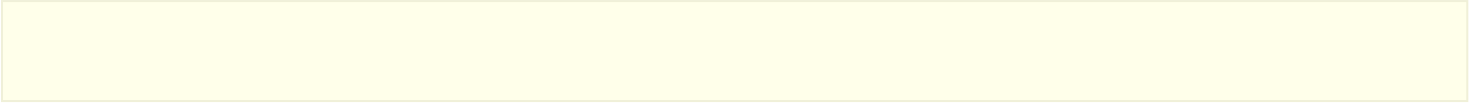




**The World Bank**

Mali Sustainable Energy and Improved Service Delivery for Increased Stability Development Policy Financing - Phase II (P171503)



# Program Information Document (PID)

---

Concept Stage | Date Prepared/Updated: 15-Jul-2020 | Report No: PIDC29068

**BASIC INFORMATION**

**A. Basic Project Data**

Country Mali	Project ID P171503	Project Name Mali Sustainable Energy and Improved Service Delivery for Increased Stability Development Policy Financing - Phase II (P	Parent Project ID (if any) P167547
Region AFRICA WEST	Estimated Board Date Dec 01, 2020	Practice Area (Lead) Energy & Extractives	Financing Instrument Development Policy Financing
Borrower(s) Government of Mali - Ministry of Economy and Finance	Implementing Agency Government of Mali -Ministry of Economy and Finance		

**Proposed Development Objective(s)**

Enhancing the financial sustainability of the electricity sector, the delivery of targetted and efficient agricultural subsidies, and the provision of pro-poor decentralized services.

**Financing (in US\$, Millions)**

**SUMMARY**

<b>Total Financing</b>	135.00
------------------------	--------

**DETAILS**

<b>Total World Bank Group Financing</b>	135.00
World Bank Lending	135.00

**Decision**

The review did authorize the preparation to continue



## B. Introduction and Context

### Country Context

- 1. The Second Sustainable Energy and Improved Service Delivery for Increased Stability Development Policy Financing (DPF-2) is supporting reforms in Mali in a context of fragility, low level of decentralized service provision, and poverty.** Since the 2012 coup d'état, the country has been experiencing recurrent instability, conflict and violence with the occupation of its northern regions by armed groups. Despite the 2015 Algiers Peace Accord (*"Accord pour la Paix et la Reconciliation au Mali"*) which includes a wide range of provisions, such as security sector reform, disarmament, demobilization and reintegration (DDR), governance reform, deepening of decentralization, and socio-economic development of northern regions, the northern regions are still experiencing recurrent episodes of violence by extremist groups. Increasingly, regions in the center and in the south of Mali are also experiencing conflict and violence. Since 2017, the situation has deteriorated in Mopti and Segou regions and recently conflict and violence are also gradually moving to the Koulikoro, Kayes and Sikasso regions.
- 2. Mali is a frail state whose legitimacy is undermined by inadequate social and economic services, and its lack of progress on poverty reduction.** Despite strong annual economic growth performance averaging 5 percent, the proportion of the Malian population living under the national poverty line is stuck at above 40 percent with more than 8 million poor in 2018/19. Mali has not experienced shared prosperity as the consumption growth of the bottom 40 percent of the distribution has been 2 percentage points lower than that of the top 60 percent of the distribution. The lack of progress in monetary poverty is accompanied by mixed improvement in non-monetary indicators where most education and health indicators have stagnated or declined below pre-crisis levels. While urbanization is increasing rapidly, its effects are not leading to a process of economic transformation. Halving poverty rate to 20 percent by 2030 remains an ambitious goal requiring a concerted effort to maintain economic growth at minimum at 7 percent per annum.
- 3. Most indicators for social services (education and health) indicators have stagnated or declined between 2011 and 2018.** The lack of progress in education and health indicators can be attributed to deterioration of security conditions particularly in the north and center regions. The security crisis has created constraints to school attendance, especially for girls, due to damage to infrastructure and the scarcity of learning materials and the outflow of qualified teachers. Overall, primary grade repetition rate deteriorated from 15 percent in 2011 to 18 percent in 2018/19 and primary completion rate declined by 11 percentage points from 58 percent to 47 percent. This means that on average only 1 in two Malian pupils reaches 6th grade in 2018/19. For health indicators, the share of the population living within 5km of a health post declined from 59 percent in 2011 to 57 percent in 2018/19. This has been particularly severe in the two northern regions of Kidal and Gao which have seen a continuous decline since 2011.
- 4. With the Covid-19 pandemic, households are affected through an income drop due to direct health impacts, confinement measures, and a decline in remittances, aggravating poverty and gender inequality.** Measures to prevent the spread of COVID-19 are reducing incomes (informal traders, transportation operators, etc.) and increasing layoffs (household service providers, etc.). The drop in international remittance and domestic transfers due to COVID-19 will result in a total increase in poverty rate by 0.6 ppts (corresponding to 119,630 additional poor people). The impact of a general inflation due to the pandemic will result in an increase in poverty rate by 0.87 ppts. The impact on labor income is an increase in poverty by 0.06 ppts. School dropouts, child labor and early marriage for adolescent girls will likely increase, as happened during the Ebola outbreak. The impact of the pandemic will be



more severe for households headed by a member aged 65 or more (those who tend to be more vulnerable to the disease).

5. **Mali is therefore facing the challenge of formulating transformative policies, strengthening institutions, and mobilizing investments resources to build back better when the COVID-19 pandemic is under control.** Multisectoral solutions are needed to offer local communities' prospects of increased security, better public services, greater economic opportunities that could lead to higher standards of living. These solutions would need to be resilient, inclusive, and sustainable. They should apply state of the art sectoral knowledge to local circumstances in an integrated manner while in alignment with the long-term development goals as embodied in the country's Strategic Framework for Economic Recovery and Sustainable Development and the 2030 Agenda for Sustainable Development.

6. **The electricity sector in Mali requires a profound transformation to make it more sustainable, which would reduce the subsidy requirement, and create budgetary space to increase spending in human capital development.** In FY 19, the subsidy requirement for the electricity sector reached 115 billion FCFA, and as the state was unable to fully pay the subsidy, or to substantially increase tariffs to cover the full costs in such a fragile context, the national utility EDM had to rely on commercial loans to cover the ever-increasing shortfall. In the first DPF and Mali's participation in the regional DPF on regional energy trade, the Government of Mali adopted a sector recovery plan to implement structural reforms needed to eliminate subsidies within five years, namely, to shift towards a more affordable energy mix consisting of a mix of imports and renewable energy, to improve the operational and financial performance of the utility, and other measures to reduce cost and increase revenues. In this DPF, further reforms are needed to ensure the full implementation of the sector recovery plan, and to improve government oversight of the sector. The objective is to improve the sustainability of the sector, which is an important requirement to attract private sector capital. The provision of affordable and reliability electricity services, and the ability to increase electricity access beyond the capital, can also be an important driver for job creation, and an important input for economic diversification and human capital outcomes.

7. **The Government recognizes an urgent need to improve the efficiency of agricultural subsidies and the effectiveness of the delivery mechanism, which will also create budgetary space.** 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. 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. 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. To support agriculture productivity, the Government of Mali is spending around USD 80 to 100 million per year to implement an input subsidy program. However, this agriculture subsidy program is facing several challenges namely lack transparency, poor procedures and targeting mechanisms, low trackability and overall moderate impact on the agriculture yields. The GoM is pursuing reforms initiated under the DPF1 on improving the efficiency of agriculture expenditures in the sector as well as continuing to intensify agricultural production with an increase in production per unit of cultivated land. In the meantime, the Government is streamlining the subsidies to the cotton sector which absorbs almost half of the subsidies. This includes the implementation of resilience action to farmers impacted by the cotton price significant decrease due to market distortions created by the COVID-19 impacts.

8. **Disputes and conflicts over land and natural resources hamper investments in sustainable management and increase fragility.** Contested fields cannot be used for farming. Research also found that those farmers having



experienced a conflict over land, feel less tenure secure, affecting their future investment strategies. Conflict resolution is also time intensive and costly, undermines social cohesion and can aggravate tensions between communities. Resolving land conflicts becomes particularly expensive when it reaches the courts, while these judiciary proceedings are not always well-understood or viewed as even-handed. Grievances over loss of land or natural resources access can easily provoke disputes and violence. In Mali, enhancing local capacity for mediation and prevention of conflict over land, forest, wetlands and other pastoral resources (access to grazing land, water points, protection livestock corridors) has become even more urgent given the context of growing fragility, instability, and decline in social cohesion.

9. **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 highlight the need to ensure efforts are made to strengthen transparency and accountability to improve service delivery.

10. **The DPF series focus on (i) turning around the financial situation of the electricity sector to reduce its financial toll on public finances; (ii) improving the efficiency of the agriculture subsidy program to reduce its budgetary burden and improve land tenure security to support increased productivity; and (iii) reinforcing fiscal decentralization for improved services and stability.** The level of urgency of these reforms has increased with impacts of the COVID-19 pandemic. Reforms to improve the financial sustainability of EDM-SA will create fiscal space for other priorities after 2021 following a recovery plan of the electricity sector adopted in 2019 by the Government. Reforms to improve the fertilizer subsidy program; under the e-voucher scheme, targeting will improve and leakage decrease with 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. The program will also expand and improve the functionality and mediation capacity of rural land commissions to help reduce land related conflict. To improve service provision and to enhance state legitimacy, the series will support reforms 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 is deemed adequate for the proposed operation.** The medium-term outlook is broadly positive with the economy expected to gradually recover once the crisis recedes. Growth is projected to average 5.3 percent over 2021-2023, driven by a robust rebound in private consumption and investment. While the fiscal deficit would increase to 6.2 percent of GDP in 2020, it would return to 3 percent of GDP by 2022 as revenues gradually pick up and expenditure pressures subside. Before COVID-19, the Government had demonstrated a strong track record of strengthening macroeconomic stability and shown commitment to fiscal consolidation and revenue mobilization. Public debt is sustainable, and the risk of overall and external debt distress is moderate. The policy framework is anchored in an IMF program supported by the Extended Credit Facility and the first review of the program in January 2020 concluded that performance was consistently satisfactory.<sup>1</sup> Monetary

---

<sup>1</sup> The 1<sup>st</sup> ECF review report (January 2020) shows that the progress was broadly satisfactory, and preliminary data suggest that the 2019 quantitative performance criteria have been met and the Government was committed to the reform



and exchange rate policies are anchored in Mali’s membership of the West Africa Economic and Monetary Union (WAEMU).

#### Relationship to CPF

12. 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>2</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.

### C. Proposed Development Objective(s)

13. Enhancing the financial sustainability of the electricity sector, the delivery of targetted and efficient agricultural subsidies, and the provision of pro-poor decentralized services.

#### Key Results

14. **The achievement of the proposed development objective will be measured against a series of results indicators.** The main results expected from the energy reforms under Pillar 1 consist of: an increase in the recovery rate of the public consumption bill to a high rate by June 2021, and improved cost recovery rate by EDM. Another expected result is an increase in imports of electricity from Cote d’Ivoire from 50MW to 180MW by 2020. This would lead to a significantly reduced revenue gap. The agriculture reforms under Pillar 2 are expected to increase the number of districts that rely exclusively on e-vouchers for agricultural subsidy distribution. In addition, laboratory results testing fertilizer quality will be, for the first time, systematically published and accessible on a website. The land reforms will improve the functioning of land commissions. For the local service provision reforms under Pillar 3, the percentage of school committees receiving their management fund at the beginning of the school year is expected to be half by 2021. For the health measures, the proportion of village health workers funded by ASACOs who provide nutritional care is expected to increase from 0 in 2019 to almost half in 2021.

### D. Concept Description

15. **The program supported by the DPF series is organized around three pillars:**

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

---

program. The 2<sup>nd</sup> ECF review was originally planned in late April 2020 and has been tentatively rescheduled to August.

<sup>2</sup> Report No. 138106-ML



- The objective is to rapidly turn around the financial situation of the electricity sector – so it is less of a drain on public finances. Reforms to improve the financial sustainability of EDM will create fiscal space for other priorities from 2021 onwards. The DPF series specifically supports efforts to pay outstanding arrears to EDM and adopt mechanisms to assure the timely payment of electricity bills by public and semi-public entities; and ensure that the government will pay the debt of EDM’s strategic vendors and recapitalize the company. In addition, there are measures to increase revenues and reduce costs – including the adoption of a Recovery Plan that includes operational and financial measures to put the sector on a sustainable path. The loan portfolio of EDM will be optimized and there will be significant increase in lower cost power imports.

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

- The objective is to improve the targeting and effectiveness of agricultural subsidies and to improve security of tenure to enable more intensive sustainable investment in land by farmers (especially for the poorest, who have more limited access to land). The DPF series supports measures to switch to an efficient electronic voucher system in distributing inputs to farmers. This is expected to directly affect farmer’s labor productivity and ultimately their income.

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

- The program facilitates the availability of decentralized financing for service provision. It supports measures to ensure budget appropriations are released and transferred to front-line service providers (schools and health clinics) in order to improve service delivery at the local level. Expected results are an increased autonomy of schools and health facilities as evidenced by the formation of School Management Committees responsible for recurrent spending, and the employment of Community Health Workers by local clinics.

## **E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects**

### Poverty and Social Impacts

16. **The proposed DPF series is expected to help alleviate poverty in the medium and long run.** The electricity sector reforms will release budget for more pro-poor spending as reducing general sector subsidies will allow reallocation of public spending towards uses that proportionally benefits the poor more. The expansion of the e-voucher scheme will enhance the targeting, efficiency, transparency and traceability of agricultural subsidies. Subsidies will be allocated according to pre-defined rules, thus improving (pro-poor) targeting and limiting the reliance on discretionary allocations by officials (and hence leakage). In addition to better targeting of the poor, the improvement in the quality of inputs use will also have a positive effect on farm productivity and consequently on poverty. Measures to make land commissions functional imply that (relative to the counterfactual) land conflict will be reduced, either through preventive action or through conflict resolution. Therefore, 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. Actions to promote fiscal decentralization are expected to improve service delivery at the local level, (education and health in particular) in deprived areas which will have a positive effect on poverty reduction.

### Environmental, Forests, and Other Natural Resource Aspects



17. **The reforms and policy actions supported by the proposed operation are not likely to have significant negative effects on the country’s environment.** The reforms build 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". None of the measures supported by the proposed operation are expected to have any significant negative impact on the environment. Reforms to change the energy mix in the electricity sector are expected to reduce the burning of heavy fuel oil and diesel. Reforms in the electricity sector are expected to have positive environmental effects in the short and long run. The e-voucher scheme is expected to have beneficial environmental effects. A World Bank study 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 will improve both environmental sustainability and fiscal sustainability. The reforms around land management (and support for mediation under the land commissions) are expected to have a positive impact.

---

## CONTACT POINT

### World Bank

Mustafa Zakir Hussain, Aly Sanoh  
Lead Energy Specialist

### Borrower/Client/Recipient

Government of Mali - Ministry of Economy and Finance

### Implementing Agencies

Government of Mali -Ministry of Economy and Finance  
Diakaridia Dembele  
Conseiller Technique  
diak28@yahoo.fr





## The World Bank

Mali Sustainable Energy and Improved Service Delivery for Increased Stability Development Policy Financing - Phase II (P171503)

### FOR MORE INFORMATION CONTACT

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>

### APPROVAL

Task Team Leader(s):	Mustafa Zakir Hussain, Aly Sanoh
----------------------	----------------------------------

### Approved By

Country Director:	Kofi Nouve	01-Sep-2020
-------------------	------------	-------------