fiscal year (FY) 2017 was evaluated at US\$96 million, of which US\$59 million was received from the Government which left a total revenue shortfall of US\$38 million uncovered. In 2018, the sector's tariff revenue shortfall increased further to US\$160 million, driven by: (i) the sector's exposure to increased fuel costs on international markets due to high reliance on fossil fuels for power generation and (ii) a marked increase in the growth in customer demand, which leads to further budget shortfalls as consumers do not pay a cost reflective tariff. While the operating subsidy provided by the Government was initially increased to US\$72 million in 2018, only US\$46 million was paid and EDM-SA reported a net loss of US\$114 million. This also meant that EDM-SA equity became negative, which effectively means that EDM-SA did not have enough assets to pay its accumulated debt. This structural deficit between costs and revenues was financed with short-term commercial debt and EDM-SA found itself in a situation where it needed to borrow more short-term debt to pay to its suppliers, meet its debt service obligation and to roll over its debt, which further exacerbated the financial distress of the utility. Furthermore, the ability to raise tariffs is limited, as tariffs are already unaffordable for a large segment of the population and difficult to raise in a fragile context – the average tariff currently stands at US\$0.185/kWh for LV customers and US\$0.15/kWh for medium voltage (MV) customers. These tariffs are substantially below the cost of service estimated at US\$0.24/kWh in 2017 and over US\$0.26/kWh in 2018. In view of this persistent gap between EDM-SA's revenues and costs, a level of debt that is too high for EDM-SA to afford, and the expensive fuel mix, the tariff revenue shortfall and hence the need for subsidy in the next couple of years is forecast to remain high at close to US\$100 million. This DPF Program supports structural reforms that will enable the subsidy to peak, and then be substantially reduced over time. Reforms include measures driving a significant shift in the energy mix towards an increase in more affordable electricity imports and renewable energy, debt restructuring, and improvements in the governance and operational efficiency of the utility.

6. **As part of a renewed social contract, there is also an urgent need to improve the efficiency of agricultural subsidies and the effectiveness of the delivery mechanism, which will also create budgetary space.** Agriculture is the backbone of the Malian economy, accounting for almost one-third of gross domestic product. Poverty reduction has been strongly linked with productivity improvements for small scale farming activities – and such productivity improvements will be critical to maintaining economic growth rates. Since the 1990s, maize and rice crops production have grown at annual rates of 8 percent and 9 percent, far outpacing the 3 percent annual growth rate for millet and sorghum (which are grown by the poorest households). Agricultural growth in Mali has relied on expansion of area planted. With the existing resources available to farmers, more efficient use of land (especially for the poorest, who have more limited access to land) has the potential to increase the returns to labor and thus household income.

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<sup>1</sup> Indeed, The Mali Systematic Country Diagnostic (SCD) 2015 found that the yield gap for crops grown by the poorest households is particularly high. Closing the yield gap necessitates soil improvement, seed development and better access to inputs. It finds that closing the yield gap in this form would increase primary gross domestic product (GDP) significantly.

This increase in yield from farmed land, even on very small scale, is termed ‘sustainable intensification’. Crop yields are currently low as is use of inputs such as fertilizer and manure. The average application of fertilizers per hectare of arable land in Mali is approximately 14 kg, which is high compared to the average for the West African region (4 kg/ha), but very low compared to the average for Eastern and Southern Africa (40 kg/ha)/ha (FAOSTAT<sup>2</sup>, 2017). Most fertilizer is used for growing cotton and irrigated rice. With climate change, population growth and declining soil fertility, it is increasingly difficult to continue to rely on land expansion to drive agricultural growth and meet the needs of the Malian population. Increasing labor productivity requires increasing yields. The recommended path is to ensure effectiveness of public expenditures in the sector to intensify agricultural production with an increase in production per unit of cultivated land. All of this requires appropriate fertilizer<sup>3</sup> and drought tolerant seed use, which in turn relies on targeted and timely government support for farmers, and improved access to electricity in agricultural areas.

7. **Digitizing the input subsidy program through ‘e-vouchers’ to ensure efficiency and transparency is critical for rural income growth.** The recent World Bank report “Digitizing Agriculture: Does It work? Evidence from three e-voucher programs in West Africa” (World Bank, April 2019) highlighted that in Mali the e-voucher was launched against a backdrop where the distribution of inputs on the basis of traditional subsidies had revealed numerous limitations (poor targeting, high transaction costs, non-transparency of the supplier’s selection, etc.). In these circumstances, the e-voucher could be seen as a more transparent and efficient solution to establish direct contact between the subsidy’s beneficiaries and the agro-dealers.

#### **Box 2: Context for Subsidies and the Shift to e-Vouchers<sup>4</sup>**

Access of farmers to the right agricultural inputs is critical for increased productivity and agricultural transformation. These inputs are essential for poor farmers to achieve high productivity. The argument for subsidizing such inputs was based on the theory that market failures meant that farmers’ private input costs were higher than true social or economic costs and therefore a subsidy could generate the positive overall net economic returns. However, traditional input subsidy programs pursued by many African countries were found to be ineffective at targeting the poor and were found to be inefficient and therefore expensive relative to returns. They are therefore being progressively eliminated. To address some of these issues, input *vouchers* were introduced into many SSA countries to give poor farmers access to inputs and technologies needed. These forms of subsidies are designed to provide incentives for developing commercial supply and advancing rural financial markets; to link inputs use to complementary farming practices and technologies; and to target vulnerable groups in a timely manner.

The delivery of input vouchers as electronic vouchers (e-vouchers) - instead of paper vouchers - for agricultural input subsidy delivery has grown substantially in numerous SSA countries since early innovation at the start of the present decade. Nearly a dozen countries have experimented with e-voucher mechanisms in some form, and a wide variety of experiences have been gained across design and scale-up approaches, platform technology choices, agricultural

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<sup>2</sup> Food and Agriculture Organization of the United Nations Statistics.

<sup>3</sup> With appropriate consideration of implications for water quality and potential consequences for health (particularly of children). See Damania, Richard; Desbureaux, Sébastien; Rodella, Aude-Sophie; Russ, Jason; Zaveri, Esha. 2019. Quality Unknown: The Invisible Water Crisis. Washington, DC: World Bank.

<sup>4</sup> A. E Obayelu (ACS, vol.4, 2017), Cross-Country Comparison of Voucher-Based Input Schemes in Sub-Sahara Africa Agricultural Transformation: Lessons Learned and Policy Implications.

S. D. Mink (2019), Assessment of the Design and Delivery Mechanisms of E-voucher Schemes in Agriculture in SSA.



input and activity subsidy support coverage and subsidy payment systems. The main input policy dimensions for the subsidy program – targeting criteria and subsidy coverage – have typically been articulated independently of possible e-voucher mechanisms. The ability of a several countries to design, test and scale up e-voucher programs and reach widely to rural farmers (some 700,000 in Zambia, and over 5 million in Nigeria) shows the technical feasibility of the general approach. E-vouchers have demonstrated a number of cost advantages over paper vouchers. Paper vouchers generally entailed difficult tracking and reconciliation of transactions when aggregated and submitted for reimbursement by agro-dealers. E-vouchers largely resolve these problems, with lower staffing needs, and the experience has shown that payment delays to agro-dealers are reduced. Moreover, e-voucher operations have shown potential for providing vulnerable rural households with quality inputs, without intermediaries and with private sector input distributors, with good transparency and overall timeliness of input availability.

8. **Investments with long-run pay-offs in agricultural productivity, land use sustainable intensification and resilience require *land tenure security*.** Most farmers hold land under customary tenure systems (men: 92 percent; women: 94 percent; EACI, 2017)<sup>5</sup>. Migrants and most women have user rights only with restrictions on duration and type of investments<sup>6</sup>. Customary systems provide tenure security for most smallholders and the incentives for investments (see also Bambio and Agha, 2018). Recognition and protection of customary tenure systems is therefore the most effective measure for strengthening tenure security. The 2017 Agricultural Land Act strengthens customary tenure systems and builds local capacity for conflict prevention and mediation, which contributes to productivity, as contested fields cannot be cultivated, while conflict resolution is costly. In addition, enhancing capacity for land conflict mediation and prevention matters given the growing fragility and instability in rural areas. Grievances over loss of land or access to natural resources (like grazing lands, water points, livestock corridors, forests) can easily degenerate into violence. The Government is currently reviewing the 2000 Domain and Land Code, which can provide the basis for a more robust property tax system for urban property thus contributing to domestic revenue generation. However, it is essential that the Government ensures during the drafting process that this new Domain and Land Code will be coherent with the 2017 Agricultural Land Act, to avert any legal ambiguity between Code and Act.

9. **Whilst there are differences in the quality of public service provision across the country, Mali has been prioritizing decentralization since its transition to democracy; even so, decentralization has progressed slowly.** Decentralization refers to local autonomy and responsibilities, fiscal transfers and downward accountability. More effective decision making at a local level around use of resources is seen as critical to economic growth. When at the 1991 national conference the building blocks for Mali's democratic system were agreed, political decentralization was a cornerstone of the new political system. Since then, decentralization has served the dual objective of easing tensions in the north of the country, and stronger development and accountability via bottom up engagement by citizens. All past peace agreements, as well as the Agreement signed in May and June 2015, feature decentralization as a tool for peacebuilding and increased economic development, particularly of northern Mali. Some formal authority was devolved in the 1990s, but decentralization of governance has lagged.

10. **This DPF program focuses on (i) turning around the financial situation of the electricity sector to reduce its financial demands and thus the strain it imposes on public finances; (ii) improving the effectiveness and reducing the costs of subsidies in the agriculture sector to reduce budgetary burden**

<sup>5</sup> Residential land has more often a form of title like an occupancy permit or even title.

<sup>6</sup> Tree planting is often sensitive because traditionally considered as ownership claim.

**and improving land tenure security to support increased productivity and (iii) reinforcing fiscal decentralization for improved services and stability.** Reforms to improve the financial sustainability of EDM-SA will create fiscal space for other priorities after 2021. The fertilizer subsidy program will be improved. Under the e-voucher scheme, targeting will improve and leakage decrease thanks to a systematic identification of the subsidy beneficiaries including a geo-mapping of their acreage, the competitive acquisition of fertilizers by the Ministry of Agriculture and by removing the intermediaries between the beneficiaries and the agro-dealers. Accompanying measures include reforms to improve the quality of fertilizer (organic and inorganic) and the market for fertilizers, supporting an even playing field for qualifying fertilizers and thus competition and cost reduction. The program will expand and improve the functionality of rural land commissions to help reduce land related conflict. Mali has prioritized decentralization since the transition to democracy in 1991 but the transfer of resources to local governments – the litmus test for any fiscal decentralization process, remains ad hoc. Reforms to improve service provision will enhance state legitimacy. This operation supports measures to ensure budget appropriations are released and transferred to front-line service providers (schools and health clinics) in time to improve service delivery at the local level.

11. **The macroeconomic policy framework provides an adequate basis for the proposed operation.** Growth is projected to average 5 percent over the medium term provided that the conflict is contained. The tertiary sector will be one of the main drivers of domestic economic activity owing to the expected dynamism of telecommunications and transport industries and, to a lesser extent, the development of trade and financial services. Primary sector growth is expected to slow down but will remain high and contribute significantly to GDP growth. The authorities are committed to meeting the fiscal deficit target of 3 percent of GDP by 2019 and over the medium term. The macroeconomic policy framework is anchored in the recently approved IMF Extended Credit Facility (ECF) and Mali's membership of the West African Economic and Monetary Union (WAEMU). Public debt is sustainable with moderate risk rating of overall and external debt distress.

## 2. MACROECONOMIC POLICY FRAMEWORK

### 2.1. RECENT ECONOMIC DEVELOPMENTS

12. **Growth slowed down for a third consecutive year to 4.7 percent (1.7 percent per capita) in 2018, as the economy reverted to its potential rate of growth.** Slower growth is partly due to the increased insecurity which led to destruction of human and physical capital and implying larger and more persistent economic costs<sup>7</sup>. Economic uncertainty in the run-up to the presidential elections also played a role. The slight growth deceleration mainly affected the tertiary and secondary sectors. Economic activities were supported by solid gold production as new gold mining projects came fully on stream and agricultural output thanks to favorable weather conditions. In 2019, according to preliminary estimates, growth accelerates at 5.0 percent thanks to the rebound of the tertiary sector owing to the dynamism of telecommunications and transport industries. On the demand side, public investment is estimated to increase sharply after the sharp adjustments undertaken the previous year.

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<sup>7</sup> IMF (2019) estimates suggest that the current Malian GDP could have been about 20 percent higher in the absence of conflict.

**Table 1: GDP Growth, Demand and Supply Side**

	2016	2017	2018	2019 Est.	2020	2021 Projections	2022
<b>GDP Growth (%)</b>	5.8	5.4	4.7	5.0	5.0	4.9	4.9
<b>Demand Side</b>							
Private Consumption	3.9	4.6	9.1	3.6	4.0	4.7	4.7
Public Consumption	7.0	17.3	3.5	13.5	6.4	4.2	4.2
Investment	6.9	18.1	-9.6	14.2	9.3	6.3	6.3
Exports	-8.9	2.2	8.8	1.8	2.8	3.8	3.8
Imports	11.2	-0.2	1.8	5.9	2.5	2.4	2.4
<b>Supply Side</b>							
Agriculture	7.5	5.0	5.7	5.5	5.0	4.9	4.9
Industry	0.3	6.6	5.4	5.2	4.9	4.8	4.8
Services	6.8	5.4	4.5	5.1	5.1	5.1	5.0

*Source:* Ministry of Economy and Finance (MEF), IMF and World Bank staff estimates (2016-2018) and projections (2019-2022) August 2019.

13. **Inflation remained subdued and below the WAEMU target.** Due to favorable weather conditions and good agricultural production, inflation decreased slightly from 1.8 percent in 2017 to 1.7 percent in 2018. Because the domestic fuel price formula capped the adjustment at 3 percent, the sharp increase in international oil prices by 23.2 percent from end-2017 to end-2018 did not lead to inflation. However, it came at a fiscal cost as subsidies increased. Following good harvest and low oil prices, inflation continues to slide in 2019 and declined at -1.0 percent in June 2019. On average, inflation is projected to reach 0.4 percent in 2019. Tight monetary and financial conditions at the regional level also contributed to keeping inflation below the WAEMU convergence criterion of 3 percent.

14. **Mali's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO),** which maintains a fixed peg between the CFA Franc and the Euro. BCEAO's international reserves reached 4.5 months of imports in 2018, up from 4.1 months in 2017, supported by Eurobond issuances by Senegal and Cote d'Ivoire and fiscal consolidation. By end 2019, international reserves are estimated at 4.6 months of imports. Despite tighter monetary policy in 2018, with BCEAO reducing its refinancing to banks, regional liquidity pressures were alleviated by the Eurobond issuances. The real effective exchange rate (REER) appreciated by 2.4 percent in 2018, after being stable in 2017, partly reflecting the strengthening of the Euro.

15. **The external current account deficit narrowed in 2018 thanks to well performing cotton and gold exports.** Mali's net external position is dependent on oil imports as well as gold and cotton exports which represent about 65 percent and 15 percent of total exports, respectively. Mali harvested a record crop of 725,000 tons of cotton, which led to a significant increase in cotton exports by 28 percent. Gold output is estimated to have risen exceptionally by 21 percent in 2018 as new gold mining projects came fully on stream. As a result, despite higher nominal oil imports, the current account deficit narrowed from 7.3 percent of GDP in 2017 to 3.7 percent in 2018, financed by a combination of foreign direct investment (FDI) (20 percent) and external concessional financing (80 percent). However, in 2019, the external current account deficit is estimated to widen from 3.7 percent of GDP to 5.6 percent owing to the slowdown of gold exports.

**Table 2: Key Macroeconomic Indicators, 2016–2022**

	2016	2017	2018	2019	2020	2021	2022
Real economy	Annual change in percentage, unless otherwise indicated						
GDP (nominal, CFAF Billions)	8,308	8,928	9,538	10,199	10,905	11,663	12,486
Real GDP	5.8	5.4	4.7	5.0	5.0	4.9	4.9
GDP deflator	1.4	1.9	2.1	1.8	1.8	2.0	2.1
Consumer price inflation (average)	-1.8	1.8	1.7	0.4	1.9	2.0	2.1
Fiscal accounts	Percent of GDP, unless otherwise indicated						
Total Expenditures	22.3	22.9	20.2	25.2	22.9	22.9	23.3
Total Revenue	16.7	18.4	14.2	19.9	17.9	18.2	18.5
Tax revenues	14.9	15.2	11.8	14.5	15.8	16.1	16.4
Nontax revenue	0.5	1.4	0.6	1.4	0.7	0.7	0.8
Grants	1.6	1.6	1.2	2.3	2.0	1.7	1.8
Special funds and annexed budgets	1.3	1.9	1.9	3.9	1.2	1.2	1.2
General Government Balance	-3.9	-2.9	-4.7	-3.0	-3.0	-3.0	-3.0
Public Debt	36.0	36.0	37.3	37.4	38.2	38.7	39.2
Domestic Debt	11.0	11.0	12.7	11.9	13.0	13.9	14.6
Selected Monetary Accounts	Contribution to broad money growth						
Credit to the Government	11.3	4.4	9.3	5.0	4.3	4.0	3.8
Credit to the economy	12.5	9.5	0.4	9.0	9.3	11.4	12.3
Broad money (M2)	12.8	15.4	8.1	5.8	10.4	10.7	3.6
Balance of Payments	Percent of GDP, unless otherwise indicated						
Current Account Balance	-7.2	-7.3	-3.7	-5.6	-6.4	-7.1	-7.0
Imports	40.3	35.9	34.1	35.2	34.6	33.7	32.8
Exports	23.5	22.2	23.6	22.8	21.0	20.1	19.4
External Debt	25.1	24.9	24.6	25.5	25.1	24.8	24.6
Terms of Trade	15.5	-25.0	-1.3	0.5	-2.8	-3.7	-1.4
Other memo items							

Source: MEF, IMF and World Bank staff estimates (2016-2018) and projections (2019-2022) August 2019.

16. **A dramatic and unexpected shortfall in fiscal revenue collection in 2018 led to fiscal slippages.** Fiscal performance in 2018 was marked by significantly lower-than programmed revenues leading to sizable spending cuts. In 2018, total revenues and grants declined by 4.5 percent of GDP while total expenditures dropped by 2.7 percentage points of GDP. Despite the expenditure adjustment, the fiscal deficit increased from 2.9 percent of GDP in 2017 to 4.7 percent in 2018. In 2019, thanks to corrective measures, tax revenues increased sharply and allowed to reduce the fiscal deficit at 3 percent of GDP. Due to a shortfall in external support, the fiscal deficit was largely financed by regional bond issuance.

**Table 3: Key Fiscal Indicators, 2016–2022**

(In % of GDP, unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2022
<i>Overall Balance (including grants, comm.)</i>	-3.9	-2.9	-4.7	-3.0	-3.0	-3.0	-3.0
<i>Total Revenue and Grants</i>	18.3	20.0	15.5	22.2	19.9	19.9	20.3
Tax Revenue	14.9	15.2	11.8	14.5	15.8	16.1	16.4
Direct taxes	4.4	4.7	3.6	4.4	4.8	5.0	5.1
Indirect taxes	10.5	10.5	8.2	10.1	11.0	11.1	11.3
Nontax revenue	0.5	1.4	0.6	1.4	0.7	0.7	0.8
Special funds and annexed budgets	1.3	1.9	1.9	3.9	1.2	1.2	1.2
Grants	1.6	1.6	1.2	2.3	2.0	1.7	1.8
<i>Total expenditure and net lending</i>	22.3	22.9	20.2	25.2	22.9	22.9	23.3
Current expenditures	12.2	12.4	12.0	13.3	13.1	13.1	13.1
Wages and salaries	4.8	4.8	4.9	5.8	5.8	5.8	5.8
Goods and services	3.2	3.3	2.9	3.1	3.3	3.3	3.3
Interest payments	0.7	0.8	0.9	1.0	1.1	1.1	1.1
Transfers and subsidies	3.5	3.4	3.3	3.4	2.9	2.9	2.9
Capital expenditures	8.9	8.8	6.4	8.1	8.7	8.6	9.0
Externally financed	2.9	2.8	1.5	2.4	3.3	3.0	3.1
Domestically financed	6.0	6.0	4.9	5.7	5.4	5.6	5.9
Special funds and annexed budgets	1.3	1.9	1.9	3.9	1.2	1.2	1.2
Net lending	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0
Variation of arrears	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
Adjustment to cash basis	0.1	0.3	1.0	-0.6	-0.1	0.1	0.1
Overall fiscal balance (including grant-cash)	-3.9	-2.6	-3.9	-3.7	-3.2	-2.9	-2.9
General Government Financing	3.9	2.6	3.9	3.7	3.2	2.9	2.9
External financing (net)	1.3	1.7	0.5	2.5	1.0	1.3	1.2
Domestic financing (net)	2.6	0.9	3.4	1.2	2.2	1.6	1.7
of which: privatization	-0.2	-0.1	-0.1	0.3	-0.2	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: MEF, IMF and World Bank staff estimates (2016-2018) and projections (2019-2022) August 2019.

17. **After years of strong performance, fiscal revenue collection was highly disappointing in 2018.** Keeping the same upward trend since 2012, tax revenues increased from 14.9 percent of GDP in 2016 to 15.2 percent of GDP in 2017, an improvement driven by the authorities' efforts to expand the tax base and improve tax payers' compliance through stronger tax and customs administrations. This allowed total revenue (including special funds and annexed budgets) and Grants to reach 20.0 percent of GDP in 2017. In 2018 tax revenues dropped drastically to just 11.8 percent of GDP. Tax revenue declined by 3.4 percentage points of GDP and non-tax revenue by 0.8 percentage points of GDP from 2017. This can be explained by a combination of factors: (i) slower economic activities in the secondary and tertiary sectors; (ii) higher taxpayer noncompliance ahead of the presidential election; (iii) fiscal losses as global oil price increases were only partially passed-through to domestic prices and; (iv) an increase in tax-exempted fuel quantities, largely for use by EDM-SA. These factors were further compounded by fraud due to the closure of custom offices in areas affected by growing insecurity and recurrent terrorist attacks. Non-tax revenues also decreased from 1.4 percent of GDP in 2017 to 0.6 percent of GDP in 2018 due to delays in the issuance of a new telecommunications license. Budgetary grants also followed the same trend (from 1.6 percent of GDP to 1.2 percent) owing to delays in completing prior actions related to budget supports from the African Development Bank and the European Union (EU). Total revenue (including special funds and annexed budgets) and Grants decreased from 20.0 percent in 2017 of GDP to 15.5 percent in 2018.

**Table 4: Revenue Performance 2017–2018 (percent of GDP)**

	2017	2018
Total revenues	18.4	14.2
Budgetary revenues	16.6	12.4
Tax revenues	15.2	11.8
Direct Taxes	4.7	3.6
Indirect taxes	10.5	8.2
Non tax revenues	1.4	0.6
Special funds and annexed budgets	1.9	1.9

*Source: Malian authorities; IMF staff calculations.*

18. **However, in 2019, considerable efforts have been deployed by the authorities to reverse the situation on tax revenues.** Tax revenues increased from 6.6 percent of GDP in June 2018 to 7.3 percent of GDP in June 2019. The tax revenue performance is almost aligned to the first half of 2017 (7.4 percent of GDP), the last "normal" fiscal year. While some of the gains reflect the recovery of accumulated tax arrears from the previous year (0.4 percent of GDP), revenue collection performance is mainly due the corrective measures including tax administration- customs cooperation, internal audits, strengthening of tax discipline and improving the monitoring of tax declaration. Expected yields from the corrective measures are estimated at 2.1 percent of GDP. The fiscal framework envisages a full recovery by 2020 and sets the tax revenue target at 14.5 percent of GDP in 2019, a 2.7 percentage points improvement over 2018, thereby frontloading the recovery effort. To sustain the ongoing efforts, the authorities finalized an internal audit (with IMF Technical Assistance) of tax administration and customs to fully account for the collection failures in 2018 and provide a basis for additional corrective measures. The tax revenue increase is expected to be sustainable thanks to continued efforts to streamline tax exemptions, improve tax and customs administration and to expand the tax base.

19. **Tax revenue shortfalls led to a recalibration of public expenditures.** This forced the Government, to unprecedentedly close budget commitments one month earlier than legally required, in order to avoid arrear accumulations. Public expenditures decreased from 22.9 percent of GDP in 2017 to 20.2 percent in 2018. The adjustment affected mostly public investments which decreased from 8.8 percent of GDP in 2017 to 6.4 percent in 2018. Expenditure cuts affected almost all sectors, including health and education, though IMF program floors on social spending were still met. Current expenditures decreased slightly owing mostly to cuts of goods and services. However, the public wage bill has not been affected and even increased due to new recruitments in the police and security sector. The public wage bill (42 percent of tax revenues) surpassed the WAEMU convergence criterion of 35 percent of fiscal revenues. The tight fiscal position led to delays in payments of civil servant' salaries and to selected suppliers, including those associated with the distribution of subsidized organic and inorganic fertilizer.

20. **Despite a tight fiscal position, Government subsidies to the public electricity utility (EDM-SA) and agriculture sector have increased in 2019.** In early 2018, EDM-SA had a debt of 2.5 percent of GDP to 16 different financial institutions (including Development Financial Institutions and commercial banks) and had 0.7 percent of GDP of payment obligations to suppliers. By April 2018 it became clear that EDM-SA had difficulty paying its suppliers and was unable to generate enough cash to pay the debt service obligations and commercial obligations. In 2019, the Government has cleaned arrears of the public administration (0.1 percent of GDP) and revised the 2019 budget by increasing further energy subsidies to 0.7 percent of GDP. This also includes the Government partial repayment and restructuring of EDM-SA's commercial debt using concessional external loans. Meanwhile, subsidies related to fertilizers in the agriculture sector have been maintained at 0.4 percent of GDP despite the severe fiscal adjustment due to revenue shortfall. Agricultural subsidies represent the largest spending component in government spending on rural development.

**Table 5: Public Subsidies and Transfers (percentage of GDP)**

Sectors	2016	2017	2018	2019	2020
Energy	0.4	0.4	0.3	0.7	0.3
Agriculture	0.2	0.4	0.5	0.5	0.5
Transfers to social sectors (education, health, social protection)	1.0	1.0	0.7	0.9	0.9

Source: Ministry of Economy and Finance.

Note: Subsidies provided in 2019 to EDM-SA include the GoM settling EDM's debt vis-à-vis SOPAM Energie (30 billion CFAF), transfer for the partial repayment of EDM-SA's accumulated short-term debt (30 billion CFAF) and writing off a part of EDM-SA's accumulated fiscal debt (24 billion CFAF). Hence, these measures do not directly address the needs for covering operating costs that need to be covered due to the tariff revenue shortfall EDM-SA is facing.

21. **The financial sector is sound, but some weaknesses in the banking sector persist.** Financial indicators show that the banking sector is broadly sound. Non-performing loans (NPLs), decreased from 18.2 percent in December 2017 to 13.7 percent in December 2018 but remain a concern. In addition, the high concentration of credits amongst a small number of borrowers, whether sound or impaired, could lead to high volatility in the NPL ratios and have systematic consequences as the largest banks typically have the same large borrowers. Banks also continue to hold large amounts of non-operating real estate acquired through the call-in of guarantees. High uncertainties about their valuation remain a source of

risk. Short-term credit dominates credit to the private sector, accounting for about 75 percent of the credit portfolio, above the WAEMU average. Relatively little credit is extended to the primary sectors. Sectoral shares in short-term credit primary, secondary and tertiary sectors are respectively 10 percent, 25 percent and 65 percent.

## 2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

22. **Medium term growth is projected at around five percent in line with potential.** Given projected climatic conditions around its long-term trend, primary sector growth is expected to slow down but will remain high and contribute significantly to GDP growth. The tertiary sector will be one of the main drivers of domestic activity owing to the expected dynamism of telecommunications and transport industries and, to a lesser extent, the development of trade and financial services. Secondary sector growth would decelerate over the medium term, following the expected lower performance of gold production industries following depletion of discovered existing reserves. On the demand side, investment is expected to be stimulated by continuous reforms on business climate and the operationalization of the PPP law.

23. **Several key assumptions underlie the medium-term growth projections.** First and foremost, that the security situation does not deteriorate further. Second, terms of trade are expected to slightly deteriorate from 2020 onwards due to projected decline of gold prices. Third, climatic conditions remain favorable and support agricultural production. Fourth, policy commitment in support of an adequate macroeconomic framework remains strong. Fifth, measures to address EDM-SA's financial situation and rationalize public subsidies to increase fiscal space for investments in agriculture and social sectors are effectively implemented.

24. **The external current account deficit is projected to remain substantial over the medium term at around 7.0 percent of GDP.** Gold exports are projected to decline in the absence of new gold mining while cotton production will return to its long-term growth trend after an outstanding harvest recorded recently due to exceptional weather conditions. Public capital imports will increase including to support the reconstructions of conflict affected areas. The external current account deficit will be mainly financed by financial inflows in the form of concessional external borrowing and FDI. The pooled foreign reserves, at the regional central bank, are expected to increase from 4.2 months of imports in 2017 to 4.5 months at end 2022. This is below the 5-7 months reserve adequacy level recommended by the IMF.

25. **Mali's fiscal position is expected to improve in the medium term thanks to sustainable efforts to increase tax revenues.** The authorities are determined to respect the WAEMU convergence criterion for the overall fiscal deficit of 3 percent of GDP in 2019 and over the medium term. The Government revised the 2019 budget and made considerable efforts to improve tax revenues in the first half of 2019. Maintaining the deficit of 3 percent of GDP over the medium term requires sustaining the ongoing efforts to increase tax revenues. The deficit will be financed through concessional external borrowing and issuance of regional bonds.

**Table 6: External Financing Requirements, 2016-2022**

(Billions of CFAF)

	2018	2019p	2020p	2021p	2022p
<b>Financing requirements</b>	<b>-591</b>	<b>-1076</b>	<b>-1149</b>	<b>-1222</b>	<b>-1304</b>
Current account deficit	-780	-1021	-1141	-1275	-1318
IMF transactions based on existing drawing, net	65	-11	-12	-12	-14
Private capital and financial flows	197	55	126	164	128
Amortization of public loans	-72	-99	-122	-99	-101
<b>Financing sources</b>	<b>598</b>	<b>1076</b>	<b>1149</b>	<b>1222</b>	<b>1304</b>
Official loans	97	335	223	239	255
Official transfers	557	663	642	625	654
Portfolio investments	116	42	45	48	51
Change in reserves	-172	35	239	311	343
.. of which IMF credit (net)	0	16	32	32	32
<b>Residual Gap</b>	<b>7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Sources: MEF, IMF and World Bank staff estimates (2016-2018) and projections (2019-2022), August 2019.

26. **Domestic resource mobilization is projected to increase gradually thanks to ongoing corrective measures.** Total revenues (including special funds and annexed budgets) and grants are expected to decrease. The Government decided to no longer include fiscal statements of some Independent Administrative Authorities in its own fiscal account and this led to reduction of special funds and annexed budget from 3.9 percent of GDP in 2019 to 1.9 percent in 2020 (Table 3). However, tax revenue increase observed in 2019, is expected to be sustainable thanks to continued efforts to streamline tax exemptions, improve tax and customs administration and expand the tax base. Envisaged measures include: (i) prohibiting the granting of new discretionary exemptions – estimated at 3.5 percent of GDP in 2017; (ii) implementing the law aimed at raising the eligibility threshold for investments benefiting from tax exemptions granted through the Investment Code; (iii) revising the mining code to include measures aimed at avoiding aggressive tax optimization; (iv) restructuring, strengthening of human resource management, and better information systems and data management to strengthen governance and reduce vulnerabilities to corruption; (v) introduction of electronic filing and payment for large enterprises to reduce the cost of compliance for firms and improving tax audits; (vi) finalizing a framework for the exchange of tax related information between tax administration and customs to limit tax avoidance opportunities; (vii) streamlining fuel tax exemptions, such as in the mining sector, in order to improve the mobilization of fuel-based revenues and (viii) providing capacity building to the tax administration to improve revenue collection of mining, telecommunication and banking and insurance financial activities. On a longer horizon, the authorities are preparing tax policy measures to broaden the tax base. These include reform of land and property taxation, as well as of the informal sector.

27. Under the pressure of rising security expenditure, the authorities aim to improve the efficiency of spending by tilting it away from current spending and toward investment and poverty-reducing social spending. The authorities are implementing plans to improve the efficiency gains on agriculture and energy in order to contain the increase of recurrent spending. Total expenditures will be contained below

23.5 percent of GDP by 2022 while recurrent expenditure will be controlled mainly by reducing transfers and subsidies, particularly to EDM-SA. Wages and salaries would be capped at 5.9 percent of GDP, after exceptional increases in 2019 due to recruitments in the security sector and agreements with trade unions. The projected fiscal space would facilitate an increase in public investment from 6.4 percent of GDP in 2018 to 9.0 percent in 2022. The Government is determined to focus on reducing the efficiency gap by implementing recommendations of the 2017 public investment management assessment (PIMA). Additional efforts are planned to improve public financial management through an improved budget preparation, execution, monitoring, and audit of budget execution. Efforts will continue to improve fiscal transparency, internal and external audit, and cash management.

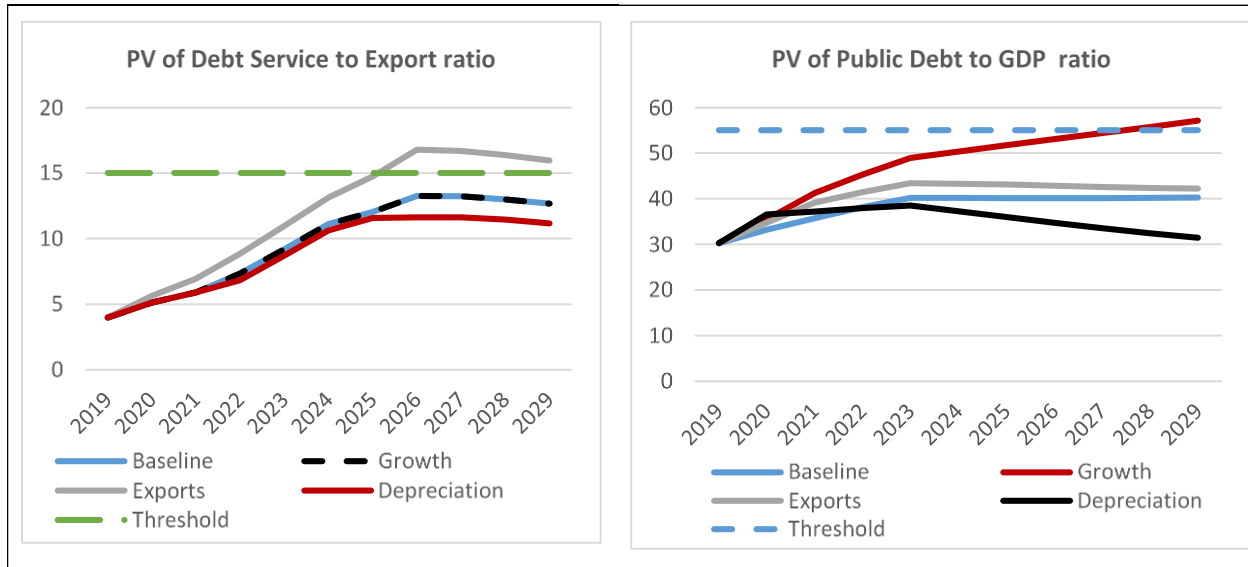
**Table 7: External Debt Stock Composition at Year-End, 2018**

	US\$ (Billions)	Share of total debt	Percentage of GDP
Multilateral	3.3	80.5	19.8
IMF	0.3	7.7	1.9
World Bank/IDA	1.7	40.2	9.9
African Development Bank	0.2	3.7	0.9
Islamic Development Bank	0.2	4.1	1.0
Others	1.0	24.8	6.1
Official Bilateral	0.8	19.5	4.8
Paris Club official debt	0.1	1.6	0.4
Non-Paris Club official debt	0.7	17.9	4.4
Total	4.1	100.0	24.6

Source: MEF, IMF and World Bank staff estimates, August 2019.

28. **The risk of overall and external debt distress is moderate.** Public debt remains low but debt sustainability remains sensitive to external shocks. All debt indicators remain below their corresponding indicative thresholds under the baseline scenario and stress tests. However, an export shock under a customized scenario of higher fiscal deficits financed at unfavorable terms shows a breach of the debt service-to-exports threshold. The present value of public sector debt-to-GDP ratio stays between 30.6 and 34.4 percent of GDP under the baseline scenario. However, it increases to 56 percent of GDP in 2028 under the alternative scenario of a shock on real GDP growth. This scenario reflects additional security-related expenditures that may be required if the conflict intensifies. Mali's debt sustainability is also highly sensitive to a tightening of financing terms, to an exports shock given the export concentration in gold and cotton, and to a reduction in current transfers and FDI. In addition, non-resident holdings of securities issued in the regional securities market can pose additional risks that are not currently captured in the external DSA, although the scale of such holdings is unclear. Mali needs to maintain prudent macroeconomic policies, strengthen the effectiveness of public investment, debt management and continue to meet its external financing needs with grants and concessional loans, wherever possible. In addition, projects should deliver high returns; and structural reforms to improve the investment climate and export diversification should continue, in view of an expected decline in gold's exports over the medium term.

**Figure 1 Debt Sustainability Analysis 2019-2029**



Source: Joint World Bank - IMF DSA, August 2019.

29. **The major downside risks to the economic outlook relate to security challenges, weather conditions and commodity price fluctuations.** The most significant and unpredictable risk comes from the fragile security situation. Preventing the spread of insecurity towards the populous southern regions of the country is critical as it could create a profound economic crisis for the agricultural and mining sectors. Agriculture also remains vulnerable to adverse weather conditions. The risk seems higher given the exceptional weather conditions observed during recent years. It should be highlighted also that after years of above average crop production, it is highly probable that agriculture production could decline even under average long-term trend. Food security is at acceptable levels presently, but future crop failure would raise social spending needs, lead to widespread food inflation and would significantly reduce GDP growth. Given Mali’s limited fiscal buffers, such downside risks could affect budget execution and in particular, domestically-financed public investment, and could possibly lead to the accumulation of expenditure arrears. High dependence on gold and cotton exports leaves Mali’s balance of payments vulnerable to international commodity price fluctuations. Other external risks arise from potential reductions in donor funding and falling FDI. Finally, at the regional level, further monetary policy tightening by the BCEAO could slow credit to the private sector and increase the cost of domestic debt. There are also some near-term risks to public finances posed by the public electricity company (EDM-SA), which is in dire financial position.

30. **The macroeconomic policy framework provides an adequate basis for the proposed operation.** Growth is projected to average 5 percent over the medium term provided that the conflict is contained. The authorities are expected to remain committed through fiscal consolidation to reach WAEMU fiscal deficit target of 3 percent of GDP from 2019 onwards. The revised 2019 budget includes substantial efforts made to increase fiscal revenues during the first half. The macroeconomic policy framework is anchored in the recently approved IMF ECF and Mali’s membership of the WAEMU. Public debt is sustainable with

moderate risk rating of overall and external debt distress.

### 2.3. IMF RELATIONS

31. **On August 28, 2019, the IMF Executive Board approved a new three-year ECF arrangement for Mali.** After the disappointing fiscal revenue performance in 2018, this new arrangement has been possible thanks to the corrective measures the authorities have taken in the first half of 2019, which significantly improved domestic revenue collection. Going forward, decisive efforts aimed at domestic resource mobilization through tax policy and revenue administration reforms will be key to meeting the ambitious, but realistic program targets. The three-year ECF amounts to SDR 139.95 million (about US\$191.9 million) and aims to significantly increase revenue collection to allow for development spending and to reform the energy sector. Over the medium term, the ECF's key goals will be to: (i) expand fiscal space for productive investment and priority social spending; (ii) strengthen the business environment; (iii) improve governance and combat corruption; and (iv) sustain capacity development. The IMF board date for the first review is tentatively scheduled on January 15, 2020.

## 3. GOVERNMENT PROGRAM

32. **The proposed operation supports the Government's comprehensive CREDD for the period 2019-2023.** The CREDD sets out a framework for addressing the multi-dimensional problems facing Mali today. It consists of five strategic pillars: (1) consolidation of democracy and improvement of governance; (2) restoration of peace, security and the reinforcement of unity; (3) inclusive growth and structural transformation of the economy; (4) environmental protection and building resilience to climate change; and (5) development of human capital. Each pillar has high-level objectives, and activities to be taken forward. Strategic pillar (3) includes reinforcement of the stability of the macroeconomy, promotion of the private sector, improvement of quality and quantity of electricity supply and to do so at least cost, promotion of productivity and competition in the agriculture sector, and promotion of the digital economy. A key part of the first pillar includes reinforcement of decentralization by improving local governance, ensuring the de-centralization of delivery of basic public services and competencies, and the promotion of regional and local economies.

## 4. PROPOSED OPERATION

### 4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

33. **The CREDD includes a clear diagnostic of the problems being faced, and the theory of change involved in delivering on the high-level objectives.** The proposed operation supports key intermediate steps in the energy sector, agriculture and digital economy, and the critical area of decentralization to support delivery of the high-level objectives. The energy sector is seen as a key public sector service, and also an important drain on the budget. Supporting the agriculture sector is critical due to the large proportion of the economy affected by the sector – and the large proportion of the population involved in employment in the agriculture sector. Digitizing the economy, especially in relation to agriculture, is seen as an important medium for effectively delivering support and services to disparate populations while reducing leakage. Implementing mechanisms to strengthen land tenure security will reinforce

sustainable intensification of land use by the poor to support economic growth. The decentralization agenda is seen as critical to reinforcing security and the integrity of the country as a whole.

34. **This DPF series integrates lessons learned.** The World Bank is working on reducing the fiscal pressures created by expensive power generation in a number of countries in West Africa. This operation builds on significant experience around such measures to address generation mix, which is a major contributor to the high cost of service and which is being worked on through DPF and Investment Project Financing (IPF) instruments. For instance, in Senegal, the sector is working to switch away from heavy fuel oil to gas and renewables to eliminate annual subsidy requirements that are of the order of US\$200 million. Stakes in the agricultural sector are high and switching from one approach to subsidy delivery to another involves operational risks that need to be managed. In 2018 approximately 100,000 vouchers were sent to approximately 50,000 farmers in four districts (with high phone network coverage). This ‘pilot at scale’ revealed certain challenges: vouchers were sent late, not all fertilizer distributors were set up when vouchers were sent; targeting rules were not well-defined; some vouchers were for very small quantities and distributors were not paid in a timely manner. Despite these difficulties, there is an overwhelming sense that the reform of subsidies provision needs to be supported by specific support for improvements in performance while gradually increasing the scale of the scheme. A previous operation<sup>8</sup> supported the promulgation of the Agricultural Lands Act (1997 *Loi du Foncier Agricole*). As Mali has a history of legal ambiguity, which became the source of uncertainty and tenure insecurity, causing more conflict and land speculation, explicit coherence between the Agricultural Land Act and the new version of the 2000 Domain and land Act is essential. This umbrella law also addresses agricultural land and customary tenure, as well as instruments like land commissions. This operation is supporting the establishment and effectiveness of land commissions, particularly at the local government level (Pillar 3). Land commissions play a key role in the mediation and prevention of conflict over land and natural resources.

## 4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

### Pillar 1: Sustainable Energy – reducing electricity sector demands on the central budget

35. **Under the DPF series, the authorities have undertaken far reaching measures to improve the financial situation of the electricity sector, thus creating a path to removing the need for subsidies within five years.** Under the agreed reform measures, the authorities have paid outstanding arrears related to central government consumption to EDM-SA and adopted mechanisms to assure the timely payment of electricity bills by public and semi-public entities (**Prior Action #1**), which represents over 20 percent of the consumption of electricity in Mali. The Government has also paid the debt of EDM-SA’s strategic vendors and has entered into a payment protocol with EDM-SA establishing a pre-payment mechanism for central government and public institutions (**Prior Action #1**). These all relate to improving payment performance and cashflow management within the sector – important for reducing EDM-SA’s current reliance on extra commercial borrowings to address immediate payment obligations.

36. **In terms of increasing revenues to the sector, there is limitation to increasing tariffs due to**

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<sup>8</sup> Poverty development policy operation (DPO) – P 157900.



**affordability concerns.** In 2018, low voltage customers paid on average CFAF 107/kWh, which translates to US\$0.185/kWh. This is high compared with international benchmarks around US\$0.10/kWh. That said, there is scope to raise MV tariffs for commercial and industrial use which currently are at CFAF 88/kWh or US\$0.152/kWh. As part of this series, from August 2019, MV tariffs were increased by 3.16 percent and off-peak MV tariff by almost 40 percent (overall weighted effect being a 3.91 percent increase) to better align with the cost structure of EDM-SA. The MV tariffs shall continue to increase with the rate of inflation (**Prior Action #2**). This marks the first significant tariff increase for electricity services over the last decade. This tariff increase will deliver an additional CFAF 5bn in 2020 with the additional revenue increasing over time with the forecast increase in MV sales and additional tariff indexation. A Poverty and Social Impact Analysis (PSIA) has assessed the impact of tariff increases (see Section 5.1). The Sector Recovery Plan under this program requires further tariff increases in future years (see below & Annex 7).

**37. The Government has also taken measures to reduce the fundamental costs of the sector, following debt refinancing and sustainability analysis carried out by the World Bank during 2018-2019.**

The most impactful measure that the Government has prioritized is the increase of imports of low-cost electricity (**Prior Action #3**). In July 2019, it secured an agreement with Côte d'Ivoire Energies (CIE) for increase in imports to 100 MW. In August 2019, imports were over 100 MWs at times (from typical flows of 38 MWs in 2017 and 50 MWs during 2018). Overall, it is expected that imports will increase significantly in the coming years (see Figure 2), as Mali continues to withdraw expensive thermal generation as their IPP Power Purchase Agreements are allowed to expire. Under the Sector Recovery Plan, new contracts will be in conformity with the approved Least Cost Plan. The Government also removed the subsidy on connection fees for MV customers (**Prior Action #2**), thereby further reducing the cost of the sector for the budget. The costs of running EDM-SA's business have also been reduced based on the debt sustainability analysis. The expensive commercial loan portfolio of EDM-SA has been restructured through refinancing and collateralization of existing short-term commercial debt (related to **Prior Action #3**). EDM-SA's balance sheet was recapitalized through the write-off of a CFAF 24 billion EDM-SA fiscal debt obligation to the Government (**Prior Action #3**). The Government has also negotiated a state-to-state loan from Abu Dhabi (on highly concessional terms) to refinance EDM-SA's short-term commercial debt, which was on-lent to EDM-SA on the same terms at interest of 2 percent p.a. and with extended maturity (29 years), which will have a positive impact on EDM-SA's debt servicing situation. In addition, the Government has also removed all mark-ups on its own on-lending terms to EDM-SA. Taken together, these measures reduce operating costs and help to manage the tight cash situation EDM-SA is facing. Details are set out in Annex 7.

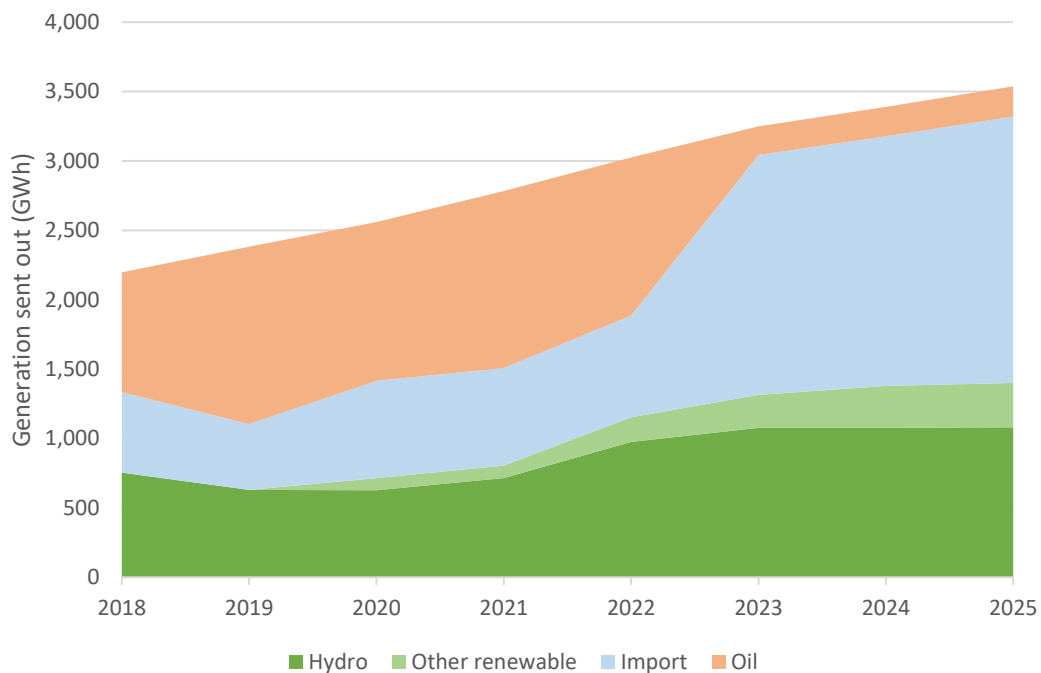
**38. The Government has prepared a Sector Recovery Plan.** This Plan includes several commitments, which together as a comprehensive strategy and a set of obligations, will allow Mali's electricity sector to exit subsidies from the central budget in approximately five years (i.e. 2024-2025). These commitments are as follows:

- Refinancing of short-term commercial debts, most of which have a repayment period of less than a year and have high interest rates – compared with debts on concessional terms. A state-to-state loan from Abu Dhabi, which has been on-lent to EDM-SA on the same terms is providing the basis for such a re-financing.
- Improvement of the production mix, the main lever for significant cost reductions. This consists in a program aiming to increase lower cost imports starting with agreement reached

in July 2019 to increase imports from Cote d'Ivoire to 100 MWs, corresponding to a firm annual volume of 860 Gigawatt hours (GWh). Import capacity from Côte d'Ivoire (CIV) shall increase further to 200 MW in 2022/23. Further imports are expected from Guinea starting at around 2023, which should allow for additional import capacity of 100 MW. See Figure 2.

- Moratorium on new rental generation extensions/renewals/deals, which are not in line with a least cost generation plan that shall be developed by EDM-SA and the Ministry of Energy.
- Efficiency in fuel procurement resulting in savings on fuel costs (we expect that better fuel procurement could bring fuel costs down by approximately 10 percent).
- An adoption of a Revenue Protection Plan to improve commercial performance and revenue collection from both public entities and private customers.
- A small but important annual adjustment to all tariffs in line with inflation until EDM's revenues are brought in line with EDM's costs.

**Figure 2: Scenario for Mali Generation Mix (excluding EDM-SA's supply to mines)**



Source: World Bank analysis.

**Table 8: Structural Financing Gap and Expected Gap after DPF Measures (see Annex 7 for details)**

(CFA bn)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Structural Gap</b>	62	56	93	84	94	77	57	22	4	(16)
<b>Operational subsidy</b> (actuals to 2019)	34	34	27	0	32	36	37	22	4	0
<b>Remaining gap</b> (depending on subsidy)	28	22	66	84	62	42	20	0	0	0
<b>Other subsidy</b>				75						

*Note: For the years 2020 to 2022 we show the remaining tariff revenue shortfall under the envisaged measures and assuming an operational subsidy as currently presented in the 2020 initial Budget, p. 305. For the years 2023 and 2024 we calculate the tariff revenue shortfall under the envisaged measures and the resulting subsidy required to cover for the difference between EDM-SA's revenues and costs until EDM-SA is forecast to achieve financial viability (2025).*

39. Triggers for the second operation are the adoption of an investment plan for the electricity sector with a view to reversing the energy mix in favor of a mix of imports and renewable sources to lower EDM-SA's production costs (**Trigger #2**). The authorities will also adopt a compensation mechanism which will serve as an objective basis for the subsidy that EDM-SA should receive (should the authorities prefer to adopt a tariff that does not recover the costs of supply) — **Trigger #1**.

40. **EDM-SA is increasing the share of renewable generation in its generation mix as it reduces its reliance on thermal generation.** Overall, Mali's thermal generation in 2018 comprised 39 percent of the energy mix, with hydro contributing 37 percent, imports 29 percent and PV just about 0.1 percent. Several hydro and solar PV projects are in development with the World Bank expecting the proportion of renewable energy in Mali's generation mix to increase from 37 percent in 2018 to 40 percent in 2025. Rehabilitation of the Sotuba (5 MW) and Selingue (40 MW) hydro plants is expected to be completed in 2020 and 2021, respectively. In addition, the regional OMVS hydro project, Gouina, is expected to enter service in 2022, with 35 MW of the 140 MW project allocated to Mali. The World Bank expects about 180 MW of solar PV projects to be operational by 2025 and 240 MW by 2026. It would be difficult to expand solar PV more rapidly as to do so would be technically challenging due to the intermittent nature of solar PV. The World Bank expects Mali to import renewable based and other lower carbon electricity from Guinea and Côte d'Ivoire to replace Mali's own oil-based generation. It will import 100 MW of hydro based electricity from Guinea from 2023, when the new interconnector between Guinea and Mali is commissioned. Mali already imports low carbon, mainly gas fired generation, from Côte d'Ivoire and this is expected to increase to at least 200 MW in 2023. If EDM-SA supplied additional mining demand in Mali, imports could be further expanded in future.

**Table 9: Expected Renewable Energy Installed Capacity**

Installed capacity (MW)	2018	2019	2020	2021	2022	2023	2024	2025
Solar PV	0	0	50	50	100	133	170	180
Hydro	128	138	135	145	185	190	190	225
Imports (hydro based)	0	0	0	0	0	100	100	100
<b>PV + Hydro</b>	<b>128</b>	<b>138</b>	<b>185</b>	<b>195</b>	<b>285</b>	<b>323</b>	<b>360</b>	<b>405</b>
<b>PV+ Hydro + Imports (hydro based)</b>	<b>128</b>	<b>138</b>	<b>185</b>	<b>195</b>	<b>285</b>	<b>423</b>	<b>460</b>	<b>505</b>

*Note that for hydro, the capacity is largely from Mali's allocation of regional projects, which are located in Mali. Mali is part of inter-country arrangements developing regional hydro projects. Imports from Guinea are expected to begin in 2023 with the completion of additional transmission capacity. Guinea has predominantly hydro based generation.*

41. **Access to electricity - the theory of change for Mali is as follows:** In 2018, the GoM has reiterated its commitment to achieve SDG 7 (universal access to affordable, reliable and modern electricity services) by 2030. In the recent past, Mali has made significant progress in increasing access in rural areas through privately-managed mini-grids, which enabled an increase in access in rural areas to 6.4 percent, albeit at a price more than double the national grid. Considering the geographical shape of the country, grid-connection would be feasible and relatively affordable for major and secondary cities concentrated in the center and south. Mali's efforts to increase access has several components: (i) it has sought to improve the financial viability of the utility so as to reduce energy subsidies to the power sector, which currently favors the capital city and other electrified areas; (ii) it will upgrade the regulatory and business environment for those areas to be connected by private-led mini grids, and assess whether to harmonize the tariff at the national level and the level of subsidy required; (iii) it plans to update the national electrification and assess the least cost options using grid intensification, grid densification and mini-grid solutions; and (iv) for rural areas where the grid is not expected for some time, it will seek to provide access through off-grid renewable energy. The World Bank supports Mali in its strategy through a grid densification project anchored in the substations of the West African Power Pool in its territory (P164044),

the Mali Rural Electrification Hybrid Systems Project that supports mini-grids (P131084), the Mali Energy Sector Improvement Project (P166796) and the Regional Off-Grid Electrification Project (P160708).

**Prior Action #1.** The Recipient, through its Ministry of Economy and Finance has entered into a payment protocol with EDM-SA dated August 26, 2019 establishing a pre-payment mechanism for central government and public institutions to ensure public service timely payment of electricity bills and improve EDM-SA's cashflow.

**Prior Action #2.** The Recipient, through: (i) its Commission for Regulating Water and Electricity has issued Directive No. 19-001-C-CREE dated July 23, 2019 increasing EDM-SA's medium voltage and public lighting tariffs to align them with the consumer price index; and (ii) its Ministry of Energy and Water has issued Arrêté No. 2019-2581/MEE-SG dated August 27, 2019, approving the new Règlement de Service Concédé de l'Électricité removing connection cost subsidies for medium voltage users to reduce costs to the budget.

**Prior Action #3.** The Recipient, through its Ministry of Economy and Finance has approved a sector recovery plan that includes a re-financing of EDM-SA commercial debts and increasing of import of low-cost electricity with financial security mechanism.

**(Indicative) Trigger # 1.** The Government has enhanced the financial position of EDM-SA by (i) implementing a consumer tariff adjustment program; and (ii) establishing a regulatory tariff compensation mechanism.

**(Indicative) Trigger #2.** The Council of Ministers has approved an ongoing institutional process for updating the least-cost investment plan to promote a shift to lower cost electricity imports and renewable energy for the electricity sector, which includes regular publication and a requirement for any deviation to be approved by the Council of Ministers.

## **Pillar 2: Improving the efficiency of agricultural subsidies and land tenure security**

42. **The Mali Systematic Country Diagnostic (SCD) highlighted how poverty reduction has been strongly associated with the increase in the production of cereals.** The increase in the production of cereals was driven by area extension, yield increases, and significant subsidies on fertilizer. The measures supported by this DPF support the recommendations for reforms in the SCD through the improvement and expansion of the e-voucher scheme in some of the more isolated areas – where the poorest live.

43. **Recognizing the importance of intensifying agricultural production (by many of the countries' poorest) for the country's future, the Government has made it a priority.** Following the spikes in food and oil prices in 2007–2008, the Malian Government implemented a fertilizer subsidy program. The goal of the program was to encourage the use of fertilizer and to boost national agricultural productivity. One of the key measures implemented was a fertilizer subsidy scheme targeting primarily rice, maize and cotton producers in the high productivity areas of Sikasso and Segou. The scheme absorbs a significant portion of Government's budget (CFAF 45 billion in 2018; 4.5 percent of recurrent spending) and is the largest expense item in government spending on rural development. Traditionally the scheme relies on paper vouchers to distribute the subsidies. It is a transaction heavy approach that takes up much of the human resources of extension services. In addition, it encourages farmers to invest in fertilizers even for those who may face harsh agro-climatic conditions such that the rate of return on investing in other inputs (e.g. hybrid seeds) may be higher. Evidence is emerging that the traditional subsidy scheme has problems with efficacy and efficiency, is poorly targeted and is subject to substantial leakages. The authorities have

decided to gradually move to a more transparent approach to the provision of agricultural subsidies with the use of electronic vouchers (e-vouchers). The understanding is that the fiscal savings progressively released by the subsidies rationalization, through the e-voucher, will be allocated to investments that can lead to structural transformation of Malian agriculture as well as contribute to poverty reduction in the rural sector.

44. **This DPF supports improvements and expansion of the e-voucher system (compared with the previous pilot).** The improvements are on the basis of an evaluation of the pilot phase to identify and correct weaknesses. Improvements include adoption and implementation of a Manual of Procedures (which includes a farmers' census mechanism, agriculture input procurement mechanism, definition of responsibilities between the various bodies of the Ministry of Agriculture, the involvement of farmers organization to monitor the program's implementation, targeting criteria to better focus on poor farmers – farmers with less than 5ha – and to ensure sustainability of the action, the adoption of exit criteria based on the delivery of subsidies to one farmer during three agricultural campaigns. The scheme could enable the following form of benefits:

- **Fiscal savings:** The total fiscal savings estimated with the adoption of the e-voucher for the full subsidy program is estimated at 10 percent (around US\$8 million) of the current budget dedicated to subsidies. This fiscal saving results from reduced transaction costs and savings related to the agriculture inputs' competitive bidding process. The cessation of the fertilizers subsidies for cotton with Malian Textile Development Company (*Compagnie Malienne de Développement des Textiles*, CMDT) will increase the fiscal saving up to US\$25 million per year.
- **Transaction cost reduction:** The elimination of intermediaries in the distribution chain reduces transaction costs in the e-voucher system. Farmers are directly connected to suppliers through an electronic platform that avoids heavy form filling at the level of local administration, the provision of administrative documents, meetings of organizations, the movement and payment of plethoric field agents, etc. The e-voucher system transaction reduction for agro-dealers, creates incentives for them to participate and for new agro-dealers to enter the market. The transaction costs reduction is estimated at 20 percent of the total costs.
- **Social effects:** Subsidies are targeted to small farmers (owning less than 5ha) and limit the reliance on discretionary allocations by officials (and hence leakage). The improvement in the quality of inputs use will also have a positive effect on farm productivity and consequently on smallholder's food production as well as their incomes. The fiscal savings released by the subsidies rationalization will be allocated to investments that can lead to the structural transformation of Malian agriculture and contribute to poverty reduction in the rural sector.
- **Economic and productivity effect:** Organic fertilizer use has been shown to be an important driver of farm productivity across all regions in Mali. Its role in productivity is even higher in the dryland zones. Farm plots that use organic fertilizer have been found to be 20 to 25 percent more productive than those that do not use any fertilizer. In addition, the production monetary value is 17 to 20 percent higher for farm plots using fertilizer. Delivering the fertilizer by e-voucher should ensure that the economic and productivity value materializes for many more poor

households. In the 2017-18 agricultural season, it cost US\$12 to deliver fertilizer through e-voucher to a beneficiary compared to US\$16 through the traditional scheme.

- **Environmental effects.** The application of the e-voucher will result in a decrease of the subsidized fertilizer while promoting the use of a mix with a large share of organic fertilizer. This positive impact on the environment will be amplified by an enabling environment on fertilizer quality and commercialization as well as the increased extension services support to farmers on better fertilizers use.

45. Under **Prior Action #4 and Trigger #3**, the authorities will scale up an efficient subsidy (e-voucher) delivery system in Segou and Sikasso regions. Efficiency means that vouchers are sent on time; distributors chosen to have competitive prices are set up when vouchers are sent; and targeting rules are well-defined. As part of Trigger #3, the Recipient will include Near Field Communication (NFC) technologies to lift the illiteracy and non-mobile phone coverage issues in those areas.

46. **Authorities will invest in broadening the agricultural input market which will result in cost reduction for smallholders.** The widespread presence of poor-quality fertilizer reduces the return farmers receive from investing in it. By adopting regional Economic Community of West African Countries (ECOWAS) regulations— especially those harmonized regulations pertaining to norms and standards and to fertilizer quality control – fertilizer quality (**Prior Action #5**) and by certifying the national laboratories for seed and fertilizer quality, standards can be assured (**Trigger #4**). A level playing field for equivalent quality of goods will improve conditions for competition and thus cost reduction. Harmonization may have additional benefit in that it will facilitate inter-regional fertilizer trade and enable potential economies of scale through joint purchasing. The proposed reforms will also help to: (i) broaden the market for quality seed: truthfully-labeled seed would carry a label providing basic information, such as the name of the producer, the weight of seed, the germination rate, when the seed was tested, physical purity, etc., with serious penalties for fraudulent labeling. Truthfully-labeled seed would encourage trade in improved varieties of seed; and (ii) with the seed catalogue seeds producing companies should take steps to make

**Prior Action #4:** The Recipient, through its Ministry of Agriculture, has expanded and improved the e-voucher scheme for the distribution of agricultural subsidies distribution in 6 districts.

**Prior Action #5:** The Recipient, through its Ministry of Agriculture, has issued: (i) Arrêté No. 2018-1811/MA-SG dated May 29, 2018 regulating fertilizers’ labeling, inspection, sampling and analysis; (ii) Arrêté No. 2018-1812/MA-SG dated May 29, 2018 clarifying the composition, organization and functioning of the National Committee of Fertilizers; and (iii) Decree No. 2019-0756/P-RM dated September 30, 2019 establishing the national catalog of vegetables species and varieties to ensure sustainable supply of high-quality input in accordance with ECOWAS regulations for quality control of agricultural inputs.

**(Indicative) Trigger #3:** As part of the sustainable ‘intensification’ strategy, the Government has (i) issued an arrete/decree formalizing the expansion of the e-vouchers process and relying on Near Field Communication technologies in 10 districts; (ii) has eliminated fertilizer subsidies for cotton and (iii) has included soil testing for at least 3,000 farmers into the e-voucher scheme.

**(Indicative) Trigger #4:** To ensure effective market inputs, the Government has (i) obtained International Standards Organization (ISO) accreditation to assess the quality of seed and fertilizers; and (ii) adopted the law on fertilizer quality control.

sure that news and information about varietal performance and registration is widely distributed.

47. **Farmers need land tenure security to undertake the investments with long-run pay-offs needed for productivity increase, diversification and climate change resilience.** Sustainable productivity increase measures with long-run pay off include soil fertility improvements<sup>9</sup>. In Mali, most farmers hold land under customary tenure systems (men 92 percent and women 94 percent; EACI, 2017)<sup>10</sup>. For most smallholders, customary systems provide the tenure security required for investments, and which expand when combined with strategies for agricultural investment (see Bambio and Agha, 2018). Migrants and most women, however, may have more restricted rights (duration, type of investments allowed). Recognition and protection of customary tenure systems is therefore the most important measure for strengthening farmers' tenure security.

48. **Preventing land and natural resource conflict is important for productivity and investments.** Contested fields and pastoral resources cannot be used, while conflict resolution is costly and undermines social cohesion. Resolving conflicts is time and resource intensive, particularly when it reaches the courts and can aggravate tensions between communities. Secondly, farmers feel less tenure secure when having experienced a land conflict, which may affect their future strategy on investing in land. Enhancing local capacity for mediation and prevention of conflict over land and pastoral resources (grazing land, water points, livestock corridors), forests and wetlands has become more urgent given the context of growing fragility, instability, decline in social cohesion and less presence on the ground of the state. Grievances over loss of land or access to natural resources can easily provoke more violence.

49. **Mali is reviewing its land tenure laws and the 2017 Agricultural Land Act explicitly recognized and protected customary tenure systems.** This Act was drafted with broad stakeholder engagement including farmer organizations and strengthens the protection for customary tenure, promotes innovation towards registration of customary land and lease arrangements, and local capacity for conflict mediation and prevention, through land commissions.

50. **The objective of the reform included in this DPF is to support mediation and prevent conflicts by putting in place the funding for land commissions created under the Agricultural Land Act.** Land commissions can be invited by the parties in conflict or local organizations to mediate. Parties in the conflict do not have to agree and can, following mediation, still go to court. The land commissions are obliged to prepare a report (*procès verbal*) for the courts for each conflict mediated (successful or not), which strengthens coordination between mechanisms for alternative dispute resolution and the courts. These commissions can provide a platform where administration, courts, customary authorities, technical services and elected local government can discuss and coordinate issues around land tenure. Possible risks include: participation of women and youth is more token than effective, exclusion of pastoralists and other more mobile groups using the natural resources but not residing full time in the area and elite capture.

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<sup>9</sup> organic matter content, water absorption capacity; water and wind erosion control measures, irrigation systems; tree planting, infrastructure etc.

<sup>10</sup> Irrigation schemes like the Office de Niger are all public land. Farmers have lease contracts and pay annual rent also for water.



**51. Land commissions have currently no structural access to funding and their functionality relies on ad-hoc local support by either the sous- préfet or mayor or voluntary contributions by the members.**

The result is that a minimum level of functionality (i.e. at least one statutory meeting per year) is not guaranteed as, in particular members located in villages, have to travel from afar. Moreover, land commissions may not have the ability to engage effectively in conflict mediation due to lack of resources to organize consultations. Therefore, Government has decided to include recurrent financing for effective land commission in the national budget, implemented via the Ministry of Agriculture which is in the process of developing a procedural manual and associated decree to ensure that resource will indeed be available to land commissions, used effectively and accounted for (**prior Action #6**).

**52. The Coordinator for Agricultural Land Law (*Secrétaire Permanent – Loi d’Orientation Agricole, SP-LOA*), Ministry of Agriculture, is responsible for establishing, capacity building and supervising land commissions.**

The SP-LOA provides guidance on technical support and supervision of land commissions, including steps to be followed in conflict mediation, supervision and reporting on results and impact. The SP-LOA coordinates with the local administration, local governments and the courts. A range of development partners, projects and non-governmental organizations (NGOs) also support land commissions in coordination with the SP-LOA. The SP-LOA works with the administration through the regional and local antenna of the Ministry of Agriculture and has also directly supported the establishment of land commissions in the southern part of the country through the IDA-financed Regional Sahel Pastoralism Support Program (P 147674), which is supporting 60 land commissions at the local government level in 2019 and an additional 110 in 2020, particularly in the center and north of the country. Development partners like the NGOs DAKONIA, HELVETAS, SNV, Tenure facility (with funding from Denmark, Netherlands and Sweden) are supporting between 100 and 150 land commissions at local government and village level mostly in the south. Tenure facility works with the University of Bamako to pilot approaches towards securing rental rights for women and youth working with village level land commissions and customary authorities.

**53. Systematic monitoring of lands commissions contributes to improving performance and effectiveness and in-time identification of problems.**

Monitoring of membership and active participation, capacity, operationality, results and governance of lands commissions, provide guidance to government and its partners on progress made, challenges and risks, and ways to mitigate. Besides the annual monitoring of operationality and activities by the World Bank, no systematic monitoring seems to take place yet. The Regional Sahel Pastoralism Support Program (P 147674) has a grievance redress mechanism (GRM) in place. Development partners only report on progress in internal reports and at workshops (on methodologies and tools used, gender approach, results and lessons learned). Options for the SP-LOA to strengthen monitoring are to activate the land observatory that was included in the Agricultural Land Act,

**Prior Action #6:** The Recipient, through its Council of Ministers has adopted and submitted to Parliament for approval the 2020 proposed budget law incorporating a budgetary line for land commissions.

**(Indicative) Trigger #5:** To strengthen land tenure and therefore the sustainable intensification strategy for agriculture, the Government has: (i) had the Cabinet adopt the Land and Domains Act that is coherent with the Agricultural Domain and Land Act and further strengthen tenure security for all land users on customary lands; (ii) established a mechanism to regularly monitor effectiveness and governance of land commissions; (iii) had the Cabinet adopt a comprehensive property tax strategy; and (iv) had a unique property identifier (NINACAD) issued for 50 percent of the parcels in the cadaster of Bamako.

work through development partners and coordinate with the University, and expand its own capacity for monitoring and evaluation (M&E). Trigger 5 addresses these gaps.

54. **A coherent legal framework prevents ambiguity over the status of customary rights and local management institutions and expands tenure security for all land users.** The Government is currently reviewing the 2000 Domain and Land Code, which is an umbrella law. This review is an opportunity to further expand tenure security for all land users on customary lands (**Trigger#5**) and to ensure coherence between the future Code and the 2017 Agricultural Land Act, to avert any legal ambiguity between Code and Act as this can easily become a source of tenure insecurity and conflict, enhancing the risk of land speculation and loss of farm land. Coherence requires the use of similar principles and terminology and explicit cross references between the Agricultural Land Act and the Domain and Land Code for similar topics. The new Domain and Land Code will also strengthen land administration and data interoperability, such as via the introduction of a unique parcel identifier or NINACAD, which will become obligatory for land transactions, and enable a more robust urban property tax strategy for domestic revenue generation (**Trigger #5**).

### **Pillar 3: Improving deployment and oversight of resources for better local service delivery and stability**

55. **Under the DPF series, the Government has agreed to measures to substantially improve the transfer of resources mechanism to local governments (LGs) to better enable them to meet their service delivery responsibilities and rebuild trust with citizens.** With the adoption of the 2017 local government law, LGs are now responsible for preschool, basic and non-formal education, vocational training and apprenticeships, as well as health, public hygiene, and sanitation, thus increasing their financing needs. Legally, LGs have the ability to raise taxes to support their expenditures; however, in practice, the central government finances most expenditures of the local governments by means of transfers and budgetary allocations paid in compensation for the transferred competencies. The central government itself executes a significant portion of expenditures at the local level through de-concentrated units.

56. **The transfer of resources to LGs is yet to be commensurate with service delivery responsibilities transferred to communes.** The National Local Government Support Fund ('FNACT' in French), managed by the National Local Government Investment Agency ('ANICT' in French), has not delivered on investments as expected. The Agency's role is to ensure equity in the transfer of resources to LGs by taking into account the degree of development of the Recipient according to criteria defined by the Government. ANICT is also expected to help local and regional authorities to deliver local services to their citizens and encourage the local and regional authorities to develop the mobilization of their own financial resources. The criteria for allocation and equity (which currently includes population, spatial and poverty indices, as well as four LG performance criteria) are transparent, but disadvantage communities with low population density. Transfers tend to fluctuate a lot and are therefore difficult to predict. In addition, budgetary allocations are announced late to local authorities (6 to 9 months after the beginning of the fiscal year), which reduces their ability to schedule and execute investments, leading to very low execution rates.

57. **The objective of Pillar 3 is to more effectively deploy resources to the local level (communes) to benefit front-line service providers (schools and clinics).** To achieve this objective three critical actions

were identified to: (i) increase transparency, predictability and availability of funds transferred to communes by including LG budget allocations in the budget law while making the budgetary process more efficient by ensuring transfers are made directly from the MEF instead of through the National Local Government Investment Agency (ANICT) (**Prior Action #7 and Trigger #6**) and establishing performance indicators to be reached by ANICT (**Trigger #7**), (ii) facilitate funding to front-line providers (schools and clinics) by establishing a more effective transfer mechanism (**Prior Action #8**), and (iii) increase equity in the allocation of funds to communes by improving the allocation formula (**Trigger #6**). Prior Action #7 represents an important change to make the budgetary process more efficient by ensuring transfers are made directly from the MEF instead of through the ANICT. This will enable communes and services providers to have access to their resources 6 to 9 months earlier. This will be supported by earlier calculation of allocations and will benefit front-line providers, thus increasing the percentage of CGS and Management of Community Health Centers (*Associations de Santé Communautaire*, ASACO) who receive their allocations on time. This reform will also be complemented by the recently approved IPF (Deployment of state resources for better service delivery project, P164561) which seeks to provide incentives to the Government through Disbursement Linked Indicators (DLIs) to increase overall allocations of intergovernmental transfers (conditional and unconditional) to LGs and achieve 30 percent of budgeted revenue as indicated in the Peace Agreement of 2015.

### **Box 3: World Bank Support for Implementation of Reforms under this DPF**

This DPF and the recently approved IPF: Deployment of state resources for better service delivery project (P164561) in Mali are complementary instruments designed to provide incentives to the Government to improve the availability, timeliness and management of resources from the central government to local governments (LGs) and to service centers. The IPF supports the implementation of the DPF reforms with activities designed to strengthen the capacity of front-line providers and municipalities to utilize funds more efficiently, effectively and transparently. Specifically, component 2 of the IPF will finance capacity strengthening activities for communes, CGS (schools) and ASACO (health center) in areas such as planning, budgeting, resource management, procurement and construction/contract management (“*maitrise d’ouvrage*”) in collaboration with the recently-created training institute for LGs.

58. **Importantly, deployment of state resources to the local level is expected to benefit front-line service providers (schools; clinics); this has been hindered by a lack of clarity on the applicable financial management rules regulating the transfer of funds to these entities.** A number of initiatives are ongoing meant to increase the autonomy of schools and health facilities, including the formation of School Management Committees (‘CGS’ in French) which are responsible for recurrent spending in the schools, and the management of Community Health Services (‘CSCOMs’ in French), which are managed by ASACOs. CGSes as well as ASACOs receive money through multiple channels: LGs; contributions from patients; reimbursements from health insurance; transfers from Central Ministries and donors for Performance-Based Financing and school feeding, for instance. These transfers to front-line service units are affected by a lack of clarity as to whether budgetary transfers are possible and whether, under a system with a single treasury account these semi-autonomous units can actually open and manage their own bank accounts. Presently, the practices vary greatly: some ASACOs have bank accounts; others operate on a cash basis. CGSs receive their funds in cash from the local government authorities. **Prior Action #8** addresses this issue, thereby opening the way for more, and targeted support to front-line service providers.



59. Limited **effective accountability mechanisms impact the delivery of public services in Mali**. The World Bank enterprise survey of 2016 suggests a high corruption incidence in social service delivery exists, reflecting weak enforcement and monitoring. Mali's ranking on corruption indices based on both expert and citizen surveys suggest pervasive corruption issues. On Transparency International's 2016 Corruption Perceptions Index Mali scored 32 out of 100; the scale ranges from 0 (highly corrupt) to 100 (very clean). There have been small fluctuations in its country score over the last five years: 35 (2015), 32 (2014), 28 (2013), 34 (2012), with no clear trend toward improvements. When translated into country rankings, Mali was ranked 116 of 176 countries in 2016. This places it near to the regional median for sub-Saharan Africa, where it ranked 19 out of 44 countries (Transparency International 2016). This highlights the need to ensure efforts are made to strengthen transparency and accountability to improve service delivery.

60. **Efforts still need to be made in promoting transparency and accountability by improving the effectiveness of the Office of the Auditor General (OAG)**. In order to make public administration more effective, increase the efficiency of public spending and promote transparency and accountability in the management of public resources, the Malian government adopted the 2012-009 law on February 8, 2012, establishing the Office of Auditor General. Its main mission is to ensure the general audit of public accounts and to contribute to better management of public resources through, on the one hand, the recommendations made at the end of each financial and performance audit mission and, on the other hand, possible actions resulting from those audits. Thus, the auditor's office makes findings available to the Prosecutor for financial and administrative irregularities by civil servants. With regards to the files submitted to the courts, it should be noted that the legal basis for the submission to the Prosecutor by the OAG can be found in Article 17 of the Act which establishes the OAG and Article 58 of the Code of Criminal Procedure. With regard to the files submitted to the courts, it should be noted that the legal basis for the submission to the Prosecutor by the OAG can be found in Article 17 of the Act which establishes the OAG and Article 58 of the Code of Criminal Procedure.

61. **An analysis conducted in November 2018 (by Canada) illustrated the need to improve the effectiveness of the OAG**. The study on follow-ups to the Auditor General's office reporting and findings between 2005 and 2017 identified gaps in the follow-up of implementation of audit recommendations, little recovery of financial irregularities and a low treatment of findings at the judicial and administrative levels. The Canadian report highlights a small number of follow-up audit missions by the OAG (27 missions out of 278 in total from 2005 to 2017), only 6.7 percent recovery of financial irregularities (circa 48 billion CFAF out of a total of circa 741 billion CFAF of financial irregularities identified), and only 11.6 percent of the reports were processed, of which 6.4 percent at the judicial level (25 out of 388 forwarded claims) and 5.2 percent at the administrative level (20 out of 388 forwarded claims). It should be noted that it is difficult to follow up on court proceedings due to the lack of good data organization and the lack of information sharing with the OAG. This implies that efforts must be made, by operationalizing a more effective mechanism for coordinating and monitoring findings of the OAG by all those involved in promoting transparency and accountability. It would also re-emphasize the importance of the work done by the OAG.

62. **The prior actions and triggers in this DPF are designed to overcome the main challenges related to promoting better effectiveness of the OAG, thus increasing confidence in the governance process and the productive activities it is supporting**. Thus, Prior Action #9 is designed to promote transparency and accountability by publishing audit reports on the Auditor General's website and increasing follow-up

and actions taken at the judicial and administrative levels on findings reported by the OAG and ensuring that results are published by the Ministry of Justice. Trigger #10 would further increase the effectiveness of the OAG and formalize improvements made in the follow-up on findings reported by the OAG by revising and adopting the 2013-009 law establishing the OAG.

**63. Based on EDM-SA experience, the authorities intend to improve the financial oversight of state-owned enterprises (SOEs) in Mali.** The Government aims to improve the SOE oversight by (i) setting up a General Directorate responsible for SOE debt and fiscal monitoring.; (ii) publishing annual financial audits of at least the 10 major Malian SOEs portfolio (EDM-SA, OPAM, SMTD, N-SUKALA, CMDT, BNDA, SOMAGEP, SONATAM, BMS, UMPP) and; (iii) developing a SOE financial information database (Trigger #9).

**64. There is an opportunity to strengthen SOE corporate governance in Mali, particularly the state ownership and oversight function, which is currently fragmented.** SOEs are subject to a dual monitoring system with separate technical and financial oversight. Technical oversight falls under the purview of relevant line ministries, although responsibilities are not always clearly defined. Financial oversight, on the other hand, is the responsibility of the MEF via dedicated monitoring units. In Mali, the Directorate General for the Administration of State Property (DGABE) was created in 2000.

**65. SOE monitoring unit in Mali is constrained by limited authority, capacities, resources, and tools.** The SOE monitoring unit does not yet have enough staff with specialized experience and and/or the tools required to systematically and effectively monitor the financial performance of the SOE portfolio. Moreover, despite their mandates, the monitoring unit de facto still lacks authority vis-à-vis the supervised entities which often maintain a much closer relationship with their technical oversight ministries. These challenges limit the financial oversight institutions' ability to perform classical oversight functions. For instance, the SOE monitoring unit in the MEF currently does not maintain a comprehensive database of SOEs, prepare and publish aggregated annual portfolio reports, design and negotiate SOE performance agreements, or nominate directors for SOE boards based on standardized selection criteria. The absence of systematic portfolio data and tools critically undermines the state oversight capacity.

**Prior Action #7:** The Recipient, through its Council of Ministers has adopted and submitted to Parliament for approval the 2020 proposed budget law incorporating direct budgetary lines to each Local Governments ("Collectivités Territoriales") and its MEF, has demonstrated that the disbursement rate of FNACT for 2019 is at least equal to that of the full national budget.

**Prior Action #8:** The Recipient, through its Ministry of Economy and Finance, Ministry in charge of education, Ministry in charge of Health and its Ministry in charge of decentralization, has issued (i) Arrêté No. 2019-3323/MEN-MATD-MEF-SG dated October 1, 2019 and (ii) Arrêté No. 2019-3342/MSAS-MEF-MATD-SG dated October 2, 2019 establishing effective financial resources transfer mechanism to school management committees and health community associations to improve the equity of the decentralization process.

**Prior Action #9:** The Recipient, through: (i) the Office of the Auditor General, has published all audit reports on the Auditor General's website; and (ii) its Ministry of Justice has published follow-up actions on all claims resulting from the Office of the Auditor General's audit report on its website.

**(Indicative) Trigger #6:** The beneficiary, through the Ministry of Economy and Finance, has improved predictability, transparency, timeliness and equity of decentralized financial resources by : i) formalizing direct budgetary appropriation lines to decentralized *Collectivités Territoriales* through the approval by the Council of Ministers and

submission to Parliament of amendments to law N 07-072 and (ii) formalizing by decree the revised budget allocation formula, including performance criteria in the investment window.

**(Indicative) Trigger #7:** The beneficiary, through the Ministry of Economy and Finance, entered into a performance contract with ANICT with clearly defined roles and responsibilities to improve the efficiency, transparency, and timeliness of financial resources to municipalities.

**(Indicative) Trigger #8:** The Recipient, through [\_\_\_\_\_] has adopted revisions to the 2012-009 law establishing the Office of the Auditor General (to consolidate and formalize improvements made to the follow-up given to findings made by the Office of the Auditor General in its audit reports) and issued a decree requiring the Ministry of Justice to publish the verdicts of identified financial, administrative or budgetary discipline.

**(Indicative) Trigger #9:** The Government has improved the SOE oversight by (i) setting up a General Directorate responsible for SOE debt and fiscal monitoring.; (ii) issuing a decree for the publication of annual financial audits of at least the 10 major Malian SOEs portfolio (EDM-SA, OPAM, SMTD, N-SUKALA, CMDT, BNDA, SOMAGEP, SONATAM, BMS, UMPP); and (iii) developing a SOE financial information database.

**Table 10: DPF Prior Actions and Analytical Underpinnings**

Prior Actions	Analytical Underpinnings	Key Findings
Pillar 1: Sustainable Energy – reducing electricity sector demands on the central budget		
<p><b>Prior Action #1.</b> The Recipient, through its Ministry of Economy and Finance has entered into a payment protocol with EDM-SA dated August 26, 2019 establishing a pre-payment mechanism for central government and public institutions to ensure public service timely payment of electricity bills and improve EDM-SA’s cashflow.</p> <p><b>Prior Action #2.</b> The Recipient, through: (i) its Commission for Regulating Water and Electricity has issued Directive No. 19-001-C-CREE dated July 23, 2019 increasing EDM-SA’s medium voltage and public lighting tariffs to align them with the consumer price index; and (ii) its Ministry of Energy and Water has issued Arrêté No. 2019-2581/MEE-SG dated August 27, 2019, approving the new Règlement de Service Concédé de l’Électricité removing connection cost subsidies for medium voltage users to reduce costs to the budget.</p> <p><b>Prior Action #3.</b> The Recipient, through its Ministry of Economy and Finance has approved a sector recovery plan that includes a re-financing of EDM-SA</p>	<ul style="list-style-type: none"> <li>▪ Roadmap for supporting the development of the energy sector of Mali, (<i>Feuille de Route pour Appuyer le Développement du Secteur de l’Énergie au Mali</i>), February 2017, World Bank.</li> <li>▪ EDM-SA financial analysis, September 2018, World Bank.</li> <li>▪ Detailed review of EDM-SA finances and Mali power sector dispatch work, July-October 2019.</li> <li>▪ Electricity Subsidy Reform in Mali, Togo and Benin (P166128).</li> <li>▪ Securitization of Payments in the West Africa Power Pool (P164011).</li> </ul>	<ul style="list-style-type: none"> <li>▪ EDM-SA’s operation is no longer financially sustainable and there is a need to significantly improve the financial situation of the power sector;</li> <li>▪ Though there are areas where the Company has room for improvement, such as revenue protection, collection of receivables, fuel procurement and inventory management, those improvements do not have the potential to produce the required increase in revenues and/or cost reductions to restore EDM-SA’s finances to a point of financial sustainability;</li> <li>▪ A combination of additional measures is needed to bring EDM-SA to financial health, including increasing the level of lower cost imports, investments to change the fuel mix towards cheaper sources, tariff increases, debt restructuring and the payment of past-due receivables.</li> </ul>

commercial debts and increasing of import of low-cost electricity with financial security mechanism.

**Pillar 2: Improving the efficiency of agricultural subsidies and land tenure security**

**Prior Action #4:** The Recipient, through its Ministry of Agriculture, has expanded and improved the e-voucher scheme for the distribution of agricultural subsidies distribution in 6 districts.

- “Is there potential for dryland agriculture? Some evidence from Mali”, 2016 Mansur Ahmed, Joanne Gaskell, and Madhur Gautam, World Bank.
- Monitoring the E-voucher Component of the West Africa Agriculture Productivity Program (WAAPP) in Mali: Iterative Beneficiary Monitoring, (*Suivi de la composante E-voucher du Programme de Productivité Agricole en Afrique de l’Ouest (West Afca Agriculture Productivity Program, WAAPP) au Mali, Suivi itératif des bénéficiaires*), the World Bank, September 2017.
- Digitizing Agriculture: Evidence from E-Voucher Programs in Mali, Chad, Niger, and Guinea. A. Ba, R. Rubaiza, World Bank
- Subsidized maize and rice producers overuse chemical nitrogen fertilizer and reversing such overuse would improve both environmental sustainability and fiscal sustainability.
- There remains significant potential to boost farmer productivity. To do so hybrid seed, extension and organic fertilizer should be privileged over inorganic fertilizer.
- The inorganic fertilizer mix should be adapted to the acidic soil; to optimally benefit from inorganic fertilizer, hybrid seeds should be used.
- Better access to technology could double productivity in the dryland zone where many of the poorest live.
- The price setting mechanism for fertilizer yields prices that are significantly above market levels.

**Prior Action #5:** The Recipient, through its Ministry of Agriculture, has issued: (i) Arrêté No. 2018-1811/MA-SG dated May 29, 2018 regulating fertilizers’ labeling, inspection, sampling and analysis; (ii) Arrêté No. 2018-1812/MA-SG dated May 29, 2018 clarifying the composition, organization and functioning of the National Committee of Fertilizers; and (iii) Decree No. 2019-0756/P-RM dated September 30, 2019 establishing the national catalog of vegetables species and varieties to ensure sustainable supply of high-quality input in accordance with ECOWAS regulations for quality control of agricultural inputs.

- The Malian fertilizer value chain post-subsidy: an analysis of its structure and performance”, 2018 Veronique Theriault, Melinda Smale and Amidou Assima
- Monitoring the E-voucher Component of the West Africa Agriculture Productivity Program (WAAPP) in Mali: Iterative Beneficiary Monitoring, (*Suivi de la composante E-voucher du Programme de Productivité Agricole en Afrique de l’Ouest (WAAPP) au Mali, Suivi itératif des bénéficiaires*), the World Bank, September 2017.
- Fertilizer use tends to be low, in part because the quality of fertilizer is not guaranteed.
- Measures to harmonize fertilizer standard are likely enhance competition amongst suppliers and reduce cost
- 22 percent of beneficiaries in the e-voucher program found the quality of fertilizers to be deficient. In addition, 70 percent did not benefit from quality verification by an expert.

**Prior Action #6:** The Recipient, through its Council of Ministers has adopted and submitted to Parliament for approval the 2020 proposed budget law incorporating a budgetary line for land commissions.

- A cadastre for Mali? The production of land titles and the challenge of property data on the periphery of
- Competing demands for land by pastoralists and farmers present additional sources of risk for the welfare of rural population. Need

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| <p>Bamako. Monique Bertrand in Land use policy 81(2019) 371-381.</p> <ul style="list-style-type: none"> <li>▪ Mark Skidmore, John Staatz, Nango Dembélé &amp; Aissatou Ouédraogo (2016) Population growth, land allocation and conflict in Mali, Area Development and Policy, 1:1, 113-131</li> <li>▪ Why do pastoralists in Mali join jihadist groups? A political ecology explanation. 2019. T and Boubacar Ba. The Journal of peasant studies, 46:1,</li> <li>▪ Bambio and Agha, 2018. Land tenure security and investment: does strength of land right really matter in rural Burkina Faso?</li> <li>▪ A World Bank project: Regional Sahel Pastoralism Support Program PRAPS - P 147674) supports 60 land commissions in 2019 and 110 land commissions in 2020, particularly in the center and north of the country.</li> </ul> | <p>for strengthening alternative conflict resolution mechanisms.</p> <ul style="list-style-type: none"> <li>▪ Increasing land pressure due to immigration and population growth, soil degradation and increasing non-agricultural use of land put pressure on land tenure systems.</li> <li>▪ Negative impact of land speculation on farmland, spatial planning and affordable housing.</li> <li>▪ Stronger customary land rights increase investment in sustainable land use and resilience.</li> </ul> |
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**Pillar 3:** Improving deployment and oversight of resources for better local service delivery and stability

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| <p><b>Prior Action #7:</b> The Recipient, through its Council of Ministers has adopted and submitted to Parliament for approval the 2020 proposed budget law incorporating direct budgetary lines to each Local Governments (“Collectivités Territoriales”) and its Ministry of Economy and Finance, has demonstrated that the disbursement rate of FNACT for 2019 is at least equal to that of the full national budget.</p> <p><b>Prior Action #8:</b> The Recipient, through its Ministry of Economy and Finance, Ministry in charge of education, Ministry in charge of Health and its Ministry in charge of decentralization, has issued (i) Arrêté No. 2019-3323/MEN-MATD-MEF-SG dated October 1, 2019 and (ii) Arrêté No. 2019-3342/MSAS-MEF-MATD-SG dated October 2, 2019 establishing</p> | <ul style="list-style-type: none"> <li>• Mali Fiscal Decentralization assessment: Building a More Equitable and stable Intergovernmental Fiscal Transfer System, 2018, World Bank.</li> <li>• <i>Etude sur l’introduction de mesures incitatives à la performance des collectivités territoriales à travers l’octroi de dotations conditionnelles</i> (Study on the introduction of measures to incentivize municipality performance through performance based grants).</li> <li>• Health Service Delivery in Fragile States: Options for Mali, 2017, World Bank.</li> <li>• Public Expenditure Review (PER) of the Education Sector: Better Governance for Better Education Quality and Equity, 2017, World Bank</li> </ul> | <ul style="list-style-type: none"> <li>▪ Allocation of funds and spending decisions at the local level are ad hoc and often politically motivated.</li> <li>▪ For improved budget execution by local government entities, Mali must take steps to rationalize expenditures by identifying and removing redundant controls and by creating payment deadlines monitoring mechanism.</li> <li>▪ Revise the distribution formula with criteria related to population, unmet infrastructure needs (Commune Poverty Index), and area to incorporate the point-of-origin principle for resource transfers, the equitable principle, and the size of some municipalities.</li> </ul> |
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effective financial resources transfer mechanism to school management committees and health community associations to improve the equity of the decentralization process.

**Prior Action #9:** The Recipient, through: (i) the Office of the Auditor General, has published all audit reports on the Auditor General’s website; and (ii) its Ministry of Justice has published follow-up actions on all claims resulting from the Office of the Auditor General’s audit report on its website.

- *Bilan des actions prise historiquement par les autorités Maliennes pour donner suite aux rapports du bureau du vérificateur général du Mali couvrant la période de 2005-2017.* (Evaluation of actions taken by Malian authorities to follow-up on reports issued by the Office of the Auditor General during the period 2005-2017).
- Need to improve the effectiveness of the OAG by ensuring follow-up of recommendations and judicial and administrative actions.

In addition to these studies, this DPF is supported by various World Bank projects in the Mali portfolio, including various Mali Electricity Projects: (P108440, P162925, P145664, P131084, P166796); Agriculture: (P153419, P164052, P130873); Governance: (P165561, P165534, P164032).

#### 4.3. LINK TO CPF, OTHER WORLD BANK OPERATIONS AND THE WBG STRATEGY

66. These proposed reform areas are consistent with the three pillars of Mali’s Country Partnership Framework (CPF) for FY16-19 (decentralization; human resource development and economic recovery) and were reconfirmed and their application extended to FY20 by the September 2019 Performance and Learning Review (PLR)<sup>11</sup>. In accordance with the CPF, the policy reforms sought are complementary to operational activities that seek to support energy sector reform, improve productivity and resilience in rural areas, strengthen the decentralization process and improve service delivery in health and education.

67. The DPF series complements ongoing World Bank investment projects and technical assistance programs. Policy actions supported are supported by advisory services and analytics (ASA) work with respect to decentralization and adaptive learning and ongoing projects: Agricultural Competitiveness and Diversification Project (P130873); the regional West Africa Agricultural Productivity Program (P153419); the Mali Drylands Development Project, (P164052); the Regional Sahel Pastoralism Support Program (P147674); FCS Segou Solaire (P148355); Mali Rural Electrification (P162925); Mali Electricity Sector Improvement Project (P166796); Program Urban Local Government Support Project (P116602); Governance and Budget Decentralization Technical Assistance Project (P112821); Mali Secondary Education Support Project (P164032); and Acceleration Progress Towards Universal Health Coverage (P165534).

68. The DPF series benefits from Iterative Beneficiary Monitoring (IBM), an adaptive approach to monitoring which has been operational in Mali since 2016. IBM offers an innovative, low cost way to assessing the implementation of projects, increasing beneficiary engagement, and enhancing project

<sup>11</sup> Report No. 138106-ML

results. The approach which relies on mobile phone interviews and face to face interviews using small samples, has been demonstrated to offer valuable and timely feedback. The approach is being used to assess progress in critical reform areas, including to assess the e-voucher scheme, land commissions, to monitor the timeliness of transfers to local governments and school management committees and to assess the presence of village health workers.

#### 4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

69. **Consultations.** The proposed operation was developed within the existing consultative framework in Mali, namely the PRSP framework developed over the years to design and monitor PRSP progress and budget development. This includes consultations with the Government, farmers organization and civil society organizations, undertaken during the preparation of the SCD and CPF FY16-19, and around the design and monitoring of the CREDD. Specific awareness communications have been made on the e-voucher subsidy system through broadcasts on rural community-based radios.

70. **Collaboration with development partners.** The World Bank is an important member of the harmonized aid architecture in Mali. As for budget support, the Government and a group of donors signed a Memorandum of Understanding in March 2006 and renewed it in July 2010 to provide Mali with a harmonized framework. This group of donors including the African Development Bank, Canada, Denmark, the EU, France, Germany, the Netherlands, Sweden, and the World Bank have promoted joint approaches regarding policy matrices, disbursement calendars and annual reviews. Presently only the multilateral partners provide budget support. The World Bank is also a lead of the Technical Group of donors in charge of steering the policy dialogue with the Government on economic and financial issues. The supported policy reforms have been subject to consultation within these coordination mechanisms to ensure coherence and complementarity with actions being implemented or contemplated by other development partners of Mali.

71. As part of the technical assistance for Electricity Subsidy Reform in Guinea, Mali, and Togo (P166128 - US\$1.1 million, financed by the Energy Sector Management Assistance Program -ESMAP- Trust Fund), **the World Bank carried out an in-depth stakeholder mapping to identify the key stakeholders who have interest and influence in the Malian public life on energy subsidy reform and to assess public perception of the electricity sector and EDM to identify what messages may resonate with them in terms of subsidy reform.** The assessment report has been discussed in multiple rounds with the Ministry of Energy and Water and EDM. The final report was shared with the Ministry of Energy and Water, EDM, the Regulatory Commission for Energy and Water, the Malian Agency for Domestic Energy and Rural Electrification, and the Agency of Renewable Energy. The assessment then serves as the basis for the development of a public communication plan which aims to (i) sensitize the population on the functions and difficulties of the sector to prepare the foundation for explaining the Government reform efforts, including the performance improvement plan of EDM; and (ii) improve the trust and transparency in the sector by strengthening the relations with clients and implementing tangible activities to raise awareness about enhanced quality of service. The plan will be discussed with the Government counterparts in November 2019 and the Government will make a decision on the recruitment of a communications agency to implement the plan.

72. **Stakeholder mobilization around Agricultural Land Act implementation is strong and projects monitor land commissions.** The drafting of the Agricultural Land Act was done with broad stakeholder engagement, in particular from farmer organizations, who now also support the establishment of land commissions. The National Confederation of Farmers' Organizations (*Confédération Nationale des Organisations Paysannes*, CNOP), a federation of 12 different organization of farmers and pastoralists, which are partly general organizations representing farmers and or pastoralists or organized around economic interest (like producers of milk, sesame, cotton etc.) organizes regularly national workshop to discuss progress with implementation of the Agricultural Land Act and land commissions, including review of regulatory framework, available approaches and tools. Through their member organizations they also bring together experience and feedback from the communities. They also invite other stakeholder such as all Ministries, organizations of local government, of judges, universities, etc. to these workshops. The organization is coordinated with the SG-LOA (Ministry of Agriculture). CNOP is also active in lobby and advocacy and has a strong media presence. The organization of these events depends on CNOP capacity to mobilize donor support, often via NGOs like OXFAM. All projects have internal monitoring systems and organize ad-hoc workshops and seminars on progress and to share experiences, organized in consultation with SP-LOA. Regional Sahel Pastoralism Support Program has a GRM in place. A public consultation on a draft version of the Domain and land Code was organized in June 2019 by Government. Farmer organizations, NGOs and also the University engaged in the consultations and have submitted comments to the review process for the Domain and Land Code, partly on their own and partly in coordination with SP-LOA. However, the uptake of their recommendation by the legal drafting team is reported as limited.

## 5. OTHER DESIGN AND APPRAISAL ISSUES

### 5.1. POVERTY AND SOCIAL IMPACT

73. **Electricity sector reforms will release budget for more pro-poor spending.** Electricity sector reforms will improve EDM-SAs cash flow and reduce the cost of production. Tariffs for household consumers will not be affected by this operation. However, tariffs for commercial users will be brought in line with the rate of inflation. The aim is to ensure that tariffs for commercial users remain constant in real terms (despite a de facto increase introduced by this operation). In the future, a switch to cheaper generation methods (hydro; gas) should reduce the cost of production to a level where tariff increases are not needed. The electricity reforms are expected to lead to reductions in electricity subsidies. As these subsidies mostly benefit the better-off, it allows for a reallocation of public spending towards uses that benefit the poor proportionally more.

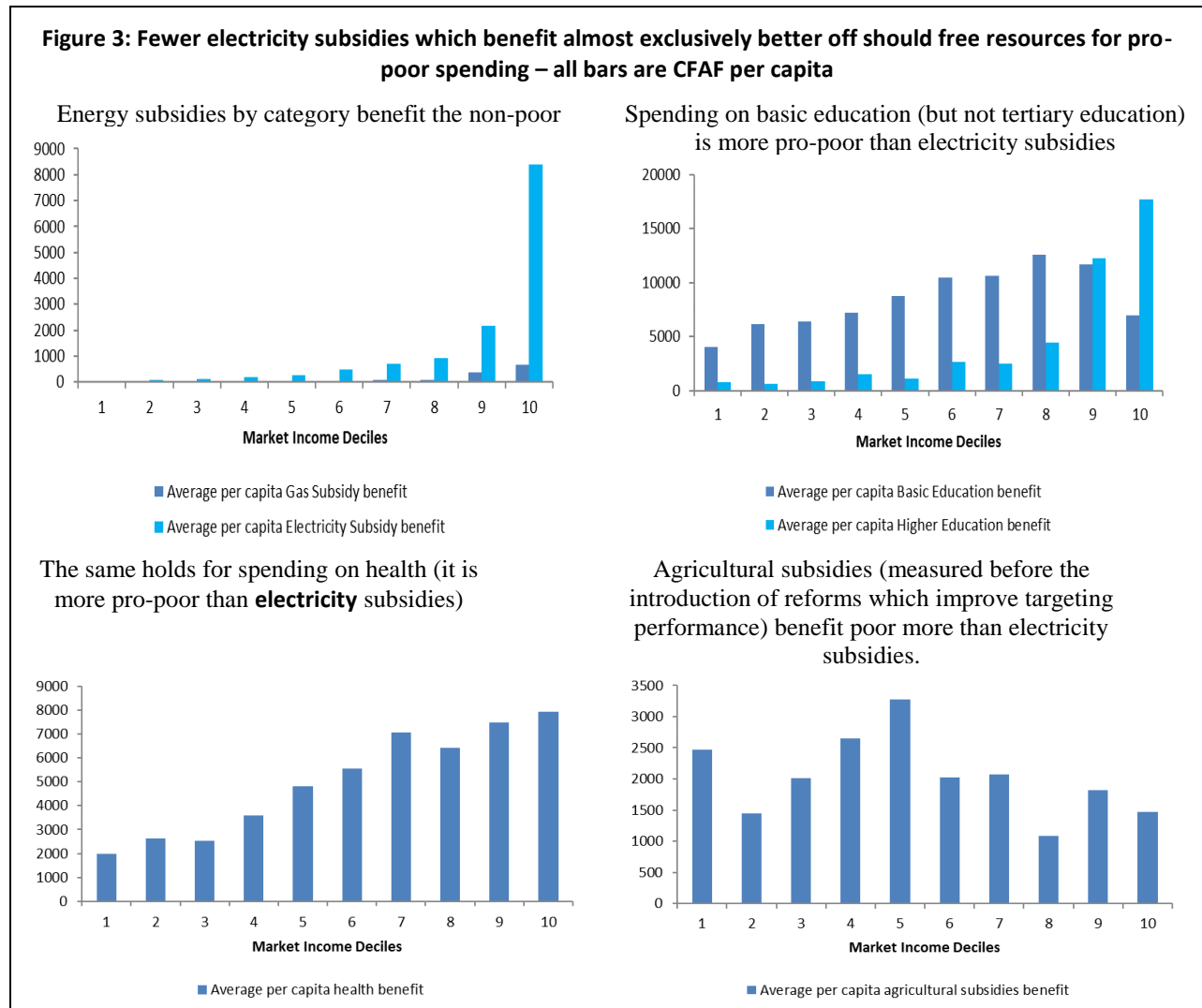
74. **A PSIA was prepared to assess the impacts of the medium voltage tariff reform.**<sup>12</sup> The tariff price change being simulated is a 3.91 percent increase in the cost of energy. In Mali, energy cost

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<sup>12</sup> The effects of the increase in energy price on welfare is simulated following three steps. The first consists of estimating changes in the final costs of goods resulting from the increase in energy price (direct effect). This is done using the latest 2016 enterprise survey data which include the share of energy in total sale cost. In the second step, using the 2012 Social Accounting Matrix (SAM), indirect effects are estimated by analyzing price multipliers. The last step consists in evaluating the impact of the increase in energy cost on poverty and real income considering the income levels before and after. The estimations do not consider behavioral effects, and they assume that all the increase in energy cost is passed through to the consumers.

represents on average 10 percent of the total cost of the final goods sold by various enterprises. The PSIA study finds that the effect of the reform on national poverty rate and the purchasing power of both the poor and non-poor to be negligible. Estimated at 40.42 percent of the total population before the increase in energy cost, national poverty slightly rises at 40.48 percent after the increase in energy cost, that is a change of +0.06 percentage point. Besides, on average, the real income decreases by 0.22 percent due to the change in energy price. That drop is almost the same for both the poor and the non-poor subpopulation, respectively a decrease of 0.23 percent and 0.21 percent

**Figure 3: Fewer electricity subsidies which benefit almost exclusively better off should free resources for pro-poor spending – all bars are CFAF per capita**



Source: World Bank 2017: Redistributive Effects of Fiscal Policy in Mali.

75. **The expansion of the e-voucher scheme enhances the pro-poor targeting, efficiency, transparency and traceability of agricultural subsidies.** Subsidies are allocated according to pre-defined criteria, thus improving (pro-poor) targeting and limiting the reliance on discretionary allocations by officials (and hence leakage). Moreover, the e-voucher scheme allows for greater flexibility in allocating

agricultural subsidies to other uses than fertilizer only, which may have a greater impact on farm productivity. The improvement in the quality of inputs use will also have a positive effect on farm productivity and consequently on smallholder's food production as well as their incomes. The fiscal savings released by the subsidies rationalization will be allocated to investments that can lead to the structural transformation of Malian agriculture and contribute to poverty reduction in the rural sector.

76. **The operationalization of land commissions is expected to facilitate conflict mediation, improve conflict prevention and reduce tenure uncertainty.** Functional land commissions imply that (relative to the counterfactual) land conflict is reduced, either through preventive action or through more cost-effective and faster conflict resolution. When farmers have more secure rights, they invest more and are more likely to reap additional profit (from increase in productivity and reduction in vulnerability) that will reduce poverty. Often, tenure rights for women and migrants have restrictions and they may not be allowed to make investment in infrastructure, trees or wells as this is locally associated with claims to ownership or can only use the land for one season. A few pilots exist where customary authorities have agreed to adopt bylaws that guarantee long-term user rights and allowing resilience enhancing investments in land. Land commissions only mediate and advise. In case one of the parties in a conflict mediated by a land commission disagrees with the solution proposed by the land commission, they can go to court. For the urban property tax, there is a potential negative effect from introducing a new tax, when not designed in a way that is progressive. During preparation of the second DPF, a PSIA will assess how the effect on the urban poor can be mitigated.

77. **Increased fiscal decentralization bears the premise of improved service delivery because by bringing decision making to front-line service providers.** Actions to promote fiscal decentralization are expected to improve service delivery at the local level, (education and health in particular) in deprived areas in particular which will have a positive effect on poverty reduction.

78. **The reforms included in this proposed operation are expected to be either gender neutral or to have a positive impact on gender equality.** The program's focus is on land commissions at the local government level, which by law have to include representatives of local women's associations, which is often the first time that women are part of formal decision-making on land tenure. Monitoring data for 2019 show that land commissions mainly mediate in intercommunity conflicts over land and natural resources and have not worked on intra family disputes or inheritance issues. Land commissions are not involved in land registration or monitoring of gender-disaggregated land rights. Some gender issues are driven by an insufficient allocation of resources to key services. The proposed operation includes measures to foster inclusive growth and sectoral efficiency and support the resilience of poor and vulnerable populations through the reallocation of fiscal savings from energy subsidies to the decentralized level for larger coverage of education and health services. These measures will contribute to gradually correct gender disparities by easing girls' and women's access to basic social services and new economic opportunities.

## 5.2. ENVIRONMENTAL ASPECTS

79. **The Government's reform agenda builds on Mali's environmental institutional framework.** The backbone of this framework is the Constitutional Law of 1992 which states that: "Everyone has the right

to enjoy a healthy environment. Environmental protection and promotion of quality of life is an obligation of all and the State". To this end, Mali adopted the National Policy for Environmental Protection (NEPP) in 1998, the main components of which are related to: (i) fighting against desertification; (ii) pollution prevention and control; and (iii) poverty reduction. In line with NEPP objectives, specific policies/strategies have been adopted such as: the National Plan of Environmental Action Plan, the National Strategy for Managing the Protected Areas, the National Policy for Adaptation to Climate Change, and the National Strategy of Management of Biodiversity. Furthermore, the CSCR-3 as well as many regional and local development action plans have been "greened" through a participative approach. In addition to traditional regulations governing the management of natural resources such as forests, water courses and basins, hygiene and sanitation, specific regulations are in place to enforce environmental assessment procedures<sup>13</sup>. The mining code also entails environmental and social sustainability provisions. The coordination of the policies and strategies, and the enforcement of the specific regulations are under the responsibility of the following institutions: (i) the inter-ministerial committee for the coordination of cross-sectoral environmental issues; (ii) the Ministry in charge of Environment; (iii) the National Directorate of Control of Pollution and Nuisances (*Direction Nationale de l'Assainissement et du Contrôle des Pollution et des Nuisances*, DNACPN); (iv) the Environment and Sustainable Development Agency (*Agence de l'Environnement et du Développement Durable*- AEDD); (v) the Sewage Treatment Plants Management Agency. Regarding the integration of environmental aspects in sector policies, programs and projects, the DNACPN is responsible for the enforcement of Environmental Impact Assessments (EIA) and Environmental Audit procedures while the AEDD is responsible for the strategic environmental assessment; this is a source of inefficiency which needs to be solved. Finally, Mali's Investment Committee is in charge of public investment project selection and includes as a full member the AEDD and retains environmental impacts as an essential criterion of selection.

80. **Climate change remains at the top of the Government's agenda.** In July 2011 the Government adopted a National Strategy on Climate Change (SNCC) in consultation with public and private sector partners. The Government established an Institutional Framework on Climate Change headed by a National Committee. To implement the SNCC, Mali Climate Fund was created to combine financing from a range of sources. This Fund began in 2014 and remains the first public-private fund in Africa to strategically leverage funds pilot and test interventions that can identify and scale resilience for the country at-large, in the face of immense climate impacts. In its 2015 submission, the Government indicated its commitment to reduce GHG emissions by 31 percent in the energy sector, 29 percent in agriculture and 21 percent in land use and forestry between 2015 and 2030 against a business as usual scenario. However, rising energy demand from urban and industrial users, technical losses from transmission and distribution, coupled with the challenges associated with land tenure and intensification of agriculture are likely to temper these ambitions. The DPF promotes policy actions to ensure future investments are not only fiscally sustainable but also generate climate co-benefits. Under Prior Action #2, the implementation of the electricity tariff adjustment program promotes efficient pricing of electricity and is eligible for mitigation co-benefits under the category of support to national, regional or local policy, through technical assistance or policy lending of the multilateral development banks methodology on climate mitigation finance.

81. **Whilst the framework is extensive, environmental institutions lack expertise and funding.** The

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<sup>13</sup> Decree No. 08-346/P-RM of June 26, 2008.

Ministry of Environment and Sanitation and its line institutions have little leverage on the enforcement of environmental management/assessment regulations and procedures. On the one hand, there are few formal fora for inviting public input though the EIA regulation provides an adequate space to this end. On the other, without sound environmental standards and norms, the judicial system has no capacity to fairly handle complaints related to environmental matters. The World Bank supports the Government in addressing these weaknesses by strengthening the country's environmental and social institutional capacity, notably through the Natural Resource Management in Climate Change Project (P145799) - recently closed in September 2019 - within the AEDD and the Economic and Environmental Rehabilitation of Niger River (P151909) which is active. In addition, all other investments projects under implementation are involving the DNACPN in charge to enforce environmental and social regulations in Mali. Further, all new investment projects will integrate a subcomponent on environmental and social capacity building of the DNACPN and all other relevant stakeholders.

**82. None of the measures supported by the proposed operation are expected to have any significant negative impact on the environment and natural resources.** However, this needs to be viewed in the context of Mali's weak institutional capacity to manage potential negative impacts of investment projects, to conduct, review and approve ESIA's and to enforce compliance.

**83. Reforms in the electricity sector are expected to have positive environmental effects in the short and long run.** By supporting a transformation in the energy mix from heavy fuel oil and diesel to one predominantly made up of solar PV, hydropower and natural gas, there will be significant positive environmental effects.

**84. The e-voucher scheme (Prior Action 4) is expected to have beneficial environmental effects.** A World Bank study<sup>14</sup> on the potential for dryland agriculture found that "subsidized maize and rice producers overuse chemical nitrogen fertilizer". Reversing such overuse by offering an adapted mix of fertilizer (mineral and organic) will improve both environmental sustainability. The e-vouchers focusing on the rainfed agriculture system allow improved targeting and an optimization of the subsidy package offered. Depending on the circumstances of the Recipient, this allows for greater efficiency and less (financial and environmental) waste. Through the e-voucher program, the better efficiency of mix fertilization (mineral and organic origin) will make it possible to reduce the net quantities brought to crops, which will lead to a reduction of the current quantity of subsidized fertilizers and therefore in the reduction of the greenhouse gases emission compared to the baseline situation. The fertilizers under the e-voucher system are only delivered for the rainfed agriculture with limited action on surface water where the contamination risk is higher. As part of Prior Action 5 (*Arrêté* establishing the National Fertilizer Committee) and Trigger 3 (Obtention of International Standards Organization (ISO)- accreditation to assess the quality of fertilizers; and adoption of the law on fertilizer quality control), the DPF is supporting the setting of necessary regulations to minimize environmental and safety risks associated with fertilizers use.

**85. If not well managed and assessed, agricultural productivity can generate negative externalities on environment and human health, particularly due to improper choice of fertilizers and pest**

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<sup>14</sup> "Is there potential for dryland agriculture? Some evidence from Mali", 2016 Mansur Ahmed, Joanne Gaskell, and Madhur Gautam, The World Bank.

**management strategies.** Mali has a country system to mitigate potential negative impacts from the misuse of fertilizer and pesticides. To address social, health and environmental risks and ensure sound management of pests and pesticides, this operation will rely on the country regulatory and institutional framework. Such framework includes international conventions and international best practice, regional (ECOWAS) and national legal texts relating to plant protection, management of hazardous chemicals, and pesticide management. The Ministry of Agriculture is responsible for the pest management, ensures the design, development and implementation of national policy for plant protection. It is responsible for controlling the movement of plants, plant products and pesticides both on import, export and in transit. It ensures the safe use of pesticides in the fight against pests. In addition, various actions undertaken by the GoM are supported by Mali development partners, including the World Bank.

**86. Improving the regulations on fertilizers standards, quality control mechanisms and marketing conditions for better environmental effects:** Through the Prior Action 5 (*Arrêté* on fertilizer's labeling, inspection, sampling and analysis) and Trigger 4 (law on fertilizer quality control), the Government will set up regulations and standards to improve the quality and the marketing conditions of fertilizers in Mali. These actions will improve the fertilizers quality control mechanisms as well as improving the users' safety.

**87. Farmers' capacity building in fertilizers use is supported by both private and public entities.** From the public side, each district has an extension department staffed with agents addressing fertilizers use and also various Agriculture Learning Center (*Centres d'Apprentissage Agricole*, CAA) that are providing practical training to farmers including on fertilizers use, environmentally sustainable practices to prevent/minimize negative impacts on land and water quality and safety. From the private sector side, farmers are benefiting from services from private firms on fertilizers application as well as a call centers focused on agriculture best practices (*Senekela*) including on fertilizer application. The recently closed WAAPP (P122065) has strengthened the capacities of these extension services including in environmental risks associated with fertilizers use. The ongoing Mali Drylands Development Project (P164052), which is supporting the e-voucher program, has a Pest and Pesticide Management Plan under implementation with close involvement of the extension services.

**88. The reforms around land management are expected to have a positive impact and improve resilience to the consequences of climate change and reduce GHG emissions in the energy sector.** As climate change leads to greater weather variability, and as population pressures and area expansion lead to greater encroachment on pastoral lands, violent land conflicts between pastoralists and farmers are on the rise. Improving agricultural productivity and intensification will contribute to less conversion of grazing areas and forests into fields for farming. Preventing conflict over land and natural resources and strengthening mediation capacity prevents a collapse in investments in the agricultural and livestock sectors and reduces tensions. The Agricultural Land Act (2017) supports expansion of land conflict mediation capacity through the land commissions, while the review of the Domains and Land Act will offer a coherent legal and institutional framework to protect customary tenure and reduce land speculation. This should contribute to a better way to avoid and manage these conflicts and hence to enhance social cohesion and resilience of pastoralists and farmers. Expanding options to secure customary lands for all land users in the Domain and Lands Act review should also improve tenure security, particularly of smallholder farmers. Security of tenure, in turn is associated with increased productivity and resilience by providing incentives for more investments in tree planting, soil conservation and soil fertility management, as well as more sustainable use of forest and grazing lands. The team recognizes, however,

that key challenges stem from the operationalization of these land reform measures. Poor implementation could limit the effectiveness of land commissions in conflict mediation or there could be elite capture, leading to negative environmental and social impacts. The overall impact thus remains uncertain. To reduce this uncertainty and the risk of poor implementation, the team has invested in *IBM of the functioning of land commissions*. It assures the team of regular updates on the implementation status. Moreover, Government will need to formalize coordination with other projects like Regional Sahel Pastoralism Support Program (P147674), development partners, NGOs and CSOs and stakeholder consultation and expand the availability and ease of accessibility to guidelines to ensure ownership and appropriation of the reform by stakeholders. The Government will also need to strengthen the land reform monitoring and evaluation system, for example by establishing the ONAF and collaboration with Universities and projects/civil Society Organizations working on the implementation of the Agricultural Land Act and supporting land commissions.

### 5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

89. **The Government has adopted in 2016 a new integrated public finance management reform plan for the period 2017-2021 (*Plan de Réforme de la Gestion des Finances Publiques au Mali, PREM*).** The Plan draws on the lessons from the previous plan and addresses main issues highlighted in the 2016 Public Expenditure and Financial Accountability (PEFA) assessment. The report reveals some progress being made in strengthening the public finance management (PFM) systems. Budget credibility and predictability is assessed as fairly satisfactory including notable improvement in overall budget discipline and strategic allocation of resources, reflecting the impact of PFM reforms initiated in 2010. Financial and budget records are reliable, exhaustive and produced in a timely manner. However, the report noted persistent weaknesses in internal and external controls and highlighted the disconnect between the Medium-Term Expenditure Framework and the Public Investment Plan. The oversight function of the legislative branch and the supreme audit institution is hampered by lack of well-skilled personnel and inadequate funding. In addition, despite that some actions of the PFM reforms were delayed because of the political crisis, the OP 7.30 Assessment of 2012 confirmed the fiduciary environment had remained resilient and acceptable for the World Bank to process its operations. Finance laws, including for the year 2017, have been regularly published with all detailed tables and annexes, on the website of the MEF<sup>15</sup>.

90. **The World Bank has engaged a policy dialogue with the Government to address PFM and governance lapses as part of the efforts to improve the country's Country Policy and Institutional Assessment (CPIA) score.** The World Bank submitted to the Government a policy note highlighting the existing opportunities to strategically use the CPIA to improve governance and management of public finances, by implementing an institutional device dedicated to identifying, steering and monitoring the implementation of the policy reforms aimed at improving the country score. To this end, the World Bank supports the MEF in the preparation of a written communication to the Council of Ministers to sensitize the entire Government on the need to set up this new institutional device. Finally, a government seminar will be organized on the CPIA to ensure greater ownership of the tools by the authorities and should lead to the formulation of concrete policy reforms.

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<sup>15</sup> <http://www.finances.gouv.ml/lois-de-finances/lois-des-finances-2016>.

91. **The BCEAO is the common central bank of WAEMU member state countries, including Mali.** The latest IMF assessment of the BCEAO was completed in April 2018. The 2018 assessment, conducted on a four-year cycle for regional central banks, found that the BCEAO continues to maintain a strong internal control environment. Key recommendations from the last assessment in 2013 have been implemented. The bank adopted International Financial Reporting Standards (IFRS) in 2015 and the selection criteria for the external auditors has been strengthened. The audited financial statements in the period since the last assessment have had unmodified (clean) audit opinions and are published on a timely basis.

92. **The Government revised the public procurement code.** The public procurement code approved on September 25, 2015 and its amending decree approved by the Cabinet on September 29, 2016 represents significant progress in the modernization of the regulation of the public procurement. However, the adoption of other statutory instruments required for the effective implementation of the new code is still pending, making impossible the implementation of the new code – for instance the decree determining the conclusion and approval authorities of contracts remains unsigned. Moreover, in practice it is observed the non-compliance with review deadlines in the procurement process by the various actors. The procurement process, particularly the contract award to certain thresholds still remains very long – on average more than 100 days.

93. **Fiduciary risks have been contained in recent years throughout the strengthening of good practices in budget and PFM transparency.** Progress has been registered in several areas: (i) the comprehensiveness of budget documentation has improved, and budgets are published in a readily accessible manner; (ii) budget commitments and payment orders are now subject to deadlines; (iii) public contracts awards are published on the website, with extensive details on its content; (iv) a new public contracts code was approved; and (v) steps have been taken to accelerate implementation of investment projects. All these achievements are also in line with WAEMU directives. In addition, there is the mandatory insertion by contracting authorities of the procurement plan in SIGMAP (*Système Intégré de Gestion des Marchés Publics --Integrated Public Procurement System*), an embryo of e-procurement. It integrates budget lines and contracting authorities from the PRED database and to exchange with the tax system to integrate suppliers into SIGMAP. The procurement plans are approved by DGMP (the Procurement Control Body) and then they are automatically published on the DGMP website.

94. **Disbursement and Accounting.** The Borrower is the Republic of Mali, represented by the MEF. The credit will be released in one tranche upon effectiveness and provided the Association is satisfied (i) with the Program being carried out by the Recipient; and (ii) with the adequacy of the Recipient's macroeconomic policy framework. The proposed operation will follow IDA's disbursement procedures for DPFs. Upon approval of the operation and effectiveness of the Financing Agreement, the proceeds of the credit will be disbursed by IDA into a dedicated account of the Government for budget support at the BCEAO and which forms part of the country's foreign exchange reserves. The proceeds of the credit will not be used to finance expenditures excluded under the Financing Agreement. The Borrower shall ensure that upon the deposit of the credit into said account, an equivalent amount is credited in the Borrower's budget management system, in a manner acceptable to the World Bank. Based on previous experience, the execution of such transaction from the Central Bank to the Treasury (MEF) does not require more than four (4) days. The Borrower will report to the World Bank on the amounts deposited in the foreign currency account and credited in local currency to the budget management system. Assuming that the withdrawal request is in Foreign Exchange, the equivalent amount in CFAF reported in the budgetary

system will be based on the market rate at the date of the transfer. The Borrower will promptly notify the World Bank within thirty (30) days of transfer by fax or email that such transfer has taken place, and that proceeds have been credited in a manner satisfactory to the World Bank.

95. **Auditing.** The World Bank reserves the right to seek an audit of the dedicated accounts by independent auditors acceptable to the World Bank. If the World Bank at any time determines that any amount withdrawn under the World Bank credit has been used for expenditures excluded under the legal agreement, such amount shall be refunded promptly upon notice from the World Bank. The amount so refunded is credited to the loan account and cancelled.

96. **Closing Date.** The Closing Date is December 31, 2020.

#### 5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

97. **The MEF is responsible for overall coordination of supervision and monitoring of the reform program supported by the proposed series.** The MEF regularly liaises with focal points in the Ministries, departments and agencies involved in the proposed series. The participating ministries, departments and agencies furnish relevant information and documentation on implementation and monitoring of their respective programs to MEF, which oversees progress towards achieving program objectives.

98. **To strengthen the Government M&E systems, the Bank has put in place a phone survey platform (Iterative Beneficiary Monitoring) to monitor actions and review implementation progress.** For several results indicators, the reform program had already led to positive change. For instance, e-vouchers has been effectively implemented in the six districts. However, among the 580 farmers surveyed, only 46 percent have successfully received the e-vouchers and only 23 percent have already received the agricultural inputs. For the land commissions, among the 300 commissioners surveyed 34 percent have dealt with conflicts related to land limits and 26 percent have dealt with conflicts related to land inheritance. The IBM platform can be used to monitor result indicators related to Prior Action 2 on the effective tariff faced by medium enterprise or Prior Action 8 on the budgetary resources transferred to schools and health clinics.

99. **“Grievance Redress.** Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB’s independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank’s attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).”

## 6. SUMMARY OF RISKS AND MITIGATION

100. **Political, Governance and Security risks are high.** Lack of progress in the security situation in the north and the center, and/or its extension to the south (through terrorist attacks) could distract Government's attention and divert resources from its recovery and development agenda. The Government security apparatus has so far been unable to counter this trend and there is a real risk of growing divide within Mali's population. The experience from 2012 shows how quickly public support for the Government can shift; reports of growing levels of insecurity in southern regions, regular protests in Bamako and increasing crime levels in general are all indications of the potential for such a shift. The proposed operation does not directly entail measures to mitigate such risks or their impact, even if the focus put on pro-poor local service delivery is intended to generate buffers needed to absorb security shocks. Specific budget lines increase transparency and awareness when funds are diverted. The decentralization agenda is expected to improve stability over the medium term.

101. **Macroeconomic risks are high.** A significant increase in oil prices and subsidies to EDM-SA or a drop-in gold and cotton prices would negatively affect the current account balance and fiscal position. A negative climatic shock could create food insecurity, raise social spending needs and increase food inflation. Given Mali's limited fiscal buffers, such risks could affect budget execution and domestically-financed public investment and growth, but if the shock is severe, recurrent spending could also be affected, including activities such as the budget support for EDM-SA, the operationalization of land commissions, the expansion of the e-voucher scheme or the transfers of resources to decentralized units. Countervailing this, Mali's fiscal situation and management remained sound during the previous crisis and should continue as such given the stabilizing effect of WAEMU membership and PFM reforms undertaken in recent years. Risks of contagion effects to the financial sector or to the balance of payments would continue to be moderate as the financial sector continues to be highly liquid and Mali benefits from the pooling of WAEMU foreign currency reserves to cover its balance of payments needs in bad times, including external debt service obligations.

102. **Sector strategies and policies risks are high particularly with respect to scale up of the e-voucher scheme, electricity sector reform and decentralization.** There is a clear political will at the top of the Ministry of Agriculture to introduce the e-voucher scheme and to make the selection of fertilizer distributors more competitive. As the size of subsidy scheme is considerable, so are the associated interests. Opposition to the introduction of the e-voucher scheme at limited scale in Sikasso and Segou has been considerable from vested interests, and the extension of the scheme should not be taken for granted. To address these risks, the PA4 and Trigger 3 are focusing on the implementation of the recommendations of the e-voucher pilot evaluation and the timely addressing of critical issues such as reducing the suppliers payment delay (which is one way in which the scheme could be sabotaged) as well as the systematic adoption of a public procurement process for the suppliers' selection (including disclosing the fertilizers supply contracts award), the involvement of farmers organizations in the local subsidies supervision committees and the systematic preparation of Iterative Beneficiary Monitoring (IBM) to assess the beneficiaries' satisfaction. Similar concerns exist for measures promoting electricity sector reform, land tenure security, and decentralization. Vested interests are strong and while the DPF supports reform measures for which clearly identified champions exist, success is not assured, particularly

if one takes into account the high level of turnover at the top of key institutions. In the energy sector, Mali's strategy to shift the energy mix from a heavy reliance on fossil fuels to electricity imports and renewable energy, still requires significant short-term funding support as the substantial improvement of EDM-SA's financial viability will take time to come through and can easily go off-track if decisions are taken to sign new contracts that are not least cost. Risk mitigation measures include a mechanism for payment for electricity imports and a moratorium on signing new contracts until a least cost plan has been approved. Such a moratorium itself will be at risk as vested interests that benefit from the signing of new agreements will be working to undermine it.

103. **Risks associated with the technical design of project or program are substantial** to reflect the complexity of the policy and results matrix. The MEF apart, reforms are implemented by multiple sectors (agriculture, finance, energy, decentralization). Physical dispersion of the agents affected by a number of reforms (land commissions, e-vouchers, village health workers, school management committees) adds to complexity. To manage this complexity, the team made sure reform actions were selected in areas in which World Bank projects are active (e-vouchers, electricity, health, education). To better monitor reform implementation, when beneficiaries live across the territory, the team relies on IBM, which offers direct feedback from beneficiaries in an affordable manner. IBM exercises have been launched for e-vouchers, land commissions, village health workers and school committees.

104. **Institutional capacity risks are also rated substantial.** There are several ministries (Economy and Finance, Energy, Agriculture, Local Government, Education, Health) responsible for the implementation of the supported reforms, most of them being endowed with limited well-qualified, in-house resource personnel. This shortcoming may notably hinder the proper implementation of the electricity reforms, the e-voucher scheme, and the capacity building and supervision of agricultural land commissions. However, capacity enhancement is being provided through technical assistance by the World Bank and other development partners in the areas considered for policy reforms in the proposed series. Monitoring and evaluation arrangements commonly in place in the MEF are largely adequate and have proven their effectiveness during previous DPFseries.

105. **Fiduciary risks are substantial.** In spite of progress made through the adoption of various regulations to improve PFM, recent procurement issues and the weaknesses reported on the compliance with the internal control rules as well as the external scrutiny and audits make evidence that fiduciary risks remain substantial. Mitigation measures include the monitoring of progress following as per the (2018) IMF Safeguards Assessment of the BCEAO and the demonstrated commitment of the Government to implement other wide-ranging reforms in the area of PFM.

**Table 11: Summary Risk Ratings**

Risk Categories	Rating
1. Political and Governance	● High
2. Macroeconomic	● High
3. Sector Strategies and Policies	● High
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Low
9. Other	
<b>Overall</b>	● High



**ANNEX 1: POLICY AND RESULTS MATRIX**

Prior actions and Triggers		Results		
Prior Actions under DPF 1	Triggers for DPF 2	Indicator Name	Baseline	Target
<i>Pillar 1---Sustainable Energy – reducing electricity sector demands on the central budget</i>				
<p><b>Prior Action #1.</b> The Recipient, through its Ministry of Economy and Finance has entered into a payment protocol with EDM-SA dated August 26, 2019 establishing a pre-payment mechanism for central government and public institutions to ensure public service timely payment of electricity bills and improve EDM-SA’s cashflow.</p> <p><b>Prior Action #2.</b> The Recipient, through: (i) its Commission for Regulating Water and Electricity has issued Directive No. 19-001-C-CREE dated July 23, 2019 increasing EDM-SA’s medium voltage and public lighting tariffs to align them with the consumer price index; and (ii) its Ministry of Energy and Water has issued Arrêté No. 2019-2581/MEE-SG dated August 27, 2019, approving the new Règlement de Service Concédé de l’Électricité removing connection cost subsidies for medium voltage users to reduce costs to the budget.</p> <p><b>Prior Action #3.</b> The Recipient, through its Ministry of Economy and Finance has approved a sector recovery plan that includes a re-</p>	<p><b>(Indicative) Trigger # 1.</b> The Government has enhanced the financial position of EDM-SA by (i) implementing a consumer tariff adjustment program; and (ii) establishing a regulatory tariff compensation mechanism.</p> <p><b>(Indicative) Trigger #2.</b> The Council of Ministers has approved an ongoing institutional process for updating the least-cost investment plan to promote a shift to lower cost electricity imports and renewable energy for the electricity sector, which includes regular publication and a requirement for any deviation to be approved by the Council of Ministers.</p>	Results Indicator #1: Recovery rate of public consumption bills.	50 percent (2018)	90 percent (2021)



Prior actions and Triggers		Results		
financing of EDM-SA commercial debts and increasing of import of low-cost electricity with financial security mechanism.				
		Results Indicator #2: EDM-SA costs recovery rate, excluding operating subsidy.	68 percent (2018)	80 percent (2022)
		Results Indicator #3: Electricity imports from CIV (average flow).	50 MW (2018)	180 MW (2023)
<b>Pillar 2---Improving the efficiency of agricultural subsidies and land tenure security</b>				
<p><b>Prior Action #4:</b> The Recipient, through its Ministry of Agriculture, has expanded and improved the e-voucher scheme for the distribution of agricultural subsidies distribution in 6 districts.</p> <p><b>Prior Action #5:</b> The Recipient, through its Ministry of Agriculture, has issued: (i) Arrêté No. 2018-1811/MA-SG dated May 29, 2018 regulating fertilizers' labeling, inspection, sampling and analysis; (ii) Arrêté No. 2018-1812/MA-SG dated May 29, 2018 clarifying the composition, organization and functioning of the National Committee of Fertilizers; and (iii) Decree No. 2019-0756/P-RM dated September 30, 2019 establishing the national catalog of vegetables species and varieties to ensure sustainable supply of high-quality input in accordance with ECOWAS regulations for quality control of agricultural inputs.</p>	<p><b>(Indicative) Trigger #3:</b> As part of the sustainable 'intensification' strategy, the Government has (i) issued an arrete/decree formalizing the expansion of the e-vouchers process and relying on Near Field Communication technologies in 10 districts; (ii) has eliminated fertilizer subsidies for cotton and (iii) has included soil testing for at least 3,000 farmers into the e-voucher scheme.</p> <p><b>(Indicative) Trigger #4:</b> To ensure effective market inputs, the Government has (i) obtained International Standards Organization (ISO) accreditation to assess the quality of seed and fertilizers; and (ii) adopted the law on fertilizer quality control.</p>	<p>Results Indicator #4: Beneficiaries (households) of subsidized inputs distributed through e-vouchers.</p> <p>Results Indicator #5: Increase in yield for smallholders (less than 3 hectares) receiving agricultural input subsidies through the e-voucher system.</p> <p>Results Indicator #6: Laboratory results testing fertilizer quality are systematically published and accessible on a website.</p>	<p>0 (2019)</p> <p>0 percent (2019)</p> <p>Not published (2019)</p>	<p>50,000 (2021)</p> <p>10 percent (2021)</p> <p>Published (2021)</p>



Prior actions and Triggers		Results		
<p><b>Prior Action #6:</b> The Recipient, through its Council of Ministers has adopted and submitted to Parliament for approval the 2020 proposed budget law incorporating a budgetary line for land commissions.</p>	<p><b>(Indicative) Trigger #5:</b> To strengthen land tenure and therefore the sustainable intensification strategy for agriculture, the Government has: (i) had the Cabinet adopt the Land and Domains Act that is coherent with the Agricultural Domain and Land Act and further strengthen tenure security for all land users on customary lands; (ii) established a mechanism to regularly monitor effectiveness and governance of land commissions. (iii) had the Cabinet adopt a comprehensive property tax strategy; and (iv) had a unique property identifier (NINACAD) issued for 50 percent of the parcels in the cadaster of Bamako.</p>	<p>Results Indicator #7: Increase in the number of communes with functional land commissions.</p>	<p>50 percent in 300 communes (2018)</p>	<p>75 percent of 703 communes (2021)</p>
<p><b>Pillar 3: --- Improving deployment and oversight of resources for better local service delivery and stability</b></p>				
<p><b>Prior Action #7:</b> The Recipient, through its Council of Ministers has adopted and submitted to Parliament for approval the 2020 proposed budget law incorporating direct budgetary lines to each Local Governments (“<i>Collectivités Territoriales</i>”) and its Ministry of Economy and Finance, has demonstrated that the disbursement rate of FNACT for 2019 is at least equal to that of the full national budget.</p>	<p><b>(Indicative) Trigger #6:</b> The beneficiary, through the Ministry of Economy and Finance, has improved predictability, transparency, timeliness and equity of decentralized financial resources by : i) formalizing direct budgetary appropriation lines to decentralized ‘<i>Collectivités Territoriales</i>’ through the approval by the Council of Ministers and submission to Parliament of amendments to law N 07-072 and (ii) formalizing by decree the revised budget allocation formula, including performance criteria in the investment window.</p>	<p>Results Indicator #8: Percentage of school committees receiving their management fund at the beginning of the school year.</p>	<p>0 (2019)</p>	<p>50 (2021)</p>
<p><b>Prior Action #8:</b> The Recipient, through its Ministry of Economy and Finance, Ministry in charge of Education, Ministry in charge of Health and its Ministry in charge of decentralization, has issued (i) Arrêté No. 2019-3323/MEN-MATD-MEF-SG dated October 1,</p>	<p><b>(Indicative) Trigger #7:</b> The beneficiary, through the Ministry of Economy and Finance, entered into a performance contract with ANICT with</p>	<p>Results Indicator #9: Percentage of village health workers funded by ASACOs who provide nutritional care.</p>	<p>0 (2019)</p>	<p>45 (2021)</p>



Prior actions and Triggers	Results			
<p>2019 and (ii) Arrêté No. 2019-3342/MSAS-MEF-MATD-SG dated October 2, 2019 establishing effective financial resources transfer mechanism to school management committees and health community associations to improve the equity of the decentralization process.</p> <p><b>Prior Action #9:</b> The Recipient, through: (i) the Office of the Auditor General, has published all audit reports on the Auditor General’s website; and (ii) its Ministry of Justice has published follow-up actions on all claims resulting from the Office of the Auditor General’s audit report on its website.</p>	<p>clearly defined roles and responsibilities to improve the efficiency, transparency, and timeliness of financial resources to municipalities.</p> <p><b>(Indicative) Trigger #8:</b> The Recipient, through [ ] has adopted revisions to the 2012-009 law establishing the Office of the Auditor General (to consolidate and formalize improvements made to the follow-up given to findings made by the Office of the Auditor General in its audit reports) and issued a decree requiring the Ministry of Justice to publish the verdicts of identified financial, administrative or budgetary discipline.</p> <p><b>(Indicative) Trigger #9:</b> The Government has improved the SOE oversight by (i) setting up a General Directorate responsible for SOE debt and fiscal monitoring.; (ii) issuing a decree for the publication of annual financial audits of at least the 10 major Malian SOEs portfolio (EDM-SA, OPAM, SMTD, N-SUKALA, CMDT, BNDA, SOMAGEP, SONATAM, BMS, UMPP);and (iii) developing a SOE financial information database.</p>			



## ANNEX 2: IMF RELATIONS ANNEX

### **IMF Executive Board Approves Three-year Extended Credit Facility Arrangement and US\$27.4 Million Disbursement to Mali**

August 28, 2019

- IMF approves New, Three-Year ECF Arrangement for Mali in the Amount of US\$191.9 million.
- IMF also approves immediate disbursement of US\$27.4 million.
- The new arrangement supports the authorities' development strategy for strong and inclusive growth through job creation, economic diversification, and greater resiliency.

On August 28, 2019, the Executive Board of the International Monetary Fund (IMF) approved a new three-year arrangement under the IMF's Extended Credit Facility (ECF) for Mali in the amount of SDR 139.95 million (about US\$191.9 million), as well as the release of the first disbursement under the arrangement of SDR 20 million (about US\$27.4 million).

Following the Executive Board discussion, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, made the following statement:

"Mali has made significant progress under the previous Fund-supported program despite challenging conditions. Looking ahead, while the economic outlook remains generally positive, it is subject to important downside risks related to possible challenges arising from the security situation, potential shocks to the terms of trade (the price of gold, cotton, and fuels), and adverse weather conditions.

"The authorities' corrective measures taken in the first half of 2019 have significantly improved domestic revenue collection. Going forward, decisive efforts aimed at domestic resource mobilization through tax policy and revenue administration reforms will be key to meeting the ambitious, but realistic program targets. The fiscal framework of the program is robust and adequate mechanisms are in place to deal with any revenue shortfall.

"The authorities' reform strategy for the state-owned electricity company (EDM-SA) is welcome in view of its strategic importance for the Malian economy. The authorities are encouraged to seek participation from the commercial banks in the financial restructuring of the company.

"Going forward, it is essential to pursue greater spending efficiency, including through strengthened project selection and execution, as well as the rationalization of subsidies. The authorities' efforts to increase financial inclusion and narrow the gender gap, including by direct measures to economically empower women are welcome. Steadfast perseverance in the government's efforts to improve governance and fight corruption would also enhance the business climate."



### ANNEX 3: LETTER OF DEVELOPMENT POLICY

English Translation (signed original in French follows)

Mr. President,

1. This Letter of Development Policy provides an update on the recent economic situation in 2018 and the outlook for 2019-2020. It also presents the status of implementation of reforms in 2018 and the reform program in 2019-2020 to support economic recovery and reduce poverty.
2. This reform program is part of the implementation of the Strategic Framework for Economic Recovery and Sustainable Development (CREDD) 2016-2018, which has come to an end in 2018 and the CREDD 2019-2023 which constitutes the reference of the Government in terms of development strategy. The goal of CREDD is to make it possible to achieve the Sustainable Development Goals (SDGs) by 2030 by building on the potential, resilience capabilities for peace and security, and inclusive development for reduction of poverty and inequality. It is based on five strategic axes: (i) consolidating democracy and improving governance; (ii) the restoration of peace, security and social cohesion among the different communities; (iii) inclusive growth and economic structural transformation (iv) protection of the environment and development of resilience to climate change; and (v) human capital development.
3. In order to achieve the objectives of this reform program, the Government is seeking funding from the World Bank to support the sustainability of the energy sector and to improve the provision of agricultural subsidies and land security in Mali in order to create fiscal space for poverty reduction and inclusive growth for vulnerable populations.

#### **Highlights in 2018**

##### **Political, Social and Economic Context**

4. Mali is gradually recovering from the crisis that occurred in 2012 with the conclusion in June 2015 of the negotiations of the Algiers Peace Agreement that started in 2014 and the return of the Technical and Financial Partners.
5. The French Serval force, later replaced by the regional Barkhane force, the European mission training the Malian military (EUTM), the soldiers of the Economic Community of West African States and the Republic of Chad and the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA) have supported the Government's efforts to rebuild the Malian army and helped to restore the authority and integrity of the state in the Northern regions of Mali. Moreover, the Government has adopted the law of orientation and military programming which expresses the will of the high political and military authorities of Mali to endow the country with a defense tool enabling the preservation of its fundamental interests.
6. Initiated in 2014, with the support of the international community and under the auspices of the Republic of Algeria, the inter-Malian negotiations led to the signature, in two stages, on May 15, 2015 and June 20, 2015, of the Agreement for Peace and Reconciliation in Mali (APRM), paving the way for a new era of lasting peace and reconciliation in the country. As part of the implementation of this agreement, Interim Authorities have been established in the northern



regions. Similarly, the National Accord Conference was held in April 2017 and its findings led to the adoption of the National Understanding Act in 2019.

7. The Conference for the Development of Mali held in Brussels on May 15, 2013 and the five follow-up meetings were a great success. They brought together 80 countries and 28 international organizations that pledged \$ 4.4 billion (39 percent of GDP). Sixty-six (66) percent of this amount has already been disbursed, of which 33 percent through the state budget.
8. As foreseen in the APRM, the Government adopted in May 2019 the texts establishing the Northern Regions Development Zone, which has a specific development strategy to lift the northern regions to the same level as the rest of the country in terms of development indicators. The Government worked on the development of this strategy based on the findings of the assessment of the needs and priorities for recovery and development of the northern regions jointly conducted by the African Development Bank, the World Bank and the Islamic Development Bank. A Fundraising Conference was held on 22 October 2015 in Paris to establish the Sustainable Development Fund, which is the financial instrument for this specific development strategy. To further strengthen the administration, the Government created two new regions in the North in 2016. These are the regions of Taoudenit and Menaka.
9. In August 2019, the Board of the International Monetary Fund approved a new program supported by the Extended Credit Facility (ECF) for the Government of Mali. The new program aims to support the authorities' development strategy (CREDD) to achieve strong and inclusive growth through job creation, economic diversification and resilience building. The program aims to meet the WAEMU criterion on the overall fiscal deficit, i.e. 3% of the maximum GDP, as of 2019. The immediate objective of the program is to bring revenues back on track to the pre- 2018 trajectory, by strengthening the tax and customs administrations. In the medium term, the main objectives of the program will be: (i) to widen fiscal space for productive investment and priority social spending; (ii) improve the business climate; (iii) improve governance and fight corruption, and (iv) continue capacity-building activities.

### **Macroeconomic developments and recent reforms**

#### ***At the macroeconomic level***

10. The economic recovery is in progress thanks to the Government's support to agriculture and the fiscal consolidation as well as the cleaning of public arrears , the decision to have the Finance and Resources Direction of line ministries under the responsibility of the Ministry of Economy and Finance and the effective implementation of program budget . The economic growth slowed down in 2018 to 4.7% against 5.4% in 2017, due to the deceleration recorded in the secondary and tertiary sectors, which stood respectively at 5.4% and 4.5% in 2018 compared with 6.6% and 5.4% the previous year. The structure of the Malian economy being dominated by the primary sector and the good agricultural campaign has contributed to the resilience of the Malian economy. Inflation remains relatively well controlled at 1.7 per cent in 2018 compared to 1.8 per cent in 2017.
11. Budget execution was marked by a very sharp drop in tax revenues in 2018. Total revenue and grants s decreased by 17.5%, from CFAF 1,789.9 billion in 2017 (corresponding to 15.2% % of GDP in 2017) to 1,475.9 billion CFAF in 2018 (11.8% of GDP). This contraction is explained mainly by the low performance of the tax and customs administration. Total expenditures and net lending dropped to 1,925.5 billion CFAF in 2018 to 2,045.1 billion CFAF in 2017, a decrease of 5.8%. As a result, current capital expenditure was reduced to limit the impact on the overall fiscal



balance, which nevertheless reached 4.7% of GDP compared with 2.9% in 2017. The basic fiscal balance was established at -420,4 billion CFAF in 2018 against -145.8 billion CFAF in 2017, representing respectively -4.4% and -1.6% of GDP.

12. The current account balance showed a deficit of -486.4 billion CFAF in 2018 (5.1% of GDP) compared to -704.3 billion CFAF in 2017, an improvement of 217.9 billion CFAF. This improvement in the current account balance contributed to the excess of the overall balance of payments at 107.8 billion CFAF in 2018, after -41.0 billion CFAF in 2017. As for the monetary situation, it was marked by an improvement in the level of net foreign assets (+107.8 billion or 52.4%); an increase in domestic credit (+283.4 billion or 10.1%) and money supply growth (+358.3 billion or 15.0%).

### ***At the level of reforms***

#### ***Strengthening transparency mechanisms in public management***

13. The Government has been engaged for several years in strengthening public management transparency mechanisms and accountability of public managers, with the implementation of the Government Action Plan for the Modernization and Improvement of Management of Public Finances (PAGAM-PFM 2006-2010 and 2011-2015). Based on lessons learned from the evaluation of PAGAM / PFM II and PEFA 2016, the Government has developed and adopted the Mali Public Financial Management Reform Plan (PREM) and its action plan that is executed over the period 2017-2021.
14. The mobilization of tax, customs and government revenues continues to be at the heart of the objectives of the public finance reform program in order to ensure, in a best way possible, the financing of the country's ever-increasing development needs and the achievement of the criterion convergence between WAEMU and ECOWAS on the tax burden ratio (20% by 2020). In this context, various measures have been taken to: (i) broaden the tax base with the introduction of taxes and other levies; (ii) strengthen documentation requirements in the area of transfer pricing to prevent fraudulent profit transfers by companies and companies abroad; (iii) circumscribe the general framework of tax and customs exemptions (Law No. 2017-022 of 12 June 2017 determining the general framework of the tax and customs exemption regime and its implementing decree No. 2018-0595 / P-RM of July 24, 2018); (iv) strengthen mass checks and structural capabilities; (v) support the interventions of the advanced anti-fraud brigades, and (vi) continue the modernization of the management of the archives of the conservation of land in order to contribute eventually to increase the level of revenue collection.
15. Mali, like the other seven (7) countries in the WAEMU area, has brought the legal basis of its budgetary and accounting framework into line with international good practices by completing the process of transposition into domestic law of the six initial directives of 2009 and those of 2011 and 2012 relating to the harmonized framework of public finances. As such, the year 2019 was marked by the continuation and strengthening of budget reform through the program budget (implementation of which began on 1 January 2018) which focuses on the issues of effectiveness and efficiency of budget allocations and their linkages with public policy objectives within programs.
16. As far as the dematerialization of procurement procedures for all structures involved in the procurement process, the Integrated Public Procurement Management System (SIGMAP) has been adapted to the implementation procedures of the program budget. Similarly, its deployment



has expanded to twenty-five (25) structures, including nine (9) Public Institutions, Koulikoro Regional Budget Directorates, Sikasso, Ségou and some projects and programs financed by donors, in addition to the Finance and Resource Departments (DFM) of all the ministries, the Administrative and Financial Departments (DAF) of the Presidency of the Republic and the Prime Minister.

17. Significant efforts have been made in implementing the provisions of the Transparency Code Act and its implementing decree, of which one of the objectives is to improve the efficiency of public spending for the benefit of the citizens. The efficient and effective management of public resources promoted by the Code is an important lever for generating resources to invest in sustainable development for the benefit of future generations. As such, the work of the 2017 open budget survey of the "International Budget Partnership-IBP" made it possible to rank Mali 2nd in the WAEMU behind Senegal (score of 51 out of 100) with a score of 39 out of 100.
18. As part of the continuing implementation of risk detection and treatment systems in the public services, risk mapping and the audit plan were carried out for five (05) new ministries in 2018, reaching then the number of twenty-seven (27) departments mapped.
19. Economic and financial crime is a threat to stability and security. It undermines democratic institutions and values, ethical values and justice, compromising and rendering precarious all development prospects. In 2013, in order to strengthen the fight against economic and financial crime, the Government adopted the law on the prevention and repression of illicit enrichment. As part of the implementation of this law, a Central Office to fight against illicit enrichment was created and its members appointed. However, some difficulties have arisen in the application of the Act when it was challenged by the trade union. The Government has created a commission to identify and correct the difficulties and shortcomings of the Act. This committee, extended to the various social partners, is responsible for making the appropriate corrections to the law and for proposing a refined and consensual document that will be submitted to the Council of Ministers for approval. The establishment of the list of targeted officials requires legal work to be completed. Part of this list results from direct reading of the law, but another part requires a legal interpretation of the provisions of the law. Also, pending the completion of this work by the commission, it has been agreed to pursue the implementation of this structural reform by initially targeting those targeted officials for whom the law does not require interpretation, and which are estimated at 1479 individuals. The declarations of these targeted officials are in progress with annual updates.
20. The overriding objective of decentralization is the balanced development of the national territory. Other important goals of decentralization are (i) improving the delivery of public goods and services, (ii) promoting better governance, and (iii) meeting the demand for local self-government. Despite the existence of a local tax system, local authorities do not mobilize these resources and are therefore limited in their ability to cope with the financing of areas of competence transferred to them by the State. The Government has increased state budget transfers to decentralized authorities through traditional transfer instruments and new instruments such as the State-Regions Plans Contracts (CPER), which all regions will have at their disposal in 2019. Thus, these CPERs have been identified as a major instrument for promoting Regional Economic Development. They constitute a major orientation of the consolidation of the decentralization reform envisaged by the Framework Document of National Policy of Decentralization (DCPND), declined in the National Program of Support to the Territorial Communities (PNACT) phase III and reaffirmed in the recommendations of the States Generals of decentralization, held in October



2013. In order to give a new impetus to the deepening of decentralization, the Government adopted in 2014 the legal framework allowing the implementation of State-Regions Plans Contracts. To this end, to date, the Government has signed plan contracts with eight (8) regions (Sikasso, Segou, Mopti, Timbuktu, Kidal, Gao, Koulikoro, Kayes); that of Menaka is pending. The objective of this policy is to provide the regions with management tools for the adequate financing of infrastructure for the economic and social development of the regions.

21. Public investment projects suffer from poor preparation in terms of costing and planning. To remedy this, the Government, thanks to IMF technical assistance, proceeded in August 2017 the Public Investment Management Assessment (PIMA). The Government has since 2014 included in the Finance Law a budget line for the financing of feasibility studies of public investment projects, with a view to strengthening the quality of feasibility studies of projects and programs, and will gradually introduce performance contracts applied to investment projects to create an incentive system for project performance.

### **Implementation of program actions**

#### **Pillar I. Reduce electricity sector burden on the central budget**

22. The Government, through the Ministry of Economy and Finance, signed a payment protocol with EDM-SA on August 26, 2019, establishing a prepayment mechanism for central government and public institutions to ensure the timely payment of electricity bills by the public service and to improve the cash flow of EDM-SA. The Water and Electricity Regulatory Commission adopted Directive No. 2019-002 / C / CREE of 08 August 2019 increasing EDM-SA tariffs for medium voltage electricity and public lighting aligning them with the consumer price index; and the Ministry of Energy and Water has also adopted Order No. 2019-2581 / MEE-SG of August 27, 2019, approving the new Electricity Service Bylaw, abolishing subsidies for costs connecting medium voltage users to reduce budget expenditure.
23. The Beneficiary, through its Ministry of Economy and Finance, has approved the sector recovery plan which includes the refinancing of EDM-SA's commercial debts and the increase of electricity imports with the mechanism of securing payments.

#### **Pillar II. Improving the effectiveness of agricultural subsidies and tenure security**

24. The Government through the Ministry of Agriculture has expanded and improved the electronic voucher program for the distribution of agricultural subsidies in 6 districts. It also adopted (i) Order No. 2018-1811 / MA-SG of 29 May 2018 on the Labeling, Inspection, Sampling and Analysis of Fertilizers; (ii) Order No. 2018-1812 / MA-SG of 29 May 2018 clarifying the composition, organization and functioning of the National Fertilizer Committee; and (iii) Decree No. 2019-0756 / P-RM of 30 September 2019, on the creation of the national catalog of species and plant varieties to ensure a sustainable supply of high quality inputs in accordance with ECOWAS regulations on quality control of agricultural inputs.

#### **Pillar III. Improve deployment and monitoring of resources for better local service delivery and stability**

25. The Government adopted in the Council of Ministers and submitted to the National Assembly, the Finance Bill 2020 incorporating direct budget allocation lines to each local authority, and its Ministry of Finance has shown that the rate of disbursement of the FNACT for 2019 at least equal to that of the national budget as a whole. The Ministries in charge of Education, Decentralization,



Health and the Ministry in charge of the Budget have adopted interministerial decrees, setting up mechanisms for the efficient transfer of financial resources to the benefit of school management committees (CGS ) and community health associations to improve equity in the decentralization process.

26. In the context of good governance and transparency, the Ministry of Justice has published on its website follow-up actions on all reports from the Office of the Auditor General (OAG). The OAG has also published all audit reports on its site.

## **2019-2020 OUTLOOK**

### ***At the macroeconomic level***

27. In 2019, real GDP growth is projected at 5.0% and inflation is expected to remain moderate. The projected GDP growth will be driven by the dynamics of the tertiary sector (5.1% in 2019 against 4.5% in 2018) and the construction sector (8.1% in 2019 against 0.0% in 2018), which would thus recover their usual growth rates. Budget execution should be marked by increased mobilization of tax revenues. The strengthening and implementation of operational measures as well as ongoing efforts within tax and customs administrations should enable to sustain efforts for tax and customs revenue mobilization by 2020.
28. The overall balance of payments is expected to deteriorate as a result of a deterioration in the current account, including increased imports. The increase in World Bank budget support (\$ 250 million) and the mobilization of resources from the Abu Dhabi Development Fund (\$ 250 million) in 2019 should provide restructuring opportunities for (i) the domestic debt, thus improving the profile of the debt portfolio and (ii) the short-term debt of EDM-SA, allowing for an in-depth reform of the energy sector.
29. Regarding the mobilization of tax and customs revenues, the Government undertakes strong measures to remedy the low performance of tax and customs administrations. Regarding the tax administration, the Government is now carrying out major audits of all companies that have signed simplified tax declarations, particularly regarding taxes on salaries and wages (ITS). It is also carrying out extensive audits of all companies that have declared that they didn't have profits or have reported lower corporate tax(ITS) despite a rise in their turnover. Spot and targeted checks are also under way for credit or nil declarations, flat-rate statements on ITS and payroll taxes, including at the level of staff placement companies. The Government commits to increase the proportion of spot checks in the verification program that will be based on the risk principles for the collection of VAT and ITS.
30. The Government also commits to generalize the use of e-procedures (e-declarations and e-payments) for all enterprises which should pay VAT. The e-declaration is already available to taxpayers and specifications for the operational implementation of e-payments will be established before December 31, 2019. In relation to the customs administration, the Government intends to finalize the review of the decrees establishing the organization and the operating procedures of the General Directorate of Customs (2012-146 / P-RM) and determining its organic framework (2012-148 / P-RM). It is also planned to: (i) automate the suspensive procedures control; (ii) strengthening of customs controls based on risk assessment; (iii) the implementation of the provisions of the new Import Verification Program (PVI); (iv) the revision of the current anti-fraud system, particularly with regard to contraband imports.



31. Regarding the fiscal policy, the Government has adopted a revised 2019 budget to reflect: (i) the net increase in fiscal revenue of CFAF 31.52 billion; (ii) the net decrease in cash resources of CFAF 18.52 billion, (iii) the net reduction in budget expenditure of CFAF 22.658 billion. Thus, the level of revenue and grants revised is 2313.80 billion CFAF, or 22.7 per cent of GDP, compared to 2012 billion CFAF and 19.7 per cent of GDP in the initial budget law. With these adjustments, the revised budget built around a global deficit (including grants) at CFAF 328.3 billion (3.0 percent of GDP) against 3.04 percent in the initial budget.

**Reform Program under way or planned**  
**Improving the viability of the energy sector**

31. The government has adopted a recovery plan to reduce and, over time, eliminate the need for subsidies in the energy sector. This is mainly based on the reduction of purchase/ electricity production costs by Société Energie du Mali-SA (EDM-SA) and the improvement of its performance. Specific measures include the replacement of heavy fuel plants with cheaper electricity - especially through imports, selective use of renewables and reduction of losses. To enable an increase in electricity imports, the government will support EDM to put in place sufficient payment security mechanisms to allow the credible purchase of electricity from cheaper sources outside Mali. The Government has made a cautious increase in the medium-voltage consumer tariff, and EDM's balance sheet has also improved with the refinancing of its current stock of commercial debt and recapitalization. The Government of Mali has also taken steps to pay back the consumption arrears of the Public Administration, to support EDM-SA to clear all the debt vis-à-vis strategic suppliers (energy and fuel) as of December 31, 2018. To improve the cash of EDM-SA, the Government has instituted a mechanism of advance payment of the consumption of the Public Administration.

30. The Government also wishes to limit the proliferation of unsolicited offers for production and to put in place a clear and rigorous framework in this area. To this end, the government undertakes to complete, at the latest within the next 6 months, a review and evaluation of the projects by direct agreement with independent producers, at their different stage of progress (signed contract, 'memorandum of understanding', or only receipt of unsolicited offer). On this basis, the government will specify the criteria and procedures for unsolicited proposals. The Government will also make arrangements with EDM-SA for reviewing and renegotiating, where appropriate, existing agreements to reduce the high cost of fuel for production. Similarly, EDM-SA will conduct a study as part of the reduction of the acquisition cost of fuel and the cost of importing electricity.

31. Lastly, as a precautionary measure, pending the finalization of the Least cost Development Expansion Plan (PEMC), the Government decided to put in place a moratorium on the signing of new contracts for independent production projects. Electricity (IPP) (including emergency supply contracts by thermal groups). This moratorium will remain in effect until the approval of the PEMC.

32. The Government will ensure that the compensation is sufficient to enable EDM-SA to meet its obligations vis-à-vis credit institutions and its strategic suppliers (in particular energy suppliers, imports, suppliers of fuels and spare parts) and, as far as possible, all other suppliers and creditors of EDM.

**Fostering inclusive growth**

33. The agricultural sector has been the driving force of the Malian economy for many years, but its development is compromised by structural constraints, the lifting of which is essential. In order



to increase the efficiency and transparency of the agricultural subsidy distribution system, the Government has adopted the electronic voucher system (e-voucher) for the distribution of public subsidies on agricultural inputs through the revision, on October 21, 2016, of the procedures manual enacting the rules for the distribution of grants. The Government of Mali continues to expand this e-voucher system. Indeed, of four (4) circles at the beginning, the application of the system was extended to six (6) circles for the campaign 2019/2020. To improve the system, the Government has adopted a targeting and exit strategy for beneficiaries of the e-voucher system. In order to make the system sustainable, the Government transferred the electronic platform to the Ministry of Agriculture and carried out an evaluation of the e-voucher system. The recommendations of this assessment will enable the Government to improve the distribution of agricultural inputs through the e-voucher system. With a view to improving the quality of agricultural inputs and making them available to producers, the Government has set up a national fertilizer committee and validated the seeds and plant species catalog and the quality control regulations for fertilizers marketed in the country.

34. The management of land remains a challenge for the private sector, it is within this framework that the Government has undertaken the dematerialization of 80% of land titles in Bamako and Kati. To date, 216,000 land files in Bamako District and Kati Circle have been digitized. In order to improve the effective management of land, the Government adopted a national land policy in 2018. To ensure good traceability and real transparency in land management, the authorities also adopted in February 2019, the National Register Identification Number (NINACAD).

35. Topographic surveying and assembly of the land plans were carried out by certified Surveyors. As a result of this work, 565,847 developed and undeveloped plots were registered in the geographic database, of which 211,240 were for the Bamako District. They also made it possible to produce a reliable parcel plan, to provide summary information on the state of land use, and to geographically identify each parcel with precise coordinates. Work on cadastral plans will continue in the communes of Kati cercle. Similarly, it is expected that the Land Tenure Information System (SIF / GUF) will be set up. The purpose of the SIF / GUF is to facilitate and simplify land formalities by enabling users to carry out related operations in one place. It will enable the Malian State to: (i) simplify and shorten the time taken to process land cases and allow for better monitoring of cases and procedures; (ii) improve land production and tax revenues related to land; (iii) harmonize land management and allocation procedures; (iv) computerize land and land management by strengthening the technical and professional level of services (central server and deconcentrated posts); (v) have a portal for the administration and the general public to disseminate information. The Government is committed to adopting a tax strategy for urban property as well as for developed and undeveloped urban land.

35. With a view to ensuring the effective management of land, the Government undertakes, following the National Land and Land Policy, to revise and adopt the Estate and Land Code by the Council of Ministers in 2019. The Government will take care of ensuring coherence with the Law on Agricultural Land and the enhancement of tenure security for all rights holders and users of customary land. The Government is also committed to continuing to support the establishment of efficient and inclusive land commissions through the establishment of sustainable commission funding mechanisms and the monitoring of their results, impact and governance.

36. In the context of strengthening governance, the transfer of resources and the improvement of decentralized services, the Government through the Ministry of Economy and Finance, has adopted interministerial decrees defining the mechanism and roles of the various actors for access to budget appropriations by local authorities and committed to finalize the study and review of the Law N ° 07- 072 of 26 December 2007 creating the National Fund for support to local authorities (FNACT). Concerning the revision of the criteria of allocation of resources to the



territorial collectivities, the board of administration of the National Local Government Investment Agency (*Agence Nationale pour l'Investissement des Collectivites Territoriales*, ANICT) validated the terms of reference of the study. The procurement process for the recruitment of a consultant has been launched.

37. In the context of good governance and the fight against corruption, the Government will ensure the finalization of the study and the review of the law 2012-009 establishing the Office of the Auditor General.

### **Monitoring and evaluation**

38. The Ministry of Economy and Finance (MEF) will be responsible for overall supervision and the monitoring of the reform program to be carried out within the framework of the CREDD. In this capacity, the ministry will liaise with the focal points in the Ministries, Directorates and Agencies involved in the implementation of the program. Participating Ministries, Directorates and Agencies will provide relevant information and documentation on the implementation and monitoring of their respective programs to MEF, which will oversee progress towards the achievement of program objectives. The main sources are: (i) the census of the population that took place in April 2009, (ii) the household surveys carried out by the National Institute of Statistics, (iii) the statistics of the administration collected annually by the Planning and Statistics Units of the Sector Ministries, (iv) economic statistics produced by the National Directorate of Development Planning and (v) budget data from the MEF. All these elements will contribute to the monitoring and evaluation of ongoing reforms, including those related to the support for poverty reduction and inclusive growth.

Please accept, Mr. President, the assurance of my highest consideration.

**The Minister of Economy and Finance**



MINISTRE DE L'ECONOMIE  
ET DES FINANCES

SECRETARIAT GENERAL

REPUBLIQUE DU MALI  
Un Peuple - Un But - Une Foi

Bamako, le 08 NOV 2019

Le Ministre de l'Economie et des Finances  
*H*

Monsieur David R. MALPASS,  
Président de la Banque mondiale

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**Objet :** Lettre de Politique de Développement

Monsieur le Président,

1. La présente Lettre de Politique de Développement fait le point sur l'évolution de la situation économique récente en 2018 et les perspectives en 2019-2020. Elle présente également l'état de mise en œuvre des réformes en 2018 et le programme de réformes en 2019-2020 pour soutenir la reprise économique et réduire la pauvreté.
2. Ce programme de réformes s'inscrit dans le cadre de la mise en œuvre du Cadre Stratégique pour la Relance Economique et le Développement Durable (CREDD) 2016-2018 arrivé à termes en 2018 et le CREDD 2019-2023 qui constitue la référence du Gouvernement en matière de stratégie de développement. L'objectif du CREDD est de rendre possible l'atteinte des Objectifs de développement durable (ODD) d'ici 2030 en se fondant sur les potentialités, les capacités de résilience pour la paix et la sécurité ainsi que le développement inclusif en faveur de la réduction de la pauvreté et des inégalités. Il repose sur cinq axes stratégiques: (i) la consolidation de la démocratie et l'amélioration de la gouvernance; (ii) la restauration de la paix, de la sécurité et de la cohésion entre les différentes communautés; (iii) la croissance inclusive et la transformation structurelle de l'économie; (iv) la protection de l'environnement et le développement de la résilience au changement climatique et (v) le développement du capital humain.
3. En vue d'atteindre les objectifs de ce programme de réforme, le Gouvernement sollicite auprès de la Banque mondiale un financement pour l'appui à la viabilité du secteur de l'énergie et l'amélioration de la fourniture de subventions agricoles et la sécurité foncière au Mali afin de dégager de l'espace budgétaire en faveur de la

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réduction de la pauvreté et d'une croissance inclusive en faveur des populations vulnérables.

#### Faits saillants en 2018

##### *Contexte Politique, Social et Economique*

4. Le Mali se remet progressivement de la crise survenue en 2012 avec la conclusion en juin 2015 des négociations du processus d'Alger débuté en 2014 et le retour des Partenaires Techniques et Financiers.

5. La force française Serval, remplacée ensuite par la force Barkhane à vocation régionale, la mission européenne de formation des militaires maliens (EUTM), les soldats de la Communauté Economique des Etats de l'Afrique de l'Ouest et de la République du Tchad ainsi que la Mission multidimensionnelle intégrée des Nations Unies pour la stabilisation au Mali (MINUSMA) ont appuyé les efforts de reconstruction de l'armée malienne entrepris par le Gouvernement et contribué à rétablir l'autorité et l'intégrité de l'Etat dans les régions Nord du Mali. Aussi, le Gouvernement a-t-il adopté la loi d'orientation et de programmation militaire qui consacre la volonté des hautes autorités politiques et militaires maliennes de doter le pays d'un outil de défense capable de préserver ses intérêts fondamentaux.

6. Commencées en 2014 avec l'appui de la communauté internationale et sous les auspices de la République d'Algérie, les négociations inter-maliennes ont abouti à la signature, en deux temps, le 15 mai 2015 et le 20 juin 2015, de l'Accord pour la paix et la réconciliation au Mali (APRM) permettant d'ouvrir la voie à une nouvelle ère de paix et de réconciliation durables dans le pays. Dans le cadre de la mise en œuvre de cet accord, des Autorités Intérimaires ont été installées dans les régions du Nord. De même, la Conférence d'entente nationale s'est tenue en avril 2017 et ses conclusions ont permis l'adoption de la Loi d'entente nationale en 2019.

7. La Conférence pour le Développement du Mali qui s'est tenue à Bruxelles le 15 mai 2013 et les cinq réunions de suivi ont été un grand succès. Elles ont réuni 80 pays et 28 organisations internationales qui se sont engagés à apporter 4,4 milliards de dollars (soit 39 pour cent du PIB). Soixante-six (66) pour cent de ce montant a déjà été décaissé dont 33 pour cent à travers le budget de l'Etat.

8. Comme prévu dans l'APRM, le Gouvernement a adopté en mai 2019 les textes portant création de la Zone de développement des régions du Nord qui est dotée d'une stratégie spécifique de développement en vue de hisser les régions du Nord au même niveau que le reste du pays en termes d'indicateurs de développement. Le Gouvernement a œuvré à l'élaboration de cette stratégie à la lumière des conclusions de l'évaluation des besoins et priorités de relèvement et de développement des régions du Nord conduite conjointement par la Banque africaine de développement, la Banque mondiale et la Banque islamique de développement. Une Conférence d'appel de fonds

a été organisée le 22 octobre 2016 à Paris en vue d'instituer le Fonds pour le développement durable qui est l'instrument financier de la stratégie spécifique de développement. Pour renforcer davantage l'administration, le Gouvernement a créé en 2016 deux nouvelles régions dans le Nord. Il s'agit des Régions de Taoudénit et de Ménaka.

9. En août 2019, le Conseil d'Administration du Fonds Monétaire International a approuvé un nouveau programme soutenu par la facilité élargie de crédit (FEC) en faveur du Gouvernement du Mali. Le nouveau programme a pour objectif d'appuyer la stratégie de développement des autorités (CREDD) visant à réaliser une croissance vigoureuse et inclusive grâce à la création d'emplois, à la diversification de l'économie et au renforcement de la résilience. Le programme vise le respect du critère de l'UEMOA relatif au déficit budgétaire global, à savoir 3 % du PIB maximum, à compter de 2019. Dans l'immédiat, le programme a pour objectif de ramener les recettes sur leur trajectoire d'avant 2018 en renforçant les administrations de l'impôt et des douanes. A moyen terme, les principaux objectifs du programme seront les suivants : (i) élargir l'espace budgétaire pour les investissements productifs et les dépenses sociales prioritaires ; (ii) améliorer le climat des affaires ; (iii) améliorer la gouvernance et combattre la corruption, et (iv) maintenir le développement des capacités.

#### **Développements macroéconomiques et réformes récentes**

##### ***Au niveau macroéconomique***

10. La reprise économique se consolide grâce aux politiques de soutien à l'agriculture et à l'assainissement des finances publiques ainsi qu'au paiement des arriérés auprès des fournisseurs, au rattachement des Directeurs des Finances et du Matériel au Ministre de l'Économie et des Finances et l'effectivité du budget en mode programme. La croissance de l'économie s'est ralentie en 2018 avec un taux de 4,7% contre 5,4% en 2017, du fait de la décélération enregistrée au niveau des secteurs secondaire et tertiaire qui sont respectivement ressortis à 5,4% et 4,5% en 2018 contre 6,6% et 5,4% l'année précédente. La structure de l'économie malienne étant dominée par le secteur primaire, la bonne campagne agricole a permis de maintenir la résilience de l'économie malienne. L'inflation reste relativement bien maîtrisée avec un taux de 1,7 pour cent en moyenne en 2018 contre 1,8 pour cent en 2017.

11. L'exécution budgétaire a été marquée par une très forte baisse des recettes fiscales en 2018. Les recettes totales et dons ont baissé de 17,5% en passant de 1 789,9 milliards de FCFA en 2017 (correspondant à 15,2% du PIB en 2017) à 1 475,9 milliards de FCFA en 2018(11,8% du PIB). Cette régression s'explique, essentiellement par la sous performance de l'administration fiscale et douanière. Les dépenses totales et prêts nets ont été exécutés en 2018 à hauteur de 1925,5 milliards de FCFA contre 2045,1 milliards de FCFA en 2017, soit une baisse de 5,8%. En conséquence, les dépenses courantes en capital ont été réduites pour limiter l'impact sur le solde budgétaire global dons inclus qui a néanmoins atteint 4,7% du PIB contre 2,9% en 2017. Le solde budgétaire de base s'est établi à -420,4 milliards de FCFA en 2018



contre -145,8 milliards de FCFA en 2017, représentant respectivement -4,4% et -1,6% du PIB.

12. La balance courante a affiché un solde déficitaire de -486,4 milliards de FCFA en 2018 (5,1% du PIB) contre -704,3 milliards de FCFA en 2017, soit une amélioration de 217,9 milliards de FCFA. Cette amélioration du solde des transactions courantes a permis celle du solde global de la balance des paiements qui a enregistré un excédent de 107,8 milliards de FCFA en 2018, après -41,0 milliard de FCFA en 2017. Quant à la situation monétaire, elle a été marquée par une amélioration du niveau des actifs extérieurs nets (+107,8 milliards ou 52,4%) ; un accroissement de l'encours des créances intérieures (+293,4 milliards ou 10,1%) et une hausse de la masse monétaire (+358,3 milliards ou 15,0%).

#### *Au niveau des réformes*

##### *Renforcement des mécanismes de transparence de la gestion publique*

13. Le Gouvernement est engagé depuis plusieurs années dans une démarche de renforcement des mécanismes de transparence de la gestion publique et de redevabilité des gestionnaires publics, avec la mise en œuvre du Plan d'actions gouvernementales pour la modernisation et l'amélioration de la gestion des finances publiques (PAGAM-GFP 2006-2010 et 2011-2015). Sur la base des leçons tirées de l'évaluation du PAGAM/GFP II et de l'exercice PEFA 2016, le gouvernement a élaboré et fait adopter le Plan de réforme de la gestion des finances publiques au Mali (PREM) et son plan d'actions qui est exécuté sur la période 2017-2021.

14. La mobilisation des recettes fiscales, douanières et domaniales continue d'être au cœur des objectifs du programme de réforme des finances publiques afin d'assurer au mieux le financement des besoins sans cesse croissants de développement du pays ainsi que l'atteinte du critère de convergence de l'UEMOA et de la CEDEAO relatif au taux de pression fiscale (20% à l'horizon 2020). Dans cette optique, diverses mesures ont été prises pour : (i) élargir l'assiette fiscale avec l'institution de taxes et prélèvements divers ; (ii) renforcer l'obligation documentaire en matière de prix de transfert afin d'éviter des transferts frauduleux de bénéfices des entreprises et sociétés à l'étranger ; (iii) circonscrire le cadre général des exonérations fiscales et douanières (loi n°2017-022 du 12 juin 2017 déterminant le cadre général du régime des exonérations fiscales et douanières et son décret d'application n°2018-0595/P-RM du 24 juillet 2018) ; (iv) renforcer les vérifications de masse et les capacités des structures ; (v) soutenir les interventions des brigades avancées de lutte contre la fraude, et (vi) poursuivre la modernisation de la gestion des archives de la conservation foncière afin de contribuer à terme à accroître le niveau de recouvrement des recettes.

15. Le Mali, à l'instar des sept (7) autres pays de l'espace UEMOA, a mis en cohérence la base légale de son cadre budgétaire et comptable avec les bonnes pratiques internationales en achevant le processus de transposition dans le droit interne des six directives initiales de 2009 et celles de 2011 et 2012 relatives au cadre harmonisé des



finances publiques. A ce titre, l'année 2019 a été marquée par la poursuite et le renforcement de la réforme budgétaire à travers le budget-programmes (dont la mise en œuvre a commencé le 1<sup>er</sup> janvier 2018) qui met l'accent sur les questions d'efficacité et d'efficience des allocations budgétaires et sur leurs liens avec les objectifs de politiques publiques à l'intérieur des programmes.

16. Au titre de la dématérialisation des procédures de passation de marchés pour l'ensemble des structures intervenant dans le processus de passation des marchés, le Système intégré de gestion des marchés publics (SIGMAP) a été adapté aux procédures d'exécution du budget en mode programme. De même, son déploiement s'est étendu à vingt-cinq (25) structures, dont neuf (9) Etablissements publics, les Directions régionales du budget de Koulikoro, Sikasso, Ségou et certains projets et programmes financés par les bailleurs de fonds, en plus des Directions des finances et du matériel (DFM) de tous les départements ministériels, des Directions administratives et financières (DAF) de la Présidence de la République et de la Primature.

17. Des efforts significatifs ont été enregistrés dans le cadre de l'application des dispositions de la loi portant code de transparence et de son décret d'application, dont l'un des objectifs est d'améliorer l'efficacité de la dépense publique pour le bénéfice des citoyens. La gestion efficace et efficiente des ressources publiques prônée par ledit code constitue un levier important pour dégager des ressources afin d'investir dans le développement durable au profit des générations futures. A ce titre, les travaux de l'enquête 2017 sur le budget ouvert de « l'International Budget Partnership- IBP » ont permis de classer le Mali au 2<sup>ème</sup> rang de l'UEMOA derrière le Sénégal (score de 51 sur 100) avec un score de 39 sur 100.

18. Dans le cadre de la poursuite de l'implantation dans les services publics de systèmes de détection et de traitement des risques, la cartographie des risques et le plan d'audit ont été réalisés pour cinq (05) nouveaux départements ministériels en 2018, complétant à vingt-sept (27) le nombre de départements cartographiés.

19. La délinquance économique et financière constitue une menace pour la stabilité et la sécurité. Elle sape les institutions et les valeurs démocratiques, les valeurs éthiques et la justice, compromet et précarise toutes les perspectives de développement. Afin de renforcer le dispositif de lutte contre la délinquance économique et financière, le Gouvernement a adopté en 2013 la loi portant prévention et répression de l'enrichissement illicite. Dans le cadre de l'application de cette loi, un Office Central de lutte contre l'enrichissement illicite a été créé et ses membres nommés. Cependant certaines difficultés sont intervenues à l'application de la Loi avec sa contestation par le Syndicat. Le Gouvernement a créé une commission d'identification et de correction des difficultés et insuffisances de la Loi. Cette commission élargie aux différents partenaires sociaux est chargée d'apporter les correctifs appropriés à la loi et de proposer un document affiné et consensuel qui sera soumis à l'approbation du Conseil des ministres. L'établissement de la liste des assujettis nécessite des travaux juridiques pour être complète. Une partie de cette liste résulte d'une lecture directe de la loi, mais une autre partie nécessite une interprétation juridique du texte de Loi. Aussi, dans

l'attente de l'achèvement de ces travaux de la commission, il est convenu de poursuivre la mise en œuvre de cette réforme structurelle en ciblant, dans un premier temps, les assujettis pour lesquels la Loi ne nécessite pas d'interprétation et qui sont au nombre de 1479 individus. Les déclarations de ces assujettis sont en cours avec des mises à jour annuelles.

20. L'objectif primordial de la décentralisation est le développement équilibré du territoire national. D'autres objectifs importants de la décentralisation sont (i) d'améliorer la prestation des biens et services publics, (ii) de promouvoir une meilleure gouvernance, et (iii) de satisfaire la demande d'autonomie locale. Malgré l'existence d'une fiscalité locale, les collectivités mobilisent peu cette ressource et par conséquent cela limite leur capacité à faire face au financement des compétences transférées par l'Etat. Le Gouvernement a accru les transferts budgétaires de l'Etat en faveur des collectivités décentralisées à travers les instruments classiques de transferts et des instruments nouveaux comme les contrats plans Etats-Régions (CPEP) dont toutes les régions seront dotées en 2019. Ainsi, ces CPEP ont été identifiés comme un instrument majeur pour assurer la promotion du Développement Economique Régional. Ils constituent une orientation majeure de la consolidation de la réforme de décentralisation prévue par le Document Cadre de Politique Nationale de Décentralisation (DCPND), déclinée dans le Programme National d'Appui aux Collectivités Territoriales (PNACT) phase III et confirmée dans les recommandations des Etats Généraux de la décentralisation, tenus en Octobre 2013. En vue de donner une nouvelle impulsion à l'approfondissement de la décentralisation, le Gouvernement a adopté en 2014 le cadre juridique permettant la mise en place des contrats plans État Région. A cet effet, à ce jour, le Gouvernement a signé des contrats plans avec huit (8) régions (Sikasso, Ségou, Mopti, Tombouctou, Kidal, Gao, Koulikoro, Kayes) celui de Ménaka est dans le circuit de signature. L'objectif visé par cette politique est de doter les Régions d'outils de pilotage de financement adéquat des infrastructures pour le développement économique et social des régions.

21. Les projets d'investissement publics souffrent de mauvaise préparation en matière d'évaluation des coûts et de planification des activités. Pour remédier à cela, le Gouvernement a procédé en août 2017 avec l'assistance du FMI à l'Evaluation de la Gestion des Investissements Publics (PIMA). Il a depuis 2014 dans la Loi de finances une ligne budgétaire pour le financement des études de faisabilité de projets d'investissement public, en vue de renforcer la qualité des études de faisabilité des projets et programmes, et introduira progressivement des contrats de performance appliqués aux projets d'investissement en vue de créer un système d'incitation sur la performance des projets.

## Mise en œuvre des actions du programme

### Pilier I. Réduire les demandes du secteur de l'électricité sur le budget central

22. Le Gouvernement à travers le Ministère de l'Economie et des Finances, a signé un protocole de paiement avec EDM-SA le 26 août 2019, établissant un mécanisme de prépaiement pour l'administration centrale et les institutions publiques pour assurer le paiement des factures d'électricité par le service public dans les délais et pour améliorer la trésorerie d'EDM-SA. La Commission de Régulation de l'Eau et d'Electricité a adopté la directive No. 2019-002/C/CREE du 08 août 2019 augmentant les tarifs d'EDM-SA pour l'électricité moyenne tension et l'éclairage public en les alignant sur l'indice des prix à la consommation ; et le ministère de l'Énergie et de l'Eau a également adopté l'arrêté No. 2019-2581/MEE-SG du 27 août 2019, approuvant le nouveau Règlement de Service Concédé de l'Electricité, supprimant les subventions pour les frais de raccordement des utilisateurs moyenne tension pour réduire les dépenses budgétaires.

23. Le Bénéficiaire, par l'intermédiaire de son ministère de l'Économie et des Finances, a approuvé le plan de redressement du secteur qui comprend le refinancement des dettes commerciales d'EDM-SA et l'augmentation des importations d'électricité bon marché avec le mécanisme de sécurisation des paiements.

### Pilier II. Amélioration de l'efficacité des subventions agricoles et de la sécurité du régime foncier

24. Le Gouvernement à travers le ministère de l'Agriculture, a élargi et amélioré le programme des bons électroniques pour la distribution des subventions à l'agriculture dans 6 districts. Il a également adopté i) l'arrêté No. 2018-1811/MA-SG du 29 mai 2018 sur l'étiquetage, l'inspection, l'échantillonnage et l'analyse des engrais ; ii) l'arrêté No. 2018-1812/MA-SG du 29 mai 2018 clarifiant la composition, l'organisation et le fonctionnement du comité national des engrais ; et iii) le décret No. 2019-0756/P-RM du 30 septembre 2019, portant sur la création du catalogue national des espèces et variétés végétales pour garantir une offre durable d'intrants de haute qualité conformément aux réglementations d'ECOWAS portant sur le contrôle de qualité des intrants agricoles.

### Pilier III. Améliorer le déploiement et la surveillance des ressources pour une meilleure prestation de services locaux et une meilleure stabilité

25. Le Gouvernement a adopté en Conseil des ministres et soumis à l'Assemblée nationale, le Projet de Loi des finances 2020 incorporant des lignes d'allocation budgétaire directes à chacune des collectivités territoriales, et son ministère des Finances a démontré que le taux de décaissement du FNACT pour 2019 soit au

moins égal à celui de l'ensemble du budget national. Les ministères en charge de l'Éducation, de la Décentralisation, de la Santé et le ministère en charge du Budget ont adopté des arrêtés interministériels, mettant en place des mécanismes pour le transfert efficace des ressources financières au profit des comités de gestion scolaire (CGS) et des associations de santé communautaire pour améliorer l'équité dans le processus de décentralisation.

26. Dans le cadre de la bonne gouvernance et de la transparence, le ministère de la Justice a publié sur son site Web les actions de suivi relatives à toutes les dénonciations issues des rapports du Bureau du vérificateur général (BVG). Le BVG a publié également tous ses rapports d'audits sur son site.

#### Perspectives en 2018-2019

##### *Au plan macroéconomique*

27. En 2019, la croissance du PIB réel est prévue à 5,0 % et l'inflation devrait rester modérée. L'augmentation de la croissance du PIB devrait être tirée par le redémarrage du secteur tertiaire (5,1 % prévus en 2019 contre 4,5 % en 2018) et du secteur de la construction (8,1 % prévus en 2019 contre 0,0 % en 2018) qui retrouveraient ainsi leurs rythmes de croissance habituels. L'exécution budgétaire devrait être marquée par une mobilisation accrue des recettes fiscales. Le renforcement et la mise en œuvre de mesures opérationnelles ainsi que les efforts en cours au sein des administrations fiscale et douanière devraient permettre une normalisation de la mobilisation des recettes fiscales et douanières d'ici 2020.

28. Le solde global de la balance des paiements devrait se détériorer en raison d'une dégradation du compte courant, notamment due à une augmentation des importations. L'augmentation des appuis budgétaires de la Banque Mondiale (250 millions de dollars) et la mobilisation des ressources auprès du Fonds pour le Développement d'Abu Dhabi (250 millions de dollars) en 2019 devraient offrir des opportunités de restructuration de (i) la dette intérieure, améliorant ainsi le profil du portefeuille de la dette et (ii) de la dette à court terme d'EDM-SA) permettant une réforme en profondeur du secteur de l'énergie.

29. Par rapport à la mobilisation des recettes fiscales et douanières, le Gouvernement s'engage à mettre en œuvre des mesures fortes pour remédier à la sous-performance des administrations fiscale et douanière. Concernant l'administration fiscale, le Gouvernement effectue dès à présent des vérifications de masse de toutes les entreprises ayant souscrit à des déclarations forfaitaires d'impôt, notamment en ce qui concerne les impôts sur les traitements et salaires (ITS). Il est également en train de procéder à des vérifications étendues à toutes les entreprises déficitaires ou ayant déclaré moins d'impôts sur les sociétés (IS) malgré une hausse de leurs chiffres d'affaire. Des contrôles ponctuels et ciblés sont également en cours pour ce qui concerne les déclarations créditrices ou néant, les déclarations forfaitaires en matière d'ITS et de taxes sur les salaires, y compris au niveau des sociétés de placement du



personnel. Le Gouvernement s'engage à augmenter la part des contrôles ponctuels dans le programme de vérification qu'il basera sur les principes de risques en matière de collecte de la TVA et de l'ITS.

30. Le Gouvernement s'engage également à généraliser l'usage des téléprocédures (télédéclarations et télépaiements) pour toutes les entreprises assujetties à la TVA. La télédéclaration est déjà disponible pour les contribuables et un cahier des charges pour la mise en œuvre opérationnelle des télépaiements sera établi avant le 31 décembre 2019. Par rapport à l'administration douanière, le Gouvernement entend finaliser la relecture des décrets fixant l'organisation et les modalités de fonctionnement de la Direction Générale des Douanes (2012-146/P-RM) et déterminant son cadre organique (2012-148/P-RM). Il est également prévu : (i) l'automatisation des procédures de contrôle des régimes suspensifs ; (ii) le renforcement des contrôles douaniers basés sur l'évaluation du risque ; (iii) la mise en œuvre des dispositions du nouveau Programme de Vérification des Importations (PVI) ; (iv) la révision du dispositif actuel de lutte contre la fraude notamment en matière d'importation en contrebande.

31. Par rapport à la politique budgétaire, le gouvernement a adopté une Loi de finances rectificative 2019 pour refléter : (i) l'augmentation nette des recettes budgétaires de 31,52 milliards de FCFA ; (ii) la diminution nette des ressources de trésorerie de 18,52 milliards de FCA, (iii) la réduction nette des dépenses budgétaires de 22,658 milliards de FCFA. Ainsi, le niveau des recettes et dons révisé est de 2313,80 milliards de FCFA, soit 22,7 pour cent du PIB, comparé à 2012 milliards de FCFA et 19,7 pour cent de PIB dans la loi de finances initiale. Avec ces ajustements, la nouvelle loi des finances sera bâtie autour d'un déficit global (dons inclus) à 328,3 milliards de FCFA soit 3,2 pour cent du PIB) contre 3,04 pour cent dans la Loi de finances initiale.

#### **Programme de Réformes en cours ou envisagées**

##### ***Améliorer la viabilité du secteur de l'énergie***

31. Le gouvernement a adopté un plan de redressement visant à réduire et, au fil du temps, à éliminer le besoin de subventions dans le secteur de l'énergie. Cela est basé principalement sur la réduction des coûts d'achat / de production d'électricité par la Société Energie du Mali-SA (EDM-SA) et l'amélioration de ses performances. Les mesures spécifiques comprennent le remplacement des centrales de fuels lourds par des centrales d'achat d'électricité coûtant moins cher – surtout les importations, l'utilisation sélective d'énergies renouvelables et la réduction des pertes. Pour permettre une augmentation des importations d'électricité, le gouvernement appuiera EDM à mettre en place des mécanismes de sécurité de paiement suffisants pour permettre l'achat de manière crédible de l'électricité auprès de sources moins chères en dehors du Mali. Le Gouvernement a opéré une augmentation prudente du tarif concernant les consommateurs Moyenne tension et le bilan d'EDM s'est également amélioré par le refinancement de son stock actuel de dette commerciale et par la recapitalisation. Le

Gouvernement du Mali a également pris des dispositions pour payer les arriérés de consommation de l'Administration publique, appuyer EDM-SA à apurer toute la dette vis-à-vis des fournisseurs stratégiques (énergie et combustible) au 31 décembre 2018. Pour améliorer la trésorerie d'EDM-SA, le Gouvernement a institué un mécanisme de paiement anticipé de la consommation de l'Administration publique.

30. Le gouvernement souhaite également limiter la multiplication des offres non sollicitées pour la production et mettre en place un cadre clair et rigoureux dans ce domaine. Pour cela, le gouvernement s'engage à compléter au plus tard dans les 6 prochains mois une revue-évaluation des projets par entente directe avec des producteurs indépendants, à leur différent stade d'avancement (contrat signé, 'memorandum of understanding', ou seulement réception d'offre non sollicitée). Sur cette base, le gouvernement précisera les critères et procédures relatives aux propositions non sollicitées. Le Gouvernement prendra également en rapport avec EDM-SA des dispositions pour examiner et renégocier au cas échéant, les accords existants en vue de réduire le coût élevé du carburant pour la production. De même, EDM-SA mènera une étude dans le cadre de la réduction du coût d'acquisition du fuel et du coût d'importation de l'électricité.

31. Enfin, à titre conservatoire, dans l'attente de la finalisation du plan d'expansion à moindre coût (PEMC), le Gouvernement a décidé de mettre en place un moratoire sur la signature de nouveaux contrats de projets indépendants de production d'électricité (IPP en anglais) (y compris les contrats de fourniture d'urgence par groupes thermiques). Ce moratoire demeurera en vigueur jusqu'à l'approbation du PEMC.

32. Le Gouvernement veillera à ce que la compensation soit suffisante afin qu'EDM-SA puisse respecter ses obligations vis-à-vis des institutions de crédit et de ses fournisseurs stratégiques (notamment les fournisseurs d'énergie - les PIEs, les importations, les fournisseurs de combustibles et de pièces détachées) et, autant que faire se peut, l'ensemble des autres fournisseurs et créanciers d'EDM.

### ***Favoriser une croissance inclusive***

33. Le secteur agricole constitue le moteur de l'économie malienne depuis de nombreuses années, mais son épanouissement est compromis par des pesanteurs structurelles dont la levée est indispensable. En vue d'accroître l'efficacité et la transparence du système de distribution des subventions agricoles, le Gouvernement a adopté le système des bons électroniques (e-voucher) pour la distribution des subventions publiques aux intrants agricoles par la révision, le 21 octobre 2016, du manuel de procédures édictant les règles de distribution des subventions. Le Gouvernement du Mali continue d'étendre ce Système E-voucher. En effet, de quatre (4) cercles au début, l'application du Système a été étendue à six (6) cercles durant la campagne 2019/2020. Pour améliorer le système, le Gouvernement a adopté une stratégie de ciblage et de sortie des bénéficiaires du Système E-voucher. Dans le souci de pérenniser le système le Gouvernement a transféré la plateforme électronique au



Ministère de l'Agriculture et a également réalisé une évaluation du système E-voucher. Les recommandations de cette évaluation permettront au Gouvernement d'améliorer la distribution des intrants agricoles à travers le système E-voucher. En vue d'améliorer la qualité des intrants agricoles et les rendre accessibles aux producteurs, le Gouvernement a mis en place un comité national des engrais et validé le catalogue des semences et espèces végétales ainsi que la réglementation concernant le contrôle de qualité des engrais commercialisés au Mali.

342. La gestion du foncier reste un défi pour le secteur privé, c'est dans ce cadre que le gouvernement a entrepris la dématérialisation de 80% des titres fonciers à Bamako et à Kati. A ce jour, 216.000 dossiers fonciers du District de Bamako et du cercle de Kati ont été numérisés. En vue d'améliorer la gestion efficace du foncier, le Gouvernement a adopté une politique nationale domaniale en 2018. Pour assurer une bonne traçabilité et une réelle transparence dans la gestion foncière, les Autorités ont également adopté en février 2019, le Numéro d'identification national cadastral (NINACAD).

35. Les travaux de levées topographiques, d'assemblage des plans fonciers ont été exécutés par des Géomètres Experts agréés. Ces travaux ont permis d'enregistrer dans la base de données géographique 565.847 parcelles bâties et non bâties, dont 211.240 pour le District de Bamako. Ils ont également permis de produire un plan parcellaire fiable, de fournir une information de synthèse sur l'état d'occupation du sol, et d'identifier géographiquement chaque parcelle avec des coordonnées précises. Les travaux de confection des plans cadastraux se poursuivront dans les communes du cercle de Kati. De même, il est attendu la mise en place du Système d'informations foncières Guichet unique du foncier (SIF/GUF). Le SIF/ GUF aura pour missions de faciliter et de simplifier les formalités domaniales et foncières en permettant aux usagers d'effectuer en un même lieu les opérations y afférentes. Il permettra à l'Etat malien de : (i) simplifier et raccourcir les délais de traitement des affaires foncières et permettre un meilleur suivi des dossiers et des procédures ; (ii) améliorer la production foncière et les recettes fiscales liées au foncier ; (iii) harmoniser les procédures de gestion et d'attribution des terres ; (iv) informatiser la gestion domaniale et foncière en renforçant le niveau technique et professionnel des services (serveur central et postes déconcentrés) ; (v) disposer d'un portail pour l'administration et pour le grand public afin de diffuser l'information. Le gouvernement s'engage à adopter une stratégie fiscale à partir de la propriété urbaine et les terrains urbains bâtis et non bâtis.

35. En vue d'assurer la gestion efficace du foncier, le Gouvernement s'engage à la suite de la Politique nationale domaniale et foncière, à réviser et adopter le Code domaniale et foncier en Conseil des ministres courant 2019. Le Gouvernement veillera à assurer la cohérence avec la Loi sur le foncier agricole et le renforcement de la sécurité foncière de tous les ayants droits et usagers des terres coutumières. Le gouvernement s'engage aussi à continuer également à soutenir la mise en place des commissions foncières efficaces et inclusives par l'établissement de mécanismes pérennes de financement des commissions et le suivi de leurs résultats, de leur impact et de leur gouvernance.

36. Dans le cadre du renforcement de la gouvernance, du transfert des ressources et de l'amélioration des services décentralisés, le Gouvernement à travers le Ministère de l'Economie et des Finances a adopté des arrêtés interministériels définissant le mécanisme et les rôles des différents acteurs pour l'accès aux crédits budgétaires par les collectivités territoriales et s'engage à finaliser l'étude et la relecture de la Loi N°07-072 du 26 décembre 2007 créant le Fonds national d'appui aux collectivités territoriales (FNACT). Concernant la révision des critères d'allocation des ressources aux collectivités territoriales, le conseil d'administration de l'ANICT a validé les Termes de références de l'étude. L'avis à manifestation pour le recrutement du consultant a été lancé.

37. Dans le cadre de la bonne gouvernance et de la lutte contre la corruption, le Gouvernement veillera à finaliser l'étude et la relecture de la loi 2012-009 établissant le Bureau du Vérificateur General.

#### Suivi et Evaluation

38. Le Ministère de l'Economie et des Finances (MEF) sera responsable, pour la coordination d'ensemble, de la supervision et du suivi du programme de réformes à mener dans le cadre du CREDD. A ce titre, il sera en liaison avec les points focaux dans les Ministères, les Directions et Agences impliqués dans la mise en œuvre du programme. Les Ministères, Directions et Agences participants fourniront les informations et la documentation pertinentes sur la mise en œuvre et le suivi de leurs programmes respectifs au MEF, qui supervisera les progrès dans la réalisation des objectifs du programme. Les principales sources sont : (i) le recensement de la population qui a eu lieu en avril 2009, (ii) les enquêtes ménages réalisées par l'Institut National de la Statistique, (iii) les statistiques de l'administration collectées annuellement par les Cellules de planification et de statistiques des Ministères sectoriels, (iv) les statistiques économiques produites par la Direction Nationale de la Planification du Développement et (v) les données budgétaires en provenance du MEF. Tous ces éléments contribueront au suivi-évaluation des réformes en cours, dont celles soutenues par l'appui à la réduction de la pauvreté et à une croissance inclusive.

Veillez agréer, Monsieur le Président, l'assurance de ma considération distinguée.



**Dr. Boubou CISSE**  
Officier de l'Ordre National

**ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE**

Prior Actions	Significant positive or negative environment effects	Significant poverty, social or distributional effects positive or negative
<b>Operation Pillar 1: Sustainable Energy – reducing electricity sector demands on the central budget</b>		
<p><b>Prior Action #1.</b> The Recipient, through its Ministry of Economy and Finance has entered into a payment protocol with EDM-SA dated August 26, 2019 establishing a pre-payment mechanism for central government and public institutions to ensure public service timely payment of electricity bills and improve EDM-SA’s cashflow.</p>	<p>No. Relates to reduction of cross-debts in the sector.</p>	<p>No. Relates to reduction of cross-debts in the sector.</p>
<p><b>Prior Action #2.</b> The Recipient, through: (i) its Commission for Regulating Water and Electricity has issued Directive No. 19-001-C-CREE dated July 23, 2019 increasing EDM-SA’s medium voltage and public lighting tariffs to align them with the consumer price index; and (ii) its Ministry of Energy and Water has issued Arrêté No. 2019-2581/MEE-SG dated August 27, 2019, approving the new Règlement de Service Concédé de l’Électricité removing connection cost subsidies for medium voltage users to reduce costs to the budget.</p>	<p>No.</p>	<p>No. Only focused on Medium Voltage. PSIA was carried out and was found the have almost no impact.</p>
<p><b>Prior Action #3.</b> The Recipient, through its Ministry of Economy and Finance has approved a sector recovery plan that includes a re-financing of EDM-SA commercial debts and increasing of import of low-cost electricity with financial security mechanism.</p>	<p>Yes, positive. The energy mix will shift significantly in favor of renewables and lower carbon imports – see Figure 2. There will also be efficiency improvements in the sector.</p>	<p>No. The emphasis is on cost reductions, which will eventually feed through in lower tariffs.</p>
<b>Operation Pillar 2---Improving the efficiency of agricultural subsidies and land tenure security</b>		
<p><b>Prior Action #4:</b> The Recipient, through its Ministry of Agriculture, has expanded and improved the e-voucher scheme for the distribution of agricultural subsidies distribution in 6 districts.</p>	<p>Yes, positive in net terms, but some potentially negative impacts associated with fertilizer misuse.</p>	<p>No. Targeting of the poor for subsidies is expected to improve.</p>

<p><b>Prior Action #5:</b> The Recipient, through its Ministry of Agriculture, has issued: (i) Arrêté No. 2018-1811/MA-SG dated May 29, 2018 regulating fertilizers’ labeling, inspection, sampling and analysis; (ii) Arrêté No. 2018-1812/MA-SG dated May 29, 2018 clarifying the composition, organization and functioning of the National Committee of Fertilizers; and (iii) Decree No. 2019-0756/P-RM dated September 30, 2019 establishing the national catalog of vegetables species and varieties to ensure sustainable supply of high-quality input in accordance with ECOWAS regulations for quality control of agricultural inputs.</p>	<p>Yes, positive. In net terms, but some potential negative impacts associated with fertilizer misuse.</p>	<p>Yes, positive</p>
<p><b>Prior Action #6:</b> The Recipient, through its Council of Ministers has adopted and submitted to Parliament for approval the 2020 proposed budget law incorporating a budgetary line for land commissions.</p>	<p>No. Improved mediation of disputes would not have negative environment effects.</p>	<p>No. The land commissions in the center and the north of Mali, where most conflicts between livestock holders and farmers are situated, will be established with support of the Regional Sahel Pastoralism Support Project (P147674). The project commissioned an NGO to undertake a social evaluation for each administrative region where it is operating and undertakes consultations with every local government. The Grievance Redress Mechanism is in place and operational. It is composed of representatives of local communities, who have been trained and are equipped to undertake their work. They have resolved 83 percent of the complaints received, most concerned the infrastructure investments of the project, or complaints about limited consultation or involvement of local communities.</p>
<p><b>Pillar 3: --- Improving deployment and oversight of resources for better local service delivery and stability</b></p>		
<p><b>Prior Action #7:</b> The Recipient, through its Council of Ministers has adopted and submitted to Parliament for approval the 2020 proposed budget law incorporating direct budgetary lines to each Local Governments (<i>“Collectivités Territoriales”</i>) and its Ministry of Economy and Finance, has demonstrated that the disbursement rate of FNACT for</p>	<p>No</p>	<p>Yes, positive</p>

<p>2019 is at least equal to that of the full national budget.</p>		
<p><b>Prior Action #8:</b> The Recipient, through its Ministry of Economy and Finance, Ministry in charge of Education, Ministry in charge of Health and its Ministry in charge of decentralization, has issued (i) Arrêté No. 2019-3323/MEN-MATD-MEF-SG dated October 1, 2019 and (ii) Arrêté No. 2019-3342/MSAS-MEF-MATD-SG dated October 2, 2019 establishing effective financial resources transfer mechanism to school management committees and health community associations to improve the equity of the decentralization process.</p>	<p>No</p>	<p>Yes, positive</p>
<p><b>Prior Action #9:</b> The Recipient, through: (i) the Office of the Auditor General, has published all audit reports on the Auditor General’s website; and (ii) its Ministry of Justice has published follow-up actions on all claims resulting from the Office of the Auditor General’s audit report on its website.</p>	<p>No</p>	<p>No</p>

## ANNEX 5: CLIMATE CHANGE ADAPTATION CO-BENEFITS

### I. Vulnerability context

1. **Climate change in Mali is evident and widespread - and has already changed weather patterns and increased weather variability, with impacts on food security, livelihoods, conflict and migration.** Mali has already experienced overall warming temperatures, and climate change has both decreased rainfall and changed rainfall patterns. The north has experienced warming of about 0.5°C per decade, and the frequency of hot nights has increased significantly in all seasons except for winter. The changes in rainfall and decreased food production disproportionately affect the rural poor, mainly subsistence farmers. But in an arid country like Mali, these climate impacts also can lead to changes in traditional transhumance patterns, greatly increasing pressure on limited forage resources and causing conflict.
  2. **Mali faces major climate risks and natural hazards that are likely to affect country's sustainability:**
    - (i) **Droughts and floods:** More frequent and longer droughts have plagued Mali in recent decades. Between 1980-2014, nearly 7 million people were affected by 28 droughts and floods. The 2004 drought across the north due to rainfall deficits forced pastoralists to use permanent water sources and led to considerable overgrazing. Droughts at different points in Mali (0.6 million, 1million, 0.3 million and 1.5 million people in years 2010, 2005, 1991 and 1980, respectively) severely affected the agriculture sectors and impoverished people engaged in farming and pastoral activities. Increasing temperatures are likely to worsen the frequency and effects of droughts.
    - (ii) **Land degradation:** Mali encounters erratic precipitation and is a potential case for interrelated sectoral climate change impacts. Expanding agriculture, coupled with poor land management practices, particularly on the Niger River flood plain, has significantly increased erosion and sedimentation and the propensity of some areas to experience severe flooding and subsequent crop loss.
    - (iii) **Strong wind:** In addition to variable rainfall, droughts and gradual desertification, sand storms occur frequently in Mali. Sand storms lead to decreased visibility, dust intrusion and affects movement of people and leads to erosion and more desertification.
  3. **Climate adaptation:** Mali's economy is based primarily on the exploitation of natural resources. Natural hazards and interrelated climate change impacts lead to drought repetitions, floods, bushfires, destabilization of rainfall and uncertainty in already sensitive agriculture sector. The cost requirement for climate adaptation action for Mali (2015-2020) is US\$1.062 billion US\$ and shall be used for funding five major programs including forestry, agriculture and renewable energy.
  4. **Climate mitigation:** The INDC of Mali declares to reduce emissions by setting conditional sectoral targets of 29 percent in agriculture, 31 percent for energy and 21 percent for forests and land use in comparison to business-as-usual scenario by year 2030. The cost requirements of conditional mitigation effort amounts to US\$34.68 billion and the cost of unconditional mitigation contribution is estimated at US\$5.202 billion in the INDC.
- II. *Link to project activities*

5. **The program is relevant for climate mitigation through its reforms in the energy sector.** The DPF, encourages the Government to approve an ongoing institutional process for updating the least-cost investment plan to promote a shift to lower cost electricity imports and renewable energy for the electricity sector. Policy reforms under the DPF are accompanied by investment lending to improve the energy mix of EDM-SA- the national utility. These investments will allow EDM-SA to transform its energy mix in favor of lower cost imports and renewable sources through the elimination of rental power, the reduction of national thermal production (diesel and heavy fuel), the increase in national hydroelectric production and imports of electricity, including low-cost electricity from neighboring countries (Côte d'Ivoire and Guinea).
6. **Switching from fossil fuel- based generation to renewable energy and imported greener energy will contribute to reducing CO<sub>2</sub> emissions in Mali,** helping the country to comply with its international commitments. In the scenario, where the country increases import capacity from Côte d'Ivoire to 100 MW towards the end of 2019, the reduction in CO<sub>2</sub> emissions is estimated at 409,000 tons by 2025 compared to a counterfactual with no measures taken. An additional increase of the import capacity to 200 MW from 2022/23 is estimated to have limited incremental impact on CO<sub>2</sub> emissions.<sup>16</sup> Import capacity of 100 MW hydro-based electricity from Guinea is expected to come online from 2023 in both scenarios.
7. **Within the agriculture pillar of the operation, Prior Action 4 contributes to enhancing resilience to climate stress through the introduction of e-vouchers.** E-vouchers enable a more sustainable land use and allow to adapt to climate change as they help reducing overuse of chemical nitrogen fertilizer by offering an adapted mix of fertilizer (organic and inorganic) which will improve both environmental and fiscal sustainability. E-vouchers are conducive to greater efficiency in resource use and less environmental waste. E-vouchers allow to flexibly adapt to climate change in at least two ways. First, in the event of a climatic shock, e-vouchers allow for a rapid adaptation to avoid e.g. food insecurity or the outbreak of a contagious disease. In those instances, and by offering the possibility to buy subsidized seed or animal vaccines, e-vouchers enhance resilience. Second, e-vouchers increase food security of net food sellers and buyers by contributing to increased food surpluses and lower food prices. Through the e-voucher program, the better efficiency of nitrogen fertilization of mineral and organic origin will make it possible to reduce the quantities brought to crops, which will lead to a reduction in the greenhouse gases emission.
8. **The approval of the plant species catalog (prior action 5) will contribute to the dissemination of information on drought tolerant seeds.** Information on these seeds developed by Agricultural Research is still beyond the reach of some seed companies and small farmers. Approval and dissemination of the catalog will therefore contribute to the dissemination and adoption of drought-tolerant, high-yielding seeds and thus the agriculture sector adaptation to climate change.
9. **Investment in inclusive and sustainable agricultural growth and climate change adaptation may benefit from improved land tenure security (Prior Action 6).** Climate change and area expansion for crop farming increasingly lead to violent land conflict, which undermines the credibility of the state. Climate change

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<sup>16</sup> The effect of the incremental interconnector capacity on CO<sub>2</sub> emissions is sensitive to whether import from Guinea or imports from CIV are cheaper and the level of demand on the system. Imports from Guinea are hydro based whereas imports from CIV are gas based.

affects rural livelihoods in Mali in at least two ways: average temperatures increase, and rainfall becomes more variable in quantity and distribution. Agriculture and livestock production take place side by side. In the Sahelian context, mobility of herds is a necessity for the livestock sector, requiring protected routes to access water, grazing lands and markets. Particularly in areas, where crop farmers and pastoralists live close together and interact, conflict intensity is increasing (crop damage; blockages of access). Farmers are expanding the area under cultivation into land previously used by pastoralists; pastoralists are changing transhumance patterns and routes in response to changing weather patterns. Land tenure security facilitates the uptake of long-term investments in land that yield climate benefits, such as investments in more efficient farming systems, introducing new crop varieties, adaptations in soil fertility management strategies and investment in infrastructure for more climate resilient agriculture (e.g. soil and water conservation and peri-annual crops).



**ANNEX 6: SECTORAL GROWTH RATE 2016–2019 (in percent)**

**Table 12: Sectoral Growth rate 2016-2019 (in %)**

	2016	2017	2018e	2019p
<b>Primary sector</b>	<b>7.5</b>	<b>5.0</b>	<b>5.9</b>	<b>4.8</b>
Crops	12.3	6.2	7.5	5.0
Food crops	9.8	4.9	9.9	5.0
Export crops	26.0	12.4	6.4	4.7
Livestock	4.0	3.9	5.1	4.9
Fishing and forestry	3.8	3.6	4.1	3.8
Quarrying	6.0	6.8	-0.1	4.6
<b>Secondary sector</b>	<b>0.3</b>	<b>6.6</b>	<b>6.2</b>	<b>5.2</b>
Gold (mining & processing)	0.8	5.6	21.3	-3.1
Manufacturing	-6.0	5.8	5.6	5.1
Agribusiness	-12.0	10.4	-0.9	5.4
Textile	3.7	12.6	12.7	6.2
Utilities	9.0	8.5	6.7	8.5
Construction and public works	7.9	7.5	-0.1	8.0
<b>Tertiary sector</b>	<b>6.8</b>	<b>5.4</b>	<b>4.0</b>	<b>5.0</b>
Transportation and telecommunications	8.8	7.8	7.2	7.0
Trade	6.5	4.4	2.1	3.8
Financial services	7.5	5.3	3.6	4.0
Other nonfinancial services	4.7	4.2	3.8	4.4
Public administration	6.9	4.7	2.5	4.9
Indirect taxes and Interior VAT	6.0	4.7	2.5	4.5
<b>GDP at market prices</b>	<b>5.8</b>	<b>5.4</b>	<b>4.7</b>	<b>4.9</b>

Source: Ministry of Finance, IMF and World Bank staff estimates (2016-2018) and projections (2019) May 2019.



## ANNEX 7: WORLD BANK STRATEGY IN THE ENERGY SECTOR IN MALI

### Context

1. **The development of access to electricity in Mali presents major challenges** due in particular to: (i) the landlocked characteristics of the country meaning fuel is logistically difficult to source; (ii) low overall population density of Mali; and (iii) the high poverty rate. These characteristics combined with Mali's dependence on imported hydrocarbons with prices linked to international oil prices have created structural reasons for high costs of service. The network costs per consumer tend to be high and individual consumption is low.

2. **In spite of the challenges, Mali has achieved remarkable success in providing access to electricity over the last 15 years.** At the end of 2018, EDM-SA, the State-owned utility company had 569,000 clients, against only 131,000 at the end of 2003, corresponding to an annualized average growth rate of 10.3 percent. Electricity sales in volume of energy, which were at 1,730 GWh in 2018, have increased at an annual rate of 9.2 percent over the same 15-year period. This growth of the electricity sector in Mali is driven by the increase in access, primarily in Low Voltage (LV), rather than increase in consumption per household. In addition to grid electrification, Mali has also developed rural electrification through small private concessionaires for isolated mini-grids, under the support and control of a rural electrification agency (AMADER). According to the IEA Electricity Access Database, the national electrification rate in Mali in 2017 was 38.3 percent, against only 12.0 percent in 2000. During this period, the number of people with access to electricity has increased from 1.3 to 7.1 million. Despite this progress, due to population growth, the number of people without access to electricity in Mali has increased in absolute number (from 10.0 to 11.4 million). While the overall rate of access in Mali remains slightly below the SSA average of 43.3 percent, the urban rate of access achieved is quite high at 83 percent (compared to 67 percent in SSA). The rural access rate is, however, very low at 6.4 percent compared to SSA average of 28 percent. Demographic growth and urbanization are two structural trends which will continue to support the expansion of electricity demand in Mali over the next decade.

3. **Rapid sector expansion has resulted in increased costs of service, primarily due to a change in the generation mix from hydropower to predominantly thermal.** Over the last 15 years, EDM-SA generation costs have increased significantly because Mali has moved from a hydro-based generation mix, to predominantly thermal generation. In 2003, for the interconnected network, thermal generation was solely needed seasonally to meet peak time demand and represented only 6 percent of annual generation. EDM-SA used thermal generation primarily to supply isolated grids with diesel generators, which represented about 10 percent of total generation volumes. However, the rapid growth in demand from the interconnected network over the ensuing years could not be met by existing hydropower plants. To supply incremental demand, EDM-SA developed thermal generation capacity around Bamako (heavy fuel oil or HFO based), interconnections with neighboring countries (principally Côte d'Ivoire), and was forced to have recourse to emergency diesel (back-up) generation on a semi-permanent basis in order to avoid massive black-outs. As a result, in 2018, hydropower generation (by EDM-SA and from the regional OMVS of Manantali and Felou) represented 37 percent of generation for the interconnected network against 94 percent in 2003. The other sources of generation are thermal power plants operated by EDM-SA and fueled by HFO, purchase of electricity from privately operated thermal power plants (HFO and/or diesel) and imports. All of these sources have very high fuel costs with the exception of imports from Côte d'Ivoire



(CIV). The CIV system consists of a generation mix of lower cost natural gas-fired plants and hydropower supplied to EDM-SA and priced at around USc 11/kWh. In 2018, imports from CIV covered around 21 percent of Malian electricity demand on the interconnected network. In the medium term, increasing imports from Côte d'Ivoire is the primary leverage to reduce the average generation costs. In the longer term, access to hydropower through regional projects and domestic solar power plants are also expected.

4. **The challenge is to lower costs while the sector continues to experience the changing cost implications of an expanding system.** With expansion of distribution networks, expansion of service has allowed EDM-SA to achieve some economies of scale. The development of electricity connections, however, has required significant investment in distribution networks and transformers, sometimes lagging the growth in demand (explaining in part the persistence of continuing high distribution losses). However, the length of total distribution networks (LV+MV) over the last 15 years has increased at an annual rate of 6.2 percent, which is significantly less than electricity sales.

5. **Electricity tariffs have failed to reflect the changes in generation costs resulting in mounting operating deficits and accumulation of short-term debt for EDM-SA.** Given an increasingly fuel based generation mix coupled with an increase in fuel costs, EDM-SA saw its operating costs increase substantially. This was not reflected in tariff-setting, and tariffs have in fact decreased in real terms (factoring in inflation). There is considerable political and societal resistance to increases to electricity tariffs in Mali. As a result, only small tariff adjustments have taken place in rare instances during the last 15 years. The tariff structure has also remained largely unchanged, with, in particular, off-peak tariffs for MV customers being significantly low relative to short run marginal costs and even below the cost of imports from CIV. As a result, the gap between tariff revenues and costs has increased considerably in recent years. In 2017, the average tariff revenue per unit of electricity sold was CFAF 96.5/kWh, just 4.7 percent above the average revenue in 2003. Average realized tariff increased slightly in 2018 to CFAF 100.5/kWh, driven by a higher growth in LV sales compared to sales to MV customers. Costs, however, grew at a much greater rate. In 2017, the cost of supply was estimated at CFAF 130/kWh per unit of electricity sold. This grew to over CFAF 150/kWh in 2018, largely driven by the increase in generation costs.

6. **In order to be able to continue to operate with this growing structural disconnect between revenues and costs, EDM-SA has been relying increasingly on ad hoc operating subsidies from the GoM (since 2012) but these have not been sufficient to cover the sector needs.** The reduction of generation costs is the key challenge (in a set of many challenges) that the power sector is facing that needs to be addressed not only to sustainably continue the expansion of the power sector and increase access to electricity, but, in terms of the bigger picture, also to render the sector financially sustainable and therefore remove dependency from the very constrained central budget.

#### *Financial Context*

7. **In the absence of significant electricity tariff adjustments, EDM-SA has experienced a growing gap between tariff revenue and cost of service and has increasingly relied on government subsidies.** In 2017, the tariff revenue shortfall amounted to CFAF 56 billion (US\$96 million). This revenue gap was partially offset by a governmental subsidy of CFAF 34 billion (US\$59 million), reducing the net loss to CFAF 22 billion (US\$38 million). The revenue gap in 2018 increased further to CFAF 93 billion (US\$160 million),



partially driven by the adverse development of fuel costs on international markets. While the expected operating subsidy provided by the Government in 2018 was initially increased to CFAF 42 billion (US\$72 million) only CFAF 27 billion (US\$46 million) was paid. In addition, in 2018 EDM-SA faced a considerable increase in costs driven by a heavy reliance on liquid fuel generation, which resulted in a net loss of CFAF 66 billion (US\$114 million). Still, subsidies provided by the government pose a considerable burden on the state budget and averaged 0.36 percent of the country's GDP in the last three years (2016 – 2018). These have not, however, been sufficient to cover for the overall tariff revenue shortfall, which in turn resulted in a significant deterioration of the financial situation of EDM-SA (Table 11).

**Table 13: Summary of Recent Financial Performance of EDM-SA**

	Actual	Actual	Actual	Forecast
	2016	2017	2018	by EDM
<b>FCFA million</b>				
Revenues from electricity sales	144,381	159,334	173,985	189,768
Other revenues	16,754	16,039	22,235	15,506
Other revenues - sensitivity				
<b>Total own revenues</b>	<b>161,136</b>	<b>175,374</b>	<b>196,220</b>	<b>205,273</b>
Operating Subsidy received from the Government	33,656	34,000	27,000	75,000
Total revenues	194,791	209,374	223,220	280,273
OPEX	176,282	192,461	235,116	254,520
<b>EBITDA</b>	<b>18,510</b>	<b>16,912</b>	<b>-11,895</b>	<b>25,753</b>
Depreciation	29,785	26,791	35,746	24,880
EBIT - Operating profit / (loss)	(11,276)	(9,878)	(47,641)	874
Net finance income / (cost)	(10,121)	(10,841)	(13,321)	(4,968)
Non Operating Activities (Resultats hors activites ordinaires (H.A.O.))	(5,036)	638	(2,990)	(1,404)
Profit / (loss) before taxes	<b>(26,432)</b>	<b>(20,081)</b>	<b>(63,951)</b>	<b>(5,498)</b>
Tax	(1,873)	(2,019)	(2,093)	(3,376)
<b>Net Profit / (Loss)</b>	<b>(28,305)</b>	<b>(22,100)</b>	<b>(66,044)</b>	<b>(8,874)</b>
Dividends				
<b>Profit/loss excluding subsidy (i.e. tariff revenue shortfall)</b>	<b>(61,961)</b>	<b>(56,100)</b>	<b>(93,044)</b>	<b>(83,874)</b>

8. **EDM-SA debt situation has deteriorated, and its lack of credit-worthiness puts at risk its ability to operate efficiently.** In view of this structural revenue deficit, EDM-SA has had to borrow short-term to pay to its suppliers and to roll over and service its accumulated debt. At the end of 2017, the company's equity represented less than 10 percent of its funding, and with the loss made in 2018 (net loss of CFAF 66 billion / US\$114 million), the company's equity became negative. This means that EDM-SA does not have enough assets to pay its debt, undermining its credit-worthiness and ability to source commercial funding. Furthermore, EDM-SA's debt is predominantly short-term with repayment profile of less than a year, posing significant cash-flow issues and adding pressure to the already weak financial situation. EDM-SA has also accumulated substantial arrears towards its suppliers with trade payables at the end of 2018 amounting to 30 percent of the company's assets (CFAF 145 billion).



**Table 14: Summary of EDM-SA’s Funding and Liabilities**

<i>CFAF million</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
<b>Total assets</b>	<b>459,422,367</b>	<b>476,146,230</b>	<b>498,522,790</b>
<b>Bank overdraft</b>	<b>75,602,383</b>	<b>80,752,334</b>	<b>76,731,594</b>
<b>Other current liabilities</b>	<b>155,869,950</b>	<b>188,031,509</b>	<b>289,639,377</b>
<b>Total non-current debt</b>	<b>195,190,331</b>	<b>196,561,447</b>	<b>182,662,902</b>
<b>Equity</b>	<b>32,759,702</b>	<b>10,800,941</b>	<b>-65,361,082</b>
<b>Total liabilities</b>	<b>459,422,367</b>	<b>476,146,230</b>	<b>483,672,790</b>

9. **A number of ongoing actions, supported by the World Bank, have been initiated in order to reduce the cost of service and to strengthen EDM-SA’s revenues.** The agreed actions under this operation support the objective of transforming the financial relationship between EDM-SA and GoM to mitigate future fiscal risks related to the power sector by: (i) reducing operating costs by changing the energy mix to lower cost electricity imports; (ii) increasing revenues with tariff increases; (iii) improving the company’s creditworthiness to its critical suppliers; and (iv) reducing costs and improving cashflows by restructuring and reducing EDM-SA commercial debt level and improving terms. Doing so requires adoption of a Recovery Plan for EDM-SA.

*Actions initiated to improve the energy mix and reduce costs*

10. **EDM-SA is reducing its reliance on thermal generation through regional projects.** Overall, Mali’s thermal generation in 2018 comprised 39 percent of the energy mix, with hydro contributing 37 percent, imports 29 percent and PV just about 0.1 percent. Fuel costs are high, in part due to the high cost of trucking fuel from ports to the power stations, and EDM-SA relies on expensive rental generation for some of its thermal capacity. In a typical year the reliance on thermal generation is higher, with the World Bank estimating it over 50 percent in 2019.<sup>17</sup>

11. **EDM-SA is reducing its reliance on costly thermal generation by increasing imports and purchases from regional hydro generation projects.** In July 2019, an amendment to the PPA between EDM-SA and CIE was agreed (under DPF 1, Prior Action 3) for the supply of 100 MW from CIV, with firm annual volumes of 860 GWh. For comparison in 2018, the imports from CIV equaled 50 MW (437 GWh). The import capacity from CIV should increase further to 200 MW by 2022/2023. By 2022/23 EDM-SA also expects to begin to receive its 35 MW share of the 140 MW Gouina hydro power plant being developed by OMVS. By 2023 an additional 100 MW should start flowing from Guinea, and Côte d’Ivoire is expected to have additional excess capacity destined for the export market, which could open the door for additional import capacity to Mali if the demand turns out to be higher than expected (mines coming online). Despite these developments, EDM-SA will still need to rely on some thermal generation to provide spinning reserve as well as to provide standing reserve for dry years, as indicated by the figure below.<sup>18</sup>

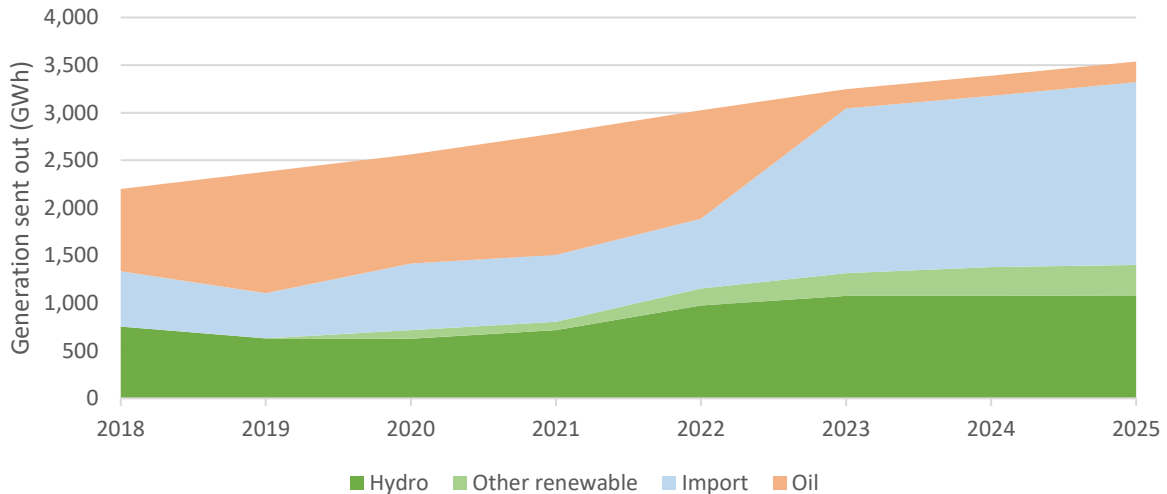
<sup>17</sup> This assumes a normal hydro year. Year to year variation in hydro flows affects the proportion of hydro generation in the energy mix and therefore the proportion of thermal generation.

<sup>18</sup> The Bank has conservatively modelled EDM-SA’s supply excluding new supply to mines since new sales to mines should be broadly neutral or slightly beneficial to EDM-SA’s finances, i.e., the tariffs charged to mines should cover at least the incremental



These new supply sources are forecast to significantly reduce EDM-SA’s average cost of supply, with imports from Côte d’Ivoire costing 65 CFAF/kWh, output from Gouina costing about 37 CFAF/kWh and imports from Guinea about 70 CFAF/kWh. For comparison, EDM-SA’s average generation cost is estimated at about 95 CFAF per kWh of sent-out generation in 2019 and marginal costs being more than double that amount.

Figure 4: Scenario for Mali Generation Mix (excluding EDM-SA’s supply to mines)



Source: World Bank analysis.

12. **The move away from thermal generation to more imports and renewable energy (including hydro generation) is forecast to reduce costs substantially.** Regarding the measures undertaken as part of this DPF, the increase in imports from CIV is forecast to decrease the average costs of supply by more than 10 CFAF/kWh per unit of electricity sold and reduce the tariff revenue shortfall by CFAF 22 billion in 2020 and CFAF 27 billion in 2021 and 2022 (all compared with the counterfactual of 50 MWs of imports). The benefit is forecast to increase further with the increase in imports from CIV expected in 2022/2023. We note that there are other measures the GoM and EDM-SA are taking that help to reduce the reliance on expensive thermal generation towards more imports (interconnection with Guinea expected from 2022/2023) and additional hydro generation (OMVS hydro Gouina project from 2022/2023) that are also expected to reduce the costs of supply in Mali. These measures will also reduce Mali’s exposure to volatile liquid fuel prices and reduce CO<sub>2</sub> emissions.

13. **Other ongoing actions to reduce costs and improve efficiency are under way.** Under the Mali Electricity Sector Improvement Project (MESIP), the World Bank is supporting (i) investments in the transmission and distribution networks to improve reliability and reduce technical distribution losses, (ii)

cost of supplying them. The energy mix illustrated shows EDM-SA’s supply excluding mines. Thermal plants will be required to supply mines – this analysis is not intended to show that thermal plants are not expected to form part of EDM-SA’s overall energy mix.



improvement in commercial performance (revenue protection), and (iii) improvement in management and governance of EDM-SA (planning, fuel procurement).

14. **Increasing revenue:** Under Prior Action 2 and in view of the significant gap between tariffs and costs, the GoM has agreed to increase the MV tariff and bring the off-peak MV tariff to the level of shoulder tariff. Specifically, the MW tariffs increased by 3.16 percent from September 2019 and off-peak MV tariff increased by almost 40 percent (from 55 CFAF/kWh to 77 CFAF/kWh). The average new MV tariff is forecast at 94 CFAF/kWh. For comparison, the average tariff paid by LV customers is 107 CFAF/kWh and average cost of supply is forecast at over 140 CFAF/kWh in 2019. The relatively small but important adjustment to the MV tariff will improve the tariff structure and is forecast to bring additional revenue amounting to CFAF 5 billion in 2020, which will increase further with the growth in MV sales. Furthermore, inflationary adjustments to MV tariffs are expected from 2020 onwards. These adjustments are also important given that tariff adjustments in Mali are rare. Further adjustments are, nevertheless, likely to be needed to decrease the prevailing structural revenue deficit.

*Enhancing EDM-SA financial sustainability and credit worthiness*

15. **EDM-SA debt refinancing.** As of September 2019, EDM-SA's stock of short-term commercial debt stood at around CFAF 82.4 billion (US\$140 million).<sup>19</sup> This represents about half of EDM-SA's total debt (the rest being mostly long-term concessional debt). GoM intends to refinance EDM-SA's commercial debt through two mechanisms. First, GoM would on-lend to EDM-SA CFAF 50 billion (US\$85 million) from a concessional loan it secured from Abu Dhabi's development fund. On-lending will be on the same terms. Second, GoM wants EDM-SA to refinance the remaining CFAF 32.4 billion (US\$55 million) using some of its annual subsidy and GoM's payment of its bills. Loans to be repaid include two large loans from regional commercial banks with a combined outstanding balance of around CFAF 42 billion (US\$71 million) directly guaranteed by GoM. The remaining mostly consist of smaller, unguaranteed term loans and overdraft facilities from domestic and regional banks. GoM and the banks are negotiating possible prepayment penalties. The refinancing using concessional funds should reduce interest charges by about CFAF 4 billion (US\$7 million) between 2019 and 2021 while a longer maturity for principal repayment will alleviate EDM-SA's debt service. In addition, GoM has decided to reduce on-lending terms of several of its existing loans to EDM-SA representing about CFAF 66 billion (US\$114 million) to ensure EDM-SA fully benefits from their concessionality.

16. At the end of 2018, the amount owed by the public sector for electricity consumption amounted to CFAF 30 billion (against CFAF 23 billion one year earlier). See table 15. The majority of this debt was related to public lighting (CFAF 16.5 billion). In order to address this issue, as part of this operation, the GoM has accepted to put in place a system of prepayment for electricity bills from the public sector (municipalities and public lighting). This prepayment will have a significant one-time cash-flow impact on EDM-SA and is expected to prevent future accumulation of arrears related to public electricity consumption. This measure is important given the increase in arrears observed over time. At the end of August 2019, the overall public arrears stand at CFAF 43 billion.

<sup>19</sup> However, this, may not include all bank overdrafts and credit lines available to EDM-SA.

**Table 15: Public Arrears to EDM-SA**

<b>Public arrears (CFAF billion)</b>	<b>31 Dec 2017</b>	<b>31 Dec 2018</b>	<b>End Jul-2019</b>	<b>End Aug-19</b> (includes payments in 2019 so far)
Central government	2.0	4.6	6.1	5.8
Regional budget	2.3	3.3	2.7	2.9
Hospitals, Universities, etc.	1.7	2.5	2.6	2.5
Public lighting	13.8	16.5	19.0	19.3
Municipalities	2.29	2.36	2.4	2.44
SOEs excluding SOMAGEP	0.46	0.68	1.35	1.36
SOMAGEP	0.2	0.1	7.8	8.4
<b>Total public arrears</b>	<b>22.8</b>	<b>30.1</b>	<b>42.0</b>	<b>42.7</b>

17. **Overall impact.** Table 16 summarizes the overall impact of the measures undertaken as part of this operation that is expressed as a reduction in expected tariff revenue shortfall. Specifically, we have estimated the incremental reduction in revenue shortfall for each measure (adjustment to MV tariffs, the impact of debt restructuring and the impact of an increase in imports from CIV). It is worth noting that other important measures have been taken, such as a write-off of a proportion of accumulated EDM-SA's fiscal debt or clearing of accumulated arrears for electricity bills – together amounting to CFAF 75 billion. These measures whilst not having a direct impact on the current revenue shortfall, do improve the financial situation of EDM-SA substantially by reducing the accumulated debt vis-à-vis EDM-SA's suppliers, creditors and the level of fiscal debt. These measures have only a secondary impact on the current tariff revenue shortfall (e.g. we expect that EDM-SA's need to resort to additional short-term funding will be reduced, and hence we expect a reduction in interest costs compared to a scenario with no measures). These other measures are also important to enhance EDM-SA's credit worthiness and improve its cash flow situation (the Government agreeing to repay the accumulated arrears for public consumption and setting a mechanism so that these are not incurred in future). Regarding the impact of measures that are expected to lead to a reduction in the gap between EDM-SA's costs and revenues:

- MV tariff increases and an adjustment to the MV tariff structure is expected to increase EDM-SA's revenues by CFAF 5-6 billion per annum in 2020 and 2021. This and future adjustments in line with inflation, as well as the expected growth in MV sales, are forecast to bring an additional revenue of CFAF 11 billion on average per annum between 2022 and 2025.
- Debt restructuring is forecast to bring interest costs down by CFAF 3.6 billion between 2019 and 2023 and significantly improve the cash flow situation of EDM-SA, stemming from the extension of debt maturity and deferred repayment profile.
- Increase in import capacity from CIV to 100 MW with firm annual volumes of 860 GWh and an additional increase of import capacity from CIV to 200 MW in 2022/23 is expected to reduce costs



between CFAF 22 to 27 billion per annum (depending on the year under consideration).

18. Other measures are expected under the sector Recovery Plan, including better and cost-efficient procurement of fuel, revenue protection plan to improve commercial performance and collection rates from both public and private clients and small but significant (inflationary) adjustments to both MV and LV tariffs until financial recovery is achieved (expected in 2024/25). The Recovery Plan includes a moratorium on signing new projects/contract extensions until a new least cost power sector development plan is adopted. Any new supply sources and PPAs shall be in line with this plan.

*Improving sector governance by moving towards transparency and accountability in the financial relationship between the Malian State and EDM-SA.*

19. **The current financial relationship between EDM-SA and the Malian State should be reformed.**

The financial relationship between the State and EDM-SA, as it has developed over the last few years, is not conducive to good electricity sector governance, or sound management of public finances. The issues are in particular as follows:

- a. A lack of long-term incentives for efficiency improvements on the part of EDM-SA and a lack of transparent framework for the recovery of efficiently incurred costs: the annual operating subsidy is provided on an ad hoc basis instead of formalized under objective parameters that would objectively assess the gap between efficient measure of costs that take account of any inefficiencies already embedded in the sector and expected tariff revenues.
- b. The existing setting allows political decision-makers to postpone addressing critical issues in the electricity sector: as a result of policy decisions to expand access to electricity without adjusting electricity tariffs, EDM-SA has accumulated a large amount of short-term financial debt which is in fact a contingent liability for the State which was not adequately recognized and managed.
- c. The existing set-up undermines transparency and accountability: due to the very low credit worthiness of EDM-SA because of high costs and insufficient tariff revenues, all major investments have to be supported by the GoM with the Malian state being the Borrower, or providing sovereign guarantees. In some cases, the future financial implications for EDM-SA (with regard to transfer of the assets to its balance sheet and of the debt service obligations (e.g. on lending terms) are often not formalized ex ante. This state of affairs undermines the normal mechanisms of corporate governance and accountability and is not conducive to transparent and consistent decision-making with regard to the prioritization and selection of investments, on the basis of a least-cost approach. For instance, under the Albatros IPP project (an HFO thermal power plant), EDM-SA is liable to significant fixed annual capacity charges (CFAF 14 billion or approximately 368 US\$/MW/year) over the next 20 years. We also note that due to the location of the plant on the transmission network, where Albatros is competing for network use with other generators with significantly lower production costs such as Mantanali and Felou, EDM will not be able to absorb the output of the plant at full firm volume fixed in the PPA contract, further increasing the average cost of supply from Albatros for EDM-SA.

20. **Prior actions and proposed triggers under this operation seek to reform the relationship between EDM-SA and the State and improve sector governance.** Under the program, the authorities are establishing a clear baseline of the current debt and treasury situation of the company. In addition, there is close monitoring of the generation mix (and progress on imports). The existing financial reporting and



audit procedures are not sufficient to properly monitor EDM-SA performance. They tend to provide financial information with significant delays (typically 5 or 6 months after the end of the calendar year) and they do not include monitoring of key operational performance parameters which are not financial in nature but have a significant impact on operating costs, and hence the financial performance of EDM-SA (e.g. evolution of the generation mix).

21. The proposed triggers aim at ensuring that the major dysfunctions observed in the sector governance and management are addressed. EDM-SA has limited ability to control major cost-drivers, in particular variation in generation costs (related to the generation mix and petroleum prices). If the GoM decides not to pass on these cost variations that are outside of EDM-SA's control to consumers through an adjustment to electricity tariffs, the GoM should compensate for these increased costs each year via an operating subsidy that is reflective of the structural gap between EDM-SA's costs and tariff revenues. It is therefore proposed to establish a formal revenue regulatory tariff compensation mechanism, under which the projected required revenue for the following year would be determined annually on an objective basis. The authorities would then be able to decide whether to adjust tariffs to the required revenue level or revise the amount of compensation to cover for a projected tariff revenue shortfall. This would be combined with continued semi-annual monitoring of EDM-SA's debt, in order to avoid the repetition of excessive short-term debt accumulation that was needed to cover for operating revenue deficits. If EDM-SA is not able to achieve the performance parameters under which the compensation is to be based, then the authorities and EDM-SA management will need to act to safeguard EDM-SA financial viability (e.g. by enacting efficiency improvements and/or by revising the normative performance parameters if they turn out to be unrealistic).

22. Trigger #2 aims at establishing more transparency and consistency regarding investment planning, and to improve both the investment decisions and their implementation: (*Trigger #2. The Council of Ministers has approved an ongoing institutional process for updating the least-cost investment plan to promote a shift to lower cost electricity imports and renewable energy for the electricity sector, which includes regular publication of a least-cost plan and a requirement for any deviation to be approved by the Council of Ministers*). Investment planning in the electricity sector is de facto a joint responsibility of EDM-SA and the Government. This is due to institutional considerations (responsibilities of the Ministry in charge of Energy) but also the consequence of a financial reality: EDM-SA would not be able to mobilize financing for investments without State support. However, as the operator, EDM-SA is clearly much better positioned than Ministerial departments to assess investment needs and their choice. For this reason, a transparent and formalized process for updating periodically the least-cost investment plan is likely improve investment planning in Mali. With regard to investment choice, it may prevent the adoption of projects against technical and financial objections from EDM-SA (as was the case for the Albatros project, which has locked a PPA contract for the next 20 years for a minimum take or pay requirement of 578 GWh/annum at a cost of US\$24 million per annum for 66 MW of thermal generation capacity, and it is unclear that such amount of additional thermal capacity is really needed in the system). It would also allow to better monitor the implementation pace of new projects (and therefore better anticipate generation deficits).



**Outcomes if successful implementation of the agreed actions.** The following table sets out a scenario for this recovery path.

**Table 16: Financial Scenario for EDM-SA Taking Account of the Measures under the Current DPF**

Revenue shortfall (FCFA billion)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Status quo (no tariff increase, CIV flow 50MW)	-62	-56	-93	-93	-131	-134	-119	-79	-71	-61
<b>Increase in MV tariff</b> (average flow CIV 50MW)				-92	-127	-128	-111	-70	-59	-46
<i>Incremental improvement in revenue shortfall</i>				1	3.7	5.5	7.7	9.8	12.3	15.1
<b>Debt restructuring</b> (increased MW tariff, CIV 50MW)				-90	-125	-128	-111	-70	-59	-47
<i>Incremental improvement in revenue shortfall</i>				2.3	1.7	0.2	-0.1	-0.4	-0.5	-0.6
<i>Cumulative improvement in revenue shortfall</i>				3	5	6	8	9	12	15
<b>Increase in CIV to 100MW</b> (increased MW tariff, debt restructured)				-84	-103	-101	-85	-56	-46	-32
<i>Incremental improvement in revenue shortfall</i>				6	22	27	27	14	13	15
<i>Cumulative improvement in revenue shortfall</i>				9	28	32	34	23	25	29
<b>Further increase in imports from CIV to 200MW</b> from 2023				-84	-103	-102	-86	-48	-37	-22
<i>Incremental improvement in revenue shortfall</i>				0	0	-1	-1	8	9	10
<i>Cumulative improvement in revenue shortfall</i>				9	27	31	33	31	34	39
<b>Reduction in fuel costs by 10% (from 2021)</b>				-84	-103	-91	-75	-46	-35	-20
<i>Incremental improvement in revenue shortfall</i>				0	0	12	11	2	2	2
<i>Cumulative improvement in revenue shortfall</i>				9	27	43	44	34	36	41
<b>Revenue protection plan in place (from 2021)</b>				-84	-97	-84	-67	-37	-25	-10
<i>Incremental improvement in revenue shortfall</i>				0	6	7	8	8	9	10
<i>Cumulative improvement in revenue shortfall</i>				9	34	50	52	42	46	52
<b>Increase in LV tariff by 2% p.a. (from 2021)</b>				-84	-94	-77	-57	-22	-4	16
<i>Incremental improvement in revenue shortfall</i>				0	3	6	11	16	22	26
<i>Cumulative improvement in revenue shortfall</i>				9	37	56	62	58	68	78
Provided or budgeted operational subsidy from the Government	34	34	27	0	32	36	37	22	4	0
<b>Remaining revenue shortfall</b>	<b>-28</b>	<b>-22</b>	<b>-66</b>	<b>-84</b>	<b>-62</b>	<b>-42</b>	<b>-20</b>	<b>0</b>	<b>0</b>	<b>16</b>
<i>Other measures helping to clear the accumulated debt on EDM's balance sheet</i>										
The GoM has paid a part of EDM's commercial debt					30					
The Government has settled EDM's debt vis-à-vis SOPAM Energie (IPP)					21					
The Government has written-off EDM's obligation to pay the accumulated fiscal debt					24					
<b>Total other measures undertaken by the Government</b>					<b>75</b>					

*Note: For years 2020 to 2022 we show the remaining tariff revenue shortfall under the envisaged measures and envisaged operational subsidy for the years 2020 to 2022 as currently presented in the 2020 Initial Budget, p. 305. For the years 2023 and 2024 we calculate the tariff revenue shortfall under the envisaged measures and the resulting subsidy required to cover for the difference between EDM's revenues and costs until EDM is forecast to achieve financial viability (2025).*



**Table 17: Summary and Forecast for Cost Recovery for EDM-SA Taking Account of the Measures under the Current DPF**

<i>Summary and forecast for cost recovery</i>		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues from electricity sales	<i>FCFA million</i>	144,381	159,334	173,985	189,768	215,571	242,048	271,758	301,413	334,402	371,111
Other revenues	<i>FCFA million</i>	16,754	16,039	22,235	15,506	15,506	15,506	15,506	15,506	15,506	15,506
Operating subsidy	<i>FCFA million</i>	33,656	34,000	27,000	0	32,200	35,600	36,600	21,524	3,529	0
<b>Total revenues</b>	<i>FCFA million</i>	<b>194,791</b>	<b>209,374</b>	<b>223,220</b>	<b>205,273</b>	<b>263,276</b>	<b>293,153</b>	<b>323,863</b>	<b>338,442</b>	<b>353,437</b>	<b>386,617</b>
<b>Total costs</b>	<i>FCFA million</i>	<b>223,096</b>	<b>231,474</b>	<b>289,265</b>	<b>289,147</b>	<b>325,129</b>	<b>334,856</b>	<b>343,839</b>	<b>338,443</b>	<b>353,437</b>	<b>370,249</b>
<b>Net profit / (Loss)</b>	<i>FCFA million</i>	<b>-28,305</b>	<b>-22,100</b>	<b>-66,044</b>	<b>-83,874</b>	<b>-61,853</b>	<b>-41,703</b>	<b>-19,976</b>	<b>0</b>	<b>0</b>	<b>16,368</b>
<b>Electricity delivered</b>	<i>MWh</i>	<b>1,488,900</b>	<b>1,651,170</b>	<b>1,730,900</b>	<b>1,903,221</b>	<b>2,074,971</b>	<b>2,284,326</b>	<b>2,514,615</b>	<b>2,730,791</b>	<b>2,966,481</b>	<b>3,223,511</b>
<b>Total costs per unit of electricity sold</b>	<i>FCFA/kWh</i>	<b>139</b>	<b>130</b>	<b>154</b>	<b>144</b>	<b>149</b>	<b>140</b>	<b>131</b>	<b>118</b>	<b>114</b>	<b>110</b>
<b>Weighted average tariff revenue collected</b>	<i>FCFA/kWh</i>	<b>94</b>	<b>94</b>	<b>98</b>	<b>98</b>	<b>104</b>	<b>106</b>	<b>108</b>	<b>110</b>	<b>113</b>	<b>115</b>
Operating costs	<i>FCFA million</i>	193,311	204,683	253,519	264,267	287,940	296,923	305,147	298,977	313,182	329,189
Depreciation costs	<i>FCFA million</i>	29,785	26,791	35,746	24,880	37,190	37,933	38,692	39,466	40,255	41,060
<b>EDM-SA operational cost recovery rate, excluding subsidy</b>		<b>83%</b>	<b>86%</b>	<b>77%</b>	<b>78%</b>	<b>80%</b>	<b>87%</b>	<b>94%</b>	<b>106%</b>	<b>112%</b>	<b>117%</b>
<b>EDM-SA cost recovery rate, excluding subsidy</b>		<b>72%</b>	<b>76%</b>	<b>68%</b>	<b>71%</b>	<b>71%</b>	<b>77%</b>	<b>84%</b>	<b>94%</b>	<b>99%</b>	<b>104%</b>
<b>Overall costs recovery (i.e. including envizaged subsidy)</b>		<b>87%</b>	<b>90%</b>	<b>77%</b>	<b>71%</b>	<b>81%</b>	<b>88%</b>	<b>94%</b>	<b>100%</b>	<b>100%</b>	<b>104%</b>

*Note: Operational cost recovery rate exclude other costs and revenues (e.g. revenues from new connections).*

## ANNEX 8: CONTEXT ON THE AGRICULTURE SECTOR AND LAND

### *Agriculture background*

- 1. Agriculture (including crops, livestock, fisheries and forestry) contributes about 41 percent of national GDP and is the largest sector in the economy.** The agriculture sector grew at an average of 11 percent per year during 2010–16, 7.6 percent in 2016, and growth is expected to decelerate to 4.8 percent in 2017. The sector is relatively well supported by the Government and donors.
- 2. Agriculture has a largely unexploited potential due to economic, technological, institutional, and policy constraints.** Over the last 35 years, progress has been made in Mali in terms of food availability, competition in the cereal market, competitiveness of horticulture value chains, livestock productivity, and cotton subsector competitiveness. Opportunities for agricultural transformation in Mali exist, with the increased sustainable use of improved seeds and fertilizers. The full exploitation of these opportunities requires more efficacy and efficiency in public investments.
- 3. Mali has one of the largest agriculture subsidy programs in West Africa.** It started in 2008-09, in response to the global food crisis, with the GoM's initiative to boost local rice production by providing farmers with subsidized seeds and fertilizers, as well as credit facilities for farm equipment and extension services. Currently, the main public domestic intervention instruments in the sector are input subsidies and commodity price controls for cotton. Fertilizer subsidies amounted to approximately US\$110 million in 2016 and represented on average 27 percent of total agricultural public expenditures during 2010–16. Average agricultural public expenditures are about 12 percent, but quality of expenditures remains a concern. Mali is a net exporter of agri-food products. Cotton products and live animals are the main agricultural products exported, representing 33 percent and 28 percent of total exports (excluding gold), respectively, in 2016. Cereals and processed food accounted, respectively, for 26 percent and 13 percent of the total value of imported food. Yields for staple crops remain generally low, food security is a major concern, and the country faces high incidences of malnourishment. To further support the development of the sector, the Government enacted the National Development Strategy for Rice (*Stratégie Nationale de Développement de la Riziculture*, NRDS –, 2009–2018). In 2009, the Government extended the Rice Initiative to maize, wheat, millet and sorghum, in order to increase production mainly through fertilizer subsidies. However, even though the national fertilizer subsidy program has increased agricultural production, several analyses show that the program has been targeting farmers who are well off instead of those who are poor. Traditionally the scheme relies on paper vouchers to distribute the subsidies. It is a transaction heavy approach that takes up much of the human resources of extension services.
- 4. The major issues arising from the implementation of this GoM farming input subsidy program is its growing fiscal burden to the detriment of structural investments for agriculture development and other uses.** Specific issues include: 1) the design and implementation phases of the subsidy program characterized by the predominant role of the public sector with little to no room to leverage private sector investments; 2) the selection of input (mostly seeds and fertilizers) suppliers through a tender process that was often not transparent; 3) although the main target population is smallholder farmers, in practice the targeting system is flawed and does not always guarantee that the subsidized inputs are actually received by the intended beneficiaries; 4) mismatch between the quantities of inputs distributed and the surface area of farms owned by beneficiary households leading to efficiency issues; and, 5) high

transaction costs 6) lack of transparency and traceability in input allocation and distribution, thereby discrediting the program, and creating delays and bottlenecks on the delivery of inputs to beneficiaries.

5. **The Government has demonstrated an interest in addressing the agriculture subsidies issue, which the World Bank is supporting, drawing on successful experiences from implementing a transparent and more efficient input subsidy mechanism, using new information technologies, such as electronic vouchers (e-vouchers).** E-vouchers allow the Government to distribute agricultural subsidies in a more transparent, better targeted and more efficient manner than the traditionally used paper vouchers. The e-voucher approach uses a database comprising information on household characteristics as well as phone numbers and transfers subsidy vouchers by text message to those households who meet pre-specified criteria. Households who receive a voucher can take them to pre-identified private sector suppliers to obtain their (subsidized) goods.

6. The e-voucher was implemented in the Segou region (Bla and Niono districts) and the Sikasso region (Koutiala and Yanfolila districts) as part of the last DPF series. The subsidized crop in the Sikasso region (Koutiala and Yanfolila districts) was maize while in Segou region (Bla and Niono districts) the subsidized crops were millet, sorghum, irrigated rice, rainfed rice and lowland rice. Only fertilizers were provided to the beneficiaries. The subsidy was allocated as follows: (i) for farms with an area of 1 ha to 3 ha, a fertilizer subsidy will be granted for 1 ha; (ii) for an area of 3 ha to 5 ha, a fertilizer subsidy will be granted for 1½ ha; and (iii) for an area of 5 ha and above, a fertilizer subsidy will be granted for 2 ha. A total of 93,000 farmers (out of which 19.3 percent of women) were registered. After application of the eligibility criteria defined in the Ministry of Agriculture's subsidies procedure manual, 18,276 out of 24,583 targeted beneficiaries collected their vouchers from the suppliers, a rate of 74.3 percent. A total of 10,207 tons of fertilizer were distributed in the four districts. The Government has commissioned an evaluation of the 'e-voucher pilot at scale'. The draft report, issued in September 2019, indicates the relevance of the subsidy method but also pointed out operational weaknesses such as the delays in the program implementation (due to a slow fertilizer procurement process), low quantities, mobile coverage issues as well as illiteracy issues for some beneficiaries.

### ***Land background***

7. **Tenure security for customary land provides incentives for productivity enhancing investments and sustainable management practices for farm land and natural resources and reduces the risk of conflict over land.** Most farmers in Mali use agricultural land under customary tenure systems. Access to grazing lands and forests is also regulated through customary arrangements, reinforced by local bye-laws and spatial planning to demarcate livestock corridors, grazing areas and forest lands. Institutions for managing customary lands and implementation structures are located at the village and local government level, managed by customary structures working in coordination with local governments and the administration. Strengthening the legal framework to enhance security of customary lands and local management capacity is therefore the most effective and efficient approach in the current context.

8. **A previous DPF<sup>20</sup> included as prior action the promulgation of the Agricultural Land Act. The current DPF supports the implementation of the Act through the establishment of land commissions.**

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<sup>20</sup> Poverty development policy operation (DPO) – P 157900

The Agricultural Land Act became effective in 2017 and recognizes and strengthens protection for customary tenure, promotes innovation towards registration of customary land and lease arrangements, and promotes land commissions. The Government is reviewing the 2000 Domain and Land Code, which is an umbrella law. To avert any legal ambiguity, the new version of the Code is expected to cross reference to the Agricultural Land Act in sections addressing similar issues and instruments (e.g. customary land, agricultural land, land commissions, etc.) and is an opportunity to further strengthen tenure security for all land users of customary lands.

9. **The Agricultural Land Act introduced Land commissions to enhance local capacity for mediation and prevention of conflict over land and natural resources.** The Agricultural Land Act introduces land commissions at three levels, village, local government and district, each specializing in certain types of conflict. The Government is prioritizing the establishment of land commissions at the local government level. The *Secrétaire Permanent* LOA (Ministry of Agriculture) is responsible for overseeing the implementation and monitoring of the Agricultural Land Act and the establishment of land commissions. The composition and functioning is elaborated in subsidiary legislation, and includes representatives of the administration, customary authorities, technical services and elected local government. The Act promotes mediation first before going to court. Land commissions will only be asked to mediate when local customary authorities are unable to solve the conflict. The Act requires land commissions to send a formal report to the court of each conflict mediated (successful or not) so that the judges are informed and take this into account in case the conflict does reach the court. These commission deal with conflicts between villages and ethnic groups over the use of land, forest, grazing areas, and livestock corridors. This will contribute to reducing tensions and risk of conflict, reduces risk of productivity decline if contested fields and areas are no longer used, and encourages investments, including in the sustainable management of collectively used natural resources like forests, wetlands and grazing areas. More capacity for conflict mediation and prevention will also improve efficiency of local governments, since mayors and (sous)-préfet are often spending a lot of time on land conflict mediation.

10. **An inventory of land commissions activities found that they work mainly on conflict mediation of land and natural resources conflicts.** The World Bank undertook a survey of land commissions by calling 300 members, representing 2002 land commissions. The sample was drawn from a list of land commissions with names and telephone number for 3-5 members each submitted by SP-LOA. The survey found that 70 percent of the land commissions were active and had organized meetings over the last 12 months, which were financed using own resources or with some support from local associations, the administration or the mayor. Land commissions have been requested to mediate in 110 disputes, of which 35 percent involved herders vs farmers, 31 percent of disputes were over farmland, 7 percent over forests and firewood, 4 percent urban expansion and 23 percent disputes over ownership related to inheritance in the sense of whether land had been allocated temporarily or permanently by parents to the descendants of the current users. Farmer organizations and development partners have not reported yet problems with the way land commissions have managed conflicts. Concerns raised are more over whether they are active, sufficiently informed and trained (only 30 percent of interviewed members reported having received training), and whether women and youth participate actively. Potential risks of land commissions are elite capture given also the strong presence of representatives of government services and participation of/engagement with land users not residing in the community or minorities, like nomadic pastoralists or migrants. Projects and development partners tend to have internal monitoring systems and progress reporting but there is no systematic sharing of experience. The Agricultural Land

Act introduces the Land Observatory for monitoring and evaluation and although the decree for its establishment is in place, it is not yet operationalized. Continuous and systematic monitoring of effectiveness, governance and impact of land commissions, combined with a mechanism for sharing and assessing of experiences and lessons learned are needed to improve performance and manage risk. An entity like the land observatory could play this role, together with for example the University of Bamako or other research institutes.

11. **The DPF also includes a trigger to establish a basis for an *urban* property tax, thus expanding fiscal space and the resource basis for urban development.** Currently, Mali has no property tax system, taxing only revenues from renting out properties. The Ministry of Finance and Domains is considering a new property tax. In preparation, first steps are set for developing a fiscal cadaster for Bamako and the surrounding peri-urban local governments. The *Secrétaire Permanent* for the reform of the domains and land (SP-RDF) has mapped all land parcels in Bamako and surrounding 8 peri-urban local governments in 2018<sup>21</sup> by contracting private surveyors. Around 210,000 parcels were identified for Bamako and another 350,000 in the neighboring peri-urban communes. This database will become the basis for the fiscal cadaster.

12. **To develop the fiscal cadaster, a unique parcel identification number was introduced (NINACAD), which will be used to formalize land transactions.** The introduction of NINACAD, for which SP-RDF is preparing the regulatory framework, will help to build up the fiscal cadaster and facilitate data interoperability. The use of NINACAD in land transactions may reduce fraud and conflict, while the recording of transaction value will provide data points for developing a mass valuation model. Land holders will have to pay a one-off fee to acquire a NINACAD, which SP-RDF sees as the first step towards increasing fiscal revenue from land and property in Bamako. The Government has not yet decided when a property tax system with annual fees will be in place, whether it includes both land and property, whether the system will have a flat fee or will be progressive, its approach towards exemptions, etc..

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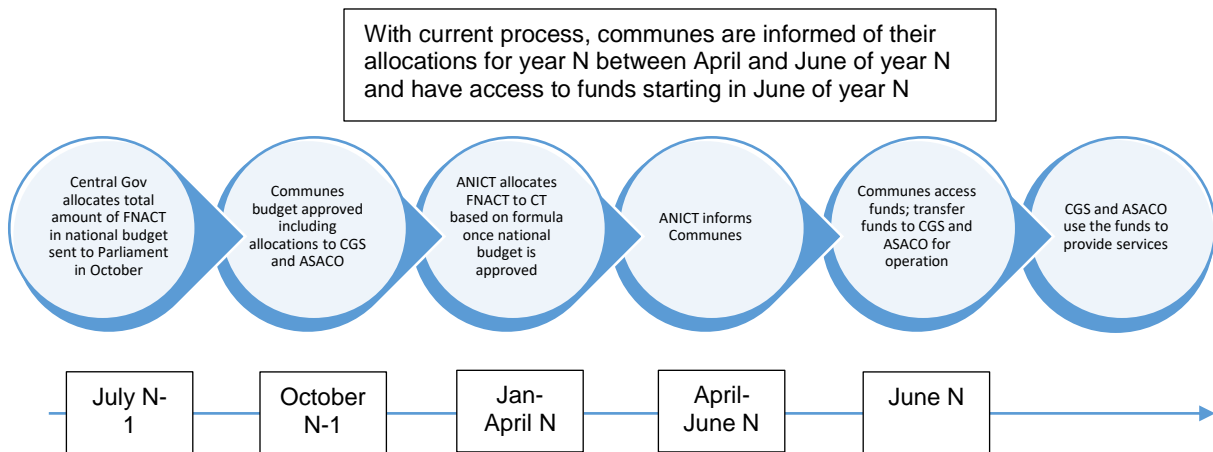
<sup>21</sup> The existing registries (title registry, registry with occupation permits) is incomplete, not up-to-date, not reliable.

## **ANNEX 9: STRENGTHENING ACCESS TO BASIC LOCAL SERVICES FOR BETTER STABILITY**

1. **The recent crisis in Mali has led to a renewed emphasis on the decentralization agenda to tackle insecurity, restore stability and rebuild trust.** During the military regime that was in power between 1968 and 1991, demands from the north for more autonomy resulted in a general push towards decentralization. This was a central part of the 1992 National Pact and the 1992 Constitution. It took several years for the legal framework for decentralization to be adopted and its implementation encountered delays. While decentralization was a critical part of the 2006 Accord for the Restoration of Peace and Security, the operationalization of the decentralization framework was only partial. Following the crisis that started in late 2012, the decentralization agenda has been given renewed emphasis as a way to rebuild trust and bring governance closer to the people. The 2015 Agreement of Peace and Reconciliation and related laws stipulate that any transfer of competencies to a decentralized authority should be accompanied by the transfer of corresponding resources.

2. **Transfer of resources is yet to be commensurate with service delivery responsibilities transferred to communes.** The first decrees on transfer of service delivery responsibility in health and education were adopted in 2002, followed by successive policies and laws. With the adoption of the 2017 local government law, communes are now responsible for preschool, basic and non-formal education, vocational training and apprenticeships, as well as health, public hygiene, and sanitation. In the spirit of subsidiarity, the legal framework specifies that service is the remit of local management structures (Comités de Gestion des Écoles (CGS), responsible for operating schools, and Associations de Santé Communautaire (ASACO), responsible for operating Centres de Santé Communautaires (CSCOM)). Each service point is to be governed by service delivery agreements signed between communes, which are to receive budget transfers, and relevant management structures (CGS, responsible for operating schools, and ASACO, responsible for operating CSCOM). Meanwhile, the signing of management agreements is yet to be completed and corresponding resource transfers remains partial for communes, CGS and ASACO. As indicated in the most recent PERs, the capacity of communes and services providers is currently curtailed by the limited clarity provided by the decentralization process in defining the roles of various education and health sector players, including local elected officials, school management committees, health center management committees, and technical staff at deconcentrated authorities, as well as the lack of available financing. Thus, in parallel, through the Deployment of State Resources for Better Services, authorities are taking steps to strengthen localities, including CGS and ASACO, to clarify roles and responsibilities, and improve decentralization practices and make better use of existing resources.

**Figure 5: Current Process for Allocation and Transfer of Funds to Communes/CGS/ASACO**



*FNACT - Fonds National d'Appui aux Collectivités Territoriales*

*ANICT - Agence Nationale d'Investissement des Collectivités Territoriales*

*CT - Collectivités Territoriales*

3. **The transfer of resources to local governments remains ineffective to meet service delivery needs.** Central Government Transfers account for more than 80 percent of total revenues of communes. Figure 5 shows that the current allocation and transfer of funds to communes/CGS/ASACO has several steps and in practice makes the central government unable to meet its transfer commitments both in terms of amount and timeliness. This severely impacts the performance of local governments and, in turn, service providers (CGS and ASACO). The reality is that allocations are currently announced to communes 6 to 9 months after the beginning of the fiscal year, as only the total amount of the *Fonds National d'Appui aux Collectivités Territoriales* (FNACT) is included in the national budget (which gets allocated to communes once the national budget is approved). This limits the communes' ability to forecast operating budgets (following the availability of funds principle) and schedule investments and compromises their credibility vis-à-vis service providers and local populations. In addition, the criteria used for the allocation limit resource transfers to communities with limited administrative infrastructure and/or low population density.

4. **Priors action and triggers in the DPF are designed to overcome the main challenges related to the ineffective resource transfer mechanisms to communes to increase service delivery and contribute to enhanced stability.** The objective of Pillar 3 is to more effectively deploy state resources to the local level (communes) to benefit front-line service providers (schools and clinics). To achieve this objective, three critical actions were identified: (i) increase transparency, predictability and availability of funds transferred to communes by including local government budget allocations in the budget law while making the budgetary process more efficient by ensuring transfers are made directly from the MEF instead of through the ANICT; (ii) facilitate funding to front-line providers (schools and clinics) by establishing a more effective transfer mechanism; and (iii) increase equity in the allocation of funds to communes by improving the allocation formula. The inclusion of local government budget allocations in the budget law will make the budgetary process more efficient by ensuring transfers are made directly

from the MEF instead of through the ANICT. This will be supported by earlier calculation of allocations and will benefit front-line providers, thus increasing the percentage of CGS and ASACO who receive their allocations on time. The additional funds received by CGS and ASACO would be utilized to purchase necessary inputs to allow more access to services in schools and health centers in the communes, leading to the percentage of village health workers funded by ASACOs who provide nutritional care (as depicted in Figure 6). Improvements in the allocation formula would increase equity by better considering the degree of development of the Recipient according to criteria defined by the Government.

**Figure 6: Revised Process for Allocation and Transfer of Funds to Communes/CGS/ASACO**

