

**PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

August 25, 2016
Report No.: AB7871

Operation Name	Mali - Poverty DPO
Region	AFRICA
Country	Mali
Sector	Other Agriculture, Fishing and Forestry (25%); General education sector (25%); Microfinance (25%); General public administration sector (25%).
Operation ID	P157900
Lending Instrument	Development Policy Lending
Borrower(s)	REPUBLIC OF MALI
Implementing Agency	
Date PID Prepared	August 25, 2016
Estimated Date of Appraisal	October 6, 2016
Estimated Date of Board Approval	December 8, 2016
Corporate Review Decision	Following the corporate review, the decision was taken to proceed with the preparation of the operation.

I. Key development issues and rationale for Bank involvement

1. **Mali recorded robust economic growth until the onset of the security and political crisis in 2012.** After a brief recession that year, growth resumed in 2013 and accelerated in 2014. The armed conflict in the north along with the associated insecurity and political instability, halted Mali's growth momentum in 2012. GDP growth dropped to -0.8 percent as a consequence of the combined effects of a deteriorating business climate and a reduction in ODA¹. With the progressive consolidation of political stability and improved security conditions in 2013, growth resumed at 2.3 percent and accelerated to 7.0 percent in 2014 — its highest level since 2003 (7.6 percent) with all economic sectors contributing to the economic revival.

2. **Mali's GDP growth remained robust in 2015.** It increased by 6.0 percent in 2015 led by solid growth in the primary and tertiary sectors. The primary sector maintained its growth momentum with a 7.6 percent growth rate in 2015 driven by a 12.1 percent increment in agricultural production. This was the result of favorable weather conditions, expanded access to inputs as well as an increase in the amount of land under cultivation. The tertiary sector experienced 6.9 percent growth led by renewed dynamism in telecommunications, and, to a lesser extent, in trade and financial services. After a remarkable 10.9 percent expansion in 2014, the secondary sector contracted by -1.1 percent in 2015 as a result of declines in manufacturing output and mining due respectively to lower production in agribusiness and the closure of two gold mines.

¹ ODA disbursements slumped by 21.6% in 2012 compared to their 2011 level.

3. **Mali’s political environment has continued to stabilize with the successful implementation of the Peace Agreement, signed in May and June 2015.** An important element of the Peace Agreement is an accelerated decentralization of competencies and spending, reflected by the commitment in the Agreement to almost double the share of spending by non-central entities (*collectivités territoriales*) from approximately 16% of the budget for 2016 to 30% in 2018.

4. **However, beyond commodity price shocks and weather variation, security challenges, governance risks and popular dissatisfaction with the ability of their leaders to deliver, remain a major risk to Mali’s development.** Security threats are no longer limited to northern Mali as terrorist attacks occurred in Bamako in March and November 2015, and March 2016. To address complex security challenges, the Government has increased security spending to 14.9 percent of the 2015 budget, a level at which it is expected to stay for the years to come. The impact of these risks on the proposed operation is deemed moderate, but the risk associated with popular dissatisfaction and governance remains difficult to gage. With the right trigger or event it could unleash a major backlash that might put the operation at risk (see section 6 for details).

5. **The poverty rate keeps on a declining trend, but human capital indicators remain low.** Poverty has declined rapidly between 2001 and 2011 from 55.4 percent to 48.4 percent², through a combination of growth and reduced inequality driven by increased agricultural productivity in cereals. However, the poverty rate is expected to have increased between 2011 and 2013 as a result of the 2012 political crisis and aggravated by poor rains in 2011. In 2013, the poverty rate was estimated at 50.9 percent. From that time onward poverty is believed to be on a slightly downward trajectory thanks to positive per capita growth rates. Other dimensions of poverty and indicators of human capital, remain low. Malnutrition is a major challenge (28 percent of children are stunted), health services are inaccessible and of poor quality and the average number of years of formal education of the adult population is 2.4 years.

6. **The proposed series is designed to support the implementation of the Growth and Poverty Reduction Strategy Paper for the period 2016-18, known as the “*Cadre Stratégique pour la Relance Economique et le Développement Durable du Mali*”(CREDD).** CREDD was adopted by the Government of Mali in early 2016. It recognizes that poverty is largely a rural phenomenon and identifies increasing productivity, resilience and developing human capital as critical. It also places jobs and private sector development at the heart of national wealth creation while recognizing that its success depends on a flexible and responsive regulatory framework, effective support and funding arrangements, and increased private investments. The CREDD is closely aligned with the 2015 Systematic Country Diagnosis (SCD) and the FY16-19 Country Partnership Framework (CPF) for Mali. The proposed PRIGSO series supports the policies defined in the CREDD and would partially finance the national budgets of 2016-17.

II. Proposed Objective(s)

² Based on \$ 1.90 a day international poverty line, harmonized to be comparable with other countries in the region, particularly Niger and Chad.

7. The operation has three development objectives: (i) to enhance investment climate conditions and strengthen financial inclusion; (ii) to foster inclusive growth and sectoral efficiency, and (iii) to scale up pro-poor decentralized transfers and of social protection coverage..

III. Preliminary Description

8. **This operation proposes the first Poverty Reduction and Inclusive Growth Support Operation (PRIGSO) in the amount of US\$40 million equivalent to the Government of Mali (GoM).** This is the first credit in the proposed credit series, which will consist of two single tranche credits to be disbursed in 2016 and 2017. Current programming under IDA17 envisages US\$ 80 million equivalent for the two operations combined, but amounts may change in response to an evolving economic and institutional context.

9. The proposed operation is structured around three pillars: (i) investment and financial inclusion; (ii) inclusive growth and sectoral efficiency; and (iii) pro-poor decentralized transfers and social protection.

IV. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impacts

10. **While poverty and social impact assessment studies will not be conducted as part of this series, measures supported by the proposed series are expected to have a positive effect on poverty reduction.** They factor in Mali's major development constraints identified in the SCD and are geared to the CPF objectives of poverty reduction and resilience enhancement. The policy reforms supported target primarily the poor and most vulnerable population in Mali as well as the most disadvantaged regions of the country. As such, the consolidation of the microfinance sector should increase the amount of loans offered by microfinance institutions, whose main customers (also in terms of deposits) are the most disadvantaged. The increased provision of financial resources to these populations is expected to allow them establish or expand an income-generating activity, and thereby reduce their vulnerability or escape from poverty. The expansion of the e-voucher scheme should promote higher efficiency, transparency and traceability of agricultural subsidies, including those granted to the most disadvantaged rural households in order to increase their productivity. It is also expected to reduce the cost of distribution of subsidies and make available additional human and financial resources in the Ministry of Agriculture to strengthen the monitoring and supervision of small farmers. Cost reduction and network extension of the telecommunications should bring significant and multiform benefits for the poor and vulnerable households. It will also promote greater synergy between the various programs dedicated to these populations that rely on ICT in the delivery of their services, thus enabling greater intervention efficiency and effectiveness. Better maintenance of rural roads should help reduce transaction costs, improve market access for the most isolated producers, foster increased farm gate competition and lead to increased incomes. Improving the redistributive effect of the government's budget should increase its progressivity as well as the share of it allocated to the poorest 40 percent of citizens. Actions to promote fiscal decentralization along with reinforced control devices are expected to improve service delivery

at the local level, (education and health in particular) in deprived areas in particular. Extending the coverage of social protection mechanisms such as social safety nets, finally, should contribute to poverty reduction and enhancing productivity through various channels. Nevertheless, the nature of the actions supported by the proposed series make it methodologically challenging to quantitatively assess their direct impact on poverty reduction.

11. **The reforms which are included in the proposed operation are expected to have a positive impact on gender equality.** Some gender issues are driven by an insufficient allocation of resources to key services. The proposed operation includes measures to boost investment and financial inclusion, foster inclusive growth and sectoral efficiency and increase the resilience of poor and vulnerable populations through higher transfers at the decentralized level and larger coverage of social protection mechanisms. These measures will contribute to gradually correct gender disparities by easing girls' and women's access to basic social services and new economic opportunities.

Environment Aspects

12. **Measures supported by the proposed operation are not expected to have any significant negative impact on the environment.**

13. **The Government's reform agenda builds on Mali's robust 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 CSCRP-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.³ 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 (DNACPN); (iv) the Environment and Sustainable Development Agency (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

³ Decree No. 08-346/P-RM of June 26, 2008.

charge of public investment project selection and includes as a full member the Environment and Sustainable Development Agency (AEDD), and retains environmental impacts as an essential criteria of selection.

14. **However, environmental institutions are lacking expertise and funding.** The Ministry of the 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. Finally, the country had recently engaged in the setting up of a financial mechanism which will be used as a strategic tool to channel international instruments (carbon funds) to support the implementation of sustainable land and water management and renewable energy projects.

V. Tentative financing

Source:	(\$m.)
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	40.00
Borrower/Recipient	
IBRD	
Others (specify)	
Total	40.00

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