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Report No. 125310-ML

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT

FOR A PROPOSED GRANT

IN THE AMOUNT OF SDR 20.9 MILLION (US\$30 MILLION EQUIVALENT)

AND A PROPOSED CREDIT

IN THE AMOUNT OF 24.9 MILLION EURO (US\$30 MILLION EQUIVALENT)

(US\$60 MILLION EQUIVALENT)

TO THE

REPUBLIC OF MALI

FOR THE

SECOND POVERTY REDUCTION AND INCLUSIVE GROWTH SUPPORT OPERATION

DEVELOPMENT POLICY FINANCING

May 30, 2018

Poverty and Equity Global Practice
Africa Region

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Government Fiscal year
January 1st – December 31

Currency Equivalents
(Exchange Rate Effective as of April 30, 2018)

Currency Unit = CFA Franc (CFAF)
US\$1.00 = CFAF 531
US\$1.00 = Euro 0.82668540
US\$1.00 SDR 0.69538128

Weights and Measures
Metric System

ABBREVIATIONS AND ACRONYMS

ACDP	Agricultural Competitiveness and Diversification Project
AEDD	Environment and Sustainable Development Agency
AFD	<i>Agence France de Développement</i> (French Development Agency)
AGEFAU	<i>Agence de Gestion du Fonds d'Accès Universel</i> (Universal Service Fund Management Agency)
AMRTP	<i>Autorité Malienne de Régulation des Télécommunications et des Postes</i> (Malian Regulator for Telecommunications and Mail)
ASA	Advisory Services and Analytics
BCEAO	<i>Banque Centrale des Etats de l'Afrique de l'Ouest</i> (Central Bank of West African States)
CAD	Current Account Deficit
CCS-SFD	<i>Cellule de Contrôle et de Surveillance des SFD</i> (Unit in charge of MFI oversight)
CEQ	Commitment to Equity
CFAF	CFA Franc
CPIA	Country Policy and Institutional Assessment
CPF	Country Partnership Framework
CREDD	<i>Cadre Stratégique pour la Relance Economique et le Développement Durable</i> (Strategic Cadre for Economic Recovery and Durable Development)
CSCOM	<i>Centre de Santé Communautaire</i> (Community Health Center)
CSCR	<i>Cadre Stratégique pour la Croissance et la Réduction de la Pauvreté</i> (Third Growth and Poverty Reduction Strategy Paper)
DfID	Department for International Development
DNACPN	<i>Direction Nationale de l'Assainissement et du Contrôle des Pollution et des Nuisances</i> (National Directorate of Sanitation and Control of Pollution and Nuisances)
DPO	Development Policy Operation
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
EDM	<i>Energie de Mali</i> (Mali Energy Utility)
EIA	Environmental Impact Assessment
ESNP	Emergency Safety Nets Project
EU	European Union
EUCAP	European Union Capacity Building Mission

EUTM	European Union Training Mission in Mali
FDI	Foreign Direct Investment
FY	Fiscal Year
GBDTAP	Governance and Budget Decentralization Technical Assistance Project
GDP	Gross Domestic Product
GoM	Government of Mali
GRS	Grievance Redress Service
GSCM	General Secretaries Coordination Meeting
IBM	Iterative Beneficiary Monitoring
ICT	Information and Communications Technology
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IPC	Integrated Phase Classification
LDP	Letter of Development Policy
MEF	Ministry of Economy and Finance
MFI	Microfinance Institutions
MINUSMA	United Nations Multidimensional Integrated Stabilization Mission in Mali
MSAH	<i>Ministère de la Solidarité et de l'Action Humanitaire</i> (Ministry for Solidarity and Humanitarian Action)
NEPP	National Policy for Environmental Protection
NPL	Non-performing Loan
ODA	Official Development Assistance
PAG	<i>Programme d'Actions du Gouvernement</i> (Action Plan of the Government)
PDA/RN	<i>Programme de Développement Accéléré des Régions du Nord</i> (Program for the Accelerated Development of the Northern Regions)
PDO	Program Development Objectives
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PRED	<i>Plan pour la Relance Durable du Mali</i> (Plan for Sustainable Recovery of Mali)
PREM	<i>Plan de Réforme de la Gestion des Finances Publiques au Mali</i> (Public Finance Management Reform Plan in Mali)
PRIGSO	Poverty Reduction and Inclusive Growth Support Operation
RAMED	<i>Régime d'Assistance Médicale</i> (Medical Assistance Scheme)
RMF	Road Maintenance Fund
RMP	Rural Mobility Project
SCD	Systematic Country Diagnostic
SDR	Special Drawing Rights
SFD	<i>Systèmes Financiers Décentralisés</i> (Micro Finance Institutions – MFI)
SIGMAP	<i>Système Intégré de Gestion des Marchés Public</i> (Integrated Public Procurement System)
SNCC	National Strategy on Climate Change
SNSPS	Support for the National Social Protection Strategy
TA	Technical Assistance

ULGSP	Urban Local Government Support Project
UN	United Nations
VAT	Value-Added Tax
WAAPP	West Africa Agricultural Productivity Program
WAEMU	West African Economic and Monetary Union
WBG	World Bank Group

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REPUBLIC OF MALI
SECOND POVERTY REDUCTION AND INCLUSIVE GROWTH SUPPORT OPERATION
DEVELOPMENT POLICY FINANCING (DPF)

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CREDIT/GRANT AND PROGRAM SUMMARY

REPUBLIC OF MALI

SECOND POVERTY REDUCTION AND INCLUSIVE GROWTH SUPPORT OPERATION DPF

Borrower:	The Republic of Mali.
Implementation Agency:	Ministry of Economy and Finance.
Financing Data:	Total financing is in the amount of US\$60 million equivalent of which 50 percent is IDA Credit (Euro 24.9 million) and 50 percent IDA Grant (SDR 20.9 million). The IDA credit is on standard IDA Credit terms (with a maturity of 38 years including a grace period of six years).
Operation Type:	Second in a programmatic series of two development policy operations; single-tranche disbursement.
Pillars of the Operation and Program Development Objective(s):	This second operation maintains the development objectives of the first operation: (i) fostering inclusive growth; and (ii) supporting pro-poor (decentralized) transfers and social protection. These are also the two pillars of the proposed operation.
Result Indicators:	<p>Fostering inclusive growth</p> <ol style="list-style-type: none"> 1. At least 80% of the newly created land commissions are functional, as evidenced by the fact that they held a meeting in the past three months. Baseline (2015): 0%. Target (June 2019): 80%. 2. Decrease in the average tariff per minute for personal domestic calls. Baseline (2015): CFAF 108. Target (June 2019): CFAF 90. 3. Increase in the number of rural localities benefiting from extension projects of telecom services. Baseline (2015): 0. Target (June 2019): 16. 4. Reduction in the non-performing loans ratio of all microfinance institutions (PAR90). Baseline (2014): 8.8%. Target (June 019): 4.5%. 5. Increase the number of large low voltage and high voltage users with smart meters. Baseline (2015): 0. Target (June 2019): 6,000 <p>Supporting pro-poor (decentralized) transfers and social protection</p> <ol style="list-style-type: none"> 6. Increase in the percentage of budgetary resources allocated to the three poorest regions in total budgetary resources transferred to regions. Baseline (2015): 15%. Target (June 2019): 25%. 7. Increase in the number of agricultural subsidy beneficiaries who receive their subsidies through e-vouchers (as opposed to paper vouchers). Baseline (2015): 0. Target (June 2019): > 100,000 8. Increase in the number of households receiving cash transfers (direct transfers, high-labor intensive work, and income-generating activities). Baseline (2015): 60,715. Target (June 2019): 150,000.
Overall risk rating:	Substantial.
Climate and disaster risks:	<i>(i) There are NO short- and/or long-term climate and disaster risks relevant to the operation.</i>
Operation ID:	P161619

IDA PROGRAM DOCUMENT FOR A PROPOSED CREDIT AND GRANT
SECOND POVERTY REDUCTION AND INCLUSIVE GROWTH SUPPORT OPERATION DFP
TO THE REPUBLIC OF MALI

1. INTRODUCTION AND COUNTRY CONTEXT

1.1 This document presents the second Poverty Reduction and Inclusive Growth Support Operation (PRIGSO) in the amount of US\$60 million equivalent to the Government of Mali (GoM), of which 50 percent is IDA Credit (in the amount of Euro 24.9 million) and 50 percent IDA Grant (in the amount of SDR 20.9 million). The operation is designed to support the implementation of the Growth and Poverty Reduction Strategy Paper for the period 2016-2018, known as the “*Cadre Stratégique pour la Relance Economique et le Développement Durable du Mali*” (Strategic Cadre for Economic Recovery and Durable Development - CREDD). The CREDD, the 2015 Systematic Country Diagnostic (SCD) and the FY16-19 Country Partnership Framework (CPF) for Mali are all closely aligned. The PRIGSO operations support the policies defined in the CREDD by fostering inclusive growth and supporting pro-poor (decentralized) transfers and social protection. This is the second operation of a series comprising two single tranche operations. The first credit (p157900) in the amount of US\$50 million was approved in May 2017.

1.2 Mali’s political environment remains broadly stable but continues to be affected by significant security challenges. The peace process envisioned to end the 2012-2013 political-military crisis stalled in 2017. Then on December 30, 2017, the President of Mali, Ibrahim Boubacar Keita, appointed Soumeylou Boubèye Maiga as Prime Minister. Shortly after, the signatory parties to the process agreed on a timeline to accelerate the implementation of key provisions of the Agreement ahead of the presidential elections in July 2018. Progress towards implementation, however, has remained slow. In the North, armed groups made scant progress on disarmament while the restoration of state authority progressed slowly creating a security vacuum which has facilitated rampant banditry and continues to displace people. Security risks are no longer limited to northern Mali, and extremists who are not part of the peace process intimidate the population and disrupt public service delivery. Hundreds of schools have been closed, for instance. The spread of militant attacks from north to central Mali and across borders into Burkina Faso and Niger sparked increased engagement by the international community, and culminated in the creation of a five-nation counterterrorism military force, the G5 Sahel Joint Force.

1.3 Security and political challenges strain social cohesion. Intercommunal violence in central and northern Mali left scores dead, displaced thousands, and was exploited by ethnically aligned and abusive vigilante groups to garner recruits. The political attention needed to manage security comes at the expense of structural reforms which progress slowly. Increased security spending also reduces the fiscal space for spending in other priority areas. In addition to security risks, an undiversified economy exposes the country to downside risks related to commodity (gold; cotton) price shocks and weather variation (agriculture). Popular dissatisfaction is another risk factor, particularly as certain rural areas of the country are affected by food insecurity, while urban areas might be affected by power disruptions due to inadequacies of the *Energie de Mali* (Mali Energy Utility - EDM). While difficult to gauge, this dissatisfaction presents itself through widespread strikes amongst front-line service delivery personnel. With Presidential and Parliamentary elections planned for 2018, it may find an outlet during the campaign period as well.

1.4 The macroeconomic policy framework remains adequate. The economic impact of the security risks remains limited as most economic activity is in the south of the country where business continues as usual. Growth has been robust in recent years and is expected to remain close to 5 percent over the

medium term driven by services and agriculture and supported by public and private investment. The authorities have built a track record of sound macroeconomic management, even under volatile circumstances and continue to follow through on it. Revenue collection improved (from 12.5 percent of gross domestic product (GDP) in 2014 to 15.2 percent in 2017) and non-security related spending is being contained. As a result, Mali has maintained a fiscal deficit close to the 3 percent West African Economic and Monetary Union (WAEMU) convergence criterion in recent years and is expected to meet this target in 2019. The macroeconomic policy framework is anchored in the Extended Credit Facility (ECF)-supported program, which is expected to buttress inflows of grants and concessional aid in support of the Government's objectives. The credibility of the macroeconomic framework is further supported by the external anchor of the WAEMU, and its monetary and reserve management policies. The risk of external debt distress is moderate.

1.5 Poverty has been declining, but human capital indicators remain low. As few people live in the north, poverty is driven by developments elsewhere in the country. Prior to the 2012 security crisis, poverty declined from 55.4 percent in 2001 to 48.4 percent in 2011¹ through a combination of growth and reduced inequality driven by increased agricultural productivity in cereals. Poverty is expected to have increased between 2011 and 2013 because of spillovers from the 2012 political crisis and 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 downward trajectory thanks to positive per capita growth rates and generally good performance of the crop sector. This downward trend may have stalled in 2018 because agro-pastoral household in the semi-arid, northern parts of the country are affected by food insecurity as rains in these areas have been inadequate (Integrated Phase Classification [IPC] level-two; food stress). Other dimensions of poverty and indicators of human capital, remain of concern. 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.

1.6 The PRIGSO series takes a new approach to budget support in Mali. Previous development policy operation (DPO) series supported efforts to address the twin challenges of fiscal consolidation while also tackling governance problems by focusing on strengthening Public Financial Management (PFM) and Governance. Reforms supported in the past included efforts to improve budget transparency, strengthen fiduciary and establishment of controls, and improve public investment management, as well as actions to reduce opportunities for corruption, accelerate public procurement and build local government financial management capacity. The present series, by contrast, aims to sustain the foundations for inclusive economic growth, decentralization and protection of the most vulnerable. The dialogue on PFM reforms is mainly driven by the International Monetary Fund (IMF) with the support of other development partners.

1.7 This second operation maintains the development objectives of the first operation: (i) fostering inclusive growth; and (ii) supporting pro-poor (decentralized) transfers and social protection while deepening the ongoing reforms to achieve the expected results. The operation supports the first objective through a set of mutually reinforcing real-sector reforms that should lead to increased incomes for poor rural households. Point of departure are reforms that enhance the security of tenure. This is accompanied by measures to enhance the functioning of markets (finance, telecom, rural roads, energy) critical to rural growth. The second objective is operationalized by increasing the coverage and reducing the fragmentation of the social protection system, by improving the provision of agricultural subsidies and

¹ Based on US\$1.90 a day international poverty line, harmonized to be comparable with other countries in the region, particularly Niger and Chad.

by supporting accelerated decentralization. This is an important element of the Peace Agreement as reflected by the commitment to almost double the share of spending by non-central entities (*collectivités territoriales*) from approximately 16 percent of the budget in 2016 to 30 percent in 2018. As governance remains an area of concern, the Authorities have been notified that good governance is an important prerequisite for the PRIGSO series as maintaining macro-economic stability.

The World Bank supports the Sahel Alliance

Security risks have become a permanent fixture in the Sahel region, stretching national security services and leading to budgetary pressures. These pressures need permanent solutions as insecurity can no longer be considered as a temporary shock. In Mali, for instance, military expenditures increased from 1.7 percent of GDP in 2012 to 3.8 percent in 2016. This helped mobilize and equip an additional 10,000 soldiers. Fiscal pressures are rising too because accompanying measures are needed to eliminate the structural roots of insecurity (such as underinvestment in the northern regions). Fortunately, Mali managed to avoid revenue shortfalls as growth has remained robust despite the crisis but the budget had to accommodate renewed efforts at decentralization agreed in the Peace Accord, including the creation of new regions in north Mali and the establishment of a development agency for the North. Moreover, situations that would otherwise be considered unfortunate shocks, like drought and power outages, now take on security dimensions as they can lead to civil unrest or make citizens susceptible to radicalization.

Government's effort to restore security are supported by international community, including United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA), with a presence of about 11,000 soldiers (and the unfortunate reputation of the deadliest United Nations (UN) peacekeeping operation) and Operation Barkhane, the 4,000-strong French regional counterterrorism operation and the European Union Training Mission in Mali (EUTM) and the European Union Capacity Building Mission (EUCAP) which train the Malian army, national guard, gendarmerie, and police forces.

To address their common security challenges in a coordinated fashion Burkina Faso, Chad, Mali, Mauritania, and Niger established the G5 Sahel in February 2014 with the aim of strengthening regional cooperation in the areas of development and security. The security dimension of the G5 Sahel was strengthened in February 2017, with the creation of a multinational joint counterterrorism force, called the Force Conjoint du G5 Sahel (FC-G5S). Shortly thereafter on July 13, 2017, the Alliance for the Sahel was launched. The Alliance aims to counter insecurity by addressing structural development challenges, thus offering an approach to security that is complementary to that of the FC-G5S. The Alliance focuses on six sectors: (1) youth employability (education and training); (2) agriculture, rural development, and food security; (3) energy and climate; (4) governance; and (5) decentralization and (6) support for the deployment of basic services. Members of the Alliance (France, Germany, the European Union (EU), the African Development Bank, the United Nations Development Program and the World Bank) have committed to rapidly implement over 500 projects in the most vulnerable areas in the region.

2. MACROECONOMIC POLICY FRAMEWORK

A. RECENT ECONOMIC DEVELOPMENTS

2.1. **Real GDP growth remained strong in 2017, albeit slightly lower than in 2016.** Despite persisting insecurity spreading to the center and southern region, real GDP growth is estimated to have reached 5.3 percent in 2017 compared to 5.8 percent in 2016. The tertiary and the secondary sectors led GDP growth, increasing by 5.6 and 6.3 percent, respectively, on the back of a strong performance of the telecommunications sector and recovery of the manufacturing sector. Growth in the primary sector slowed to 4.7 percent due to unfavorable climatic conditions in the semi-arid zone of the country (including the Niger delta) creating localized concerns for food security. Overall agricultural growth remained robust as rains were favorable leading to a 26 percent increase in cotton production. On the demand side, gross fixed investment registered strong growth, increasing by 8 percent. This partly reflects an expansion of private investment for the first time since 2012 thanks to the construction of new agribusiness processing plants. Improved private investment was accommodated by Government efforts to bridge infrastructure gaps, including investments related to the Peace Agreement and acquisition of defense equipment. Improvements in the business environment and investment promotion efforts also helped.

2.2. **Inflation picked up in 2017, driven by unfavorable weather and higher fuel prices.** The consumer price index rose from -1.8 percent in 2016 to 1.8 percent in 2017. It happened due to higher oil prices which increased by 23.2 percent from 2016 to 2017, while local rainfall deficits and the erosion of the Niger river impacted food prices. However, tighter monetary and financial conditions at the regional level were able to offset these impacts, keeping inflation below the convergence criterion of 3 percent of WAEMU.

2.3. **Monetary policy of the Central Bank of West African States (*Banque Centrale des Etats de l'Afrique de l'Ouest* - BCEAO) further tightened in 2017. The monetary and exchange rate policies are managed at the regional level** by the BCEAO, which maintains a fixed peg between the CFA Franc and the Euro. Monetary policy was tightened in December 2016 as the BCEAO raised the marginal lending facility rate from 3.5 to 4.5 percent. Starting June 2017, it also limited access to refinancing by banks to a maximum of twice a bank's capital. These policies tightened monetary conditions despite a decrease in reserve requirements from 5 to 3 percent of deposits in March 2017. These measures did not significantly affect money supply growth which reached 7.9 percent in 2017 against 7.3 percent in 2016 but credit to the economy fell to a lower growth rate of 7.4 percent in 2017 compared to 17.6 percent in 2016. Meanwhile, credit to the Government increased sharply by 52.8 percent in 2017, partly as a result of high regional securities issuance. Mali's commercial banks finance purchases of Government debt securities in Mali and other WAEMU countries.

2.4. **The external current account slightly improved.** The current account deficit (CAD) improved from -7.2 percent of GDP in 2016 to -6.0 percent of GDP in 2017, mainly driven by a decline in the import of services by more than 1 percentage point of GDP. The reduction in the CAD happened against the backdrop of an increase in oil prices (23 percent from 2016 to 2017) and almost stagnant gold prices. The CAD was financed essentially by net capital inflows, mainly in the form of foreign aid (60 percent) and foreign direct investment (FDI) (40 percent).

Table 2-1: Key Macroeconomic Indicators, 2015–2021

	2015	2016	2017	2018	2019	2020	2021
Real economy	Annual change in percentage, unless otherwise indicated						
GDP (nominal, CFAF Billions)	7,748	8,322	8,899	9,474	10,057	10,719	11,448
Real GDP	6.0	5.8	5.3	5.0	4.7	4.7	4.7
GDP deflator	2.8	1.5	1.6	1.4	1.4	1.8	2.0
Consumer price inflation (average)	1.4	-1.8	1.8	1.4	1.7	1.9	2.1
Fiscal accounts	Percent of GDP, unless otherwise indicated						
Total Expenditures	20.9	22.2	23.0	23.9	23.3	23.7	24.1
Total Revenue	16.4	16.7	18.5	19.4	18.7	19.0	19.3
Grants	2.7	1.6	1.6	1.2	1.6	1.7	1.8
General Government Balance	-1.8	-3.9	-2.9	-3.3	-3.0	-3.0	-3.0
Public Debt	30.7	35.9	35.6	35.9	36.6	37.6	38.6
Domestic Debt	8.0	11.0	11.0	12.5	13.4	14.3	15.1
Selected Monetary Accounts	Contribution to broad money growth						
Credit to the Government	1.6	10.4	3.9	14.5	2.9
Credit to the economy	14.6	13.7	6.3	9.4	8.6
Broad money (M2)	13.2	7.3	7.9	17.0	7.7
Balance of Payments	Percent of GDP, unless otherwise indicated						
Current Account Balance	-5.3	-7.2	-6.0	-6.5	-6.3	-6.1	-6.0
Imports	39.6	40.3	38.9	38.0	36.7	35.7	35.0
Exports	24.0	23.4	23.2	22.7	21.1	20.6	20.1
Foreign Direct Investment	1.5	1.8	2.9	2.3	2.2	2.2	2.2
External Debt	22.6	24.9	24.5	23.4	23.2	23.4	23.5
Terms of Trade	18.6	15.5	0.2	-2.6	0.9	1.2	0.5
Other memo items							
GDP nominal in US\$ (Billions)	13.1	14.1	15.1	16.0	17.0	18.0	19.2

Source: Ministry of Finance, IMF and World Bank staff estimates (2014-2017) and projections (2018-2021) March 2018.

2.5. **Prudent budget execution and strong revenue collection helped contain the fiscal deficit.** The fiscal deficit dropped from 3.9 percent of GDP in 2016 to 2.9 percent (thus achieving the WAEMU convergence criterion) in 2017 thanks mainly to a strong performance in revenue collection. Total public revenues (including grants) increased from 18.3 percent of GDP in 2016 to 20.1 percent in 2017, while total public expenditures rose only by 0.8 percentage point of GDP. Due to the shortfall in external support, as a result of lower-than-programmed budget support in 2017, the fiscal deficit was mainly financed by issuing regional bonds.

Table 2-2: Key Fiscal Indicators, 2015–21

(In % of GDP, unless otherwise indicated)

	2015	2016	2017	2018	2019	2020	2021
<i>Overall Balance (including grants, comm.)</i>	-1.8	-3.9	-2.9	-3.3	-3.0	-3.0	-3.0
<i>Overall Balance (including grants, cash)</i>	-3.2	-3.9	-2.6	-3.6	-3.0	-3.0	-2.8
<i>Total Revenue and Grants</i>	19.1	18.3	20.1	20.6	20.3	20.7	21.1
Tax Revenue	14.0	14.9	15.2	15.8	16.3	16.7	17.1
Direct taxes	4.3	4.4	4.7	4.9	5.3	5.4	5.5
Indirect taxes	9.7	10.5	10.5	11.0	11.0	11.3	11.6
Nontax revenue	0.7	0.5	1.4	2.2	1.1	1.1	1.0
Special funds and annexed budgets	1.8	1.3	1.9	1.3	1.3	1.3	1.3
Grants	2.7	1.6	1.6	1.2	1.6	1.7	1.8
<i>Total expenditure and net lending</i>	20.9	22.2	23.0	23.9	23.3	23.7	24.1
Current expenditures	11.9	12.2	12.4	13.2	12.4	12.7	12.8
Wages and salaries	4.6	4.8	4.9	5.5	5.3	5.5	5.5
Goods and services	3.4	3.2	3.3	3.4	2.9	2.9	2.9
Interest payments	0.6	0.7	0.8	0.8	0.9	0.9	1.0
Transfers and subsidies	3.3	3.5	3.4	3.5	3.4	3.4	3.4
Capital expenditures	7.3	8.9	8.8	9.5	9.6	9.7	10.0
Externally financed	3.6	2.9	2.8	2.7	2.9	3.3	3.5
Domestically financed	3.7	6.0	6.0	6.8	6.7	6.5	6.5
Special funds and annexed budgets	1.8	1.3	1.9	1.3	1.3	1.3	1.3
Net lending	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
Variation of arrears	-0.5	-0.1	-0.1	-0.1	0.0	0.0	0.0
Adjustment to cash basis	-0.9	0.1	0.3	-0.1	0.1	0.0	0.2
General Government Financing	3.2	3.9	2.6	3.6	2.6	2.6	2.5
External financing (net)	1.9	1.3	1.7	1.4	1.5	1.6	1.8
Domestic financing (net)	1.3	2.6	0.9	2.2	1.1	1.0	0.8
of which: privatization	-0.1	-0.2	-0.1	-0.2	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.4	0.4	0.3

Source: Ministry of Finance, IMF and World Bank staff estimates (2014-2017) and projections (2018-2021) March 2018.

2.6. **Revenue collection improved.** Between 2015 and 2017, tax revenue increased by 1.2 percentage points of GDP. The authorities made sustained efforts at strengthening tax administration, enhancing value-added tax (VAT) collection efficiency and rationalizing tax exemptions. Buttressing revenues also hinged on further expansion of the tax base and increased taxpayer compliance. Finally, measures were adopted to improve the effectiveness of customs by improving the information system, reducing fraud and operationalizing the online settlement of customs duties.

2.7. **Total expenditure increases were calibrated in response to the external support shortfall.** Total expenditures increased from 22.2 percent of GDP to 23.0 percent between 2016 and 2017. The increase was driven by current expenditures and Special funds and annexed budgets. Wages and salaries slightly increased to 4.9 percent of GDP from 4.8 percent of GDP in 2016, but remained within the WAEMU convergence criterion of 35 percent of fiscal revenues. Capital expenditures were limited to 8.8 percent of GDP in 2017 down from 8.9 percent in 2016. They were destined to address infrastructure gaps including investments related to the Peace Agreement and to acquire defense equipment. The share of the budget dedicated to defense and security remained high at 14.9 percent in 2017 of total expenditures.

2.8. **The financial sector remained broadly sound.** The increase in capital requirement introduced by the BCEAO in 2015 helped banks strengthen their capital adequacy ratio to 14.7 percent in 2016. Outstanding non-performing loans (NPLs) remained high, increasing from 14.5 percent of total loans in 2015 to 15.4 percent in 2016 well above the required minimum (8 percent). Banks are overall liquid and profitable. The NPL ratio declined over the years, but remains high at 15.4 percent in 2016. A significant share of NPLs date to over a decade ago, and is carried by selected banks, including the state-owned Malian Housing Bank (BHM), which merged with another bank in March 2016. The micro-finance sector continues its expansion and to improve its financial indicators, with NPLs declining steadily 7.2 percent in 2015 to 6.2 percent at end-February 2017.

Table 2-3: External Financing Requirements, 2015-21

(In % of GDP)	2015	2016	2017	2018	2019	2020	2021
Financing requirements	-9.1	-10.4	-7.6	-7.5	-7.3	-7.1	-7.0
Current account deficit	-5.3	-7.2	-6.0	-6.5	-6.3	-6.1	-6.0
Long term debt amortization	-1.3	-0.7	-1.0	-0.8	-0.9	-0.9	-0.9
Other short-term capital outflows	-2.1	-2.0	-0.9	-0.2	-0.1	-0.1	-0.1
Errors and omissions	-0.4	-0.5	0.3	0.0	0.0	0.0	0.0
Financing sources	9.1	10.4	7.6	7.5	6.9	6.7	6.7
FDI and portfolio investment (net)	1.5	2.0	2.9	2.3	2.2	2.2	2.2
Capital grants	3.1	2.6	1.3	0.9	1.2	1.1	1.0
Long term debt disbursements	2.9	1.9	2.3	2.2	2.2	2.5	2.6
Change in reserves	1.4	3.7	0.9	1.9	1.1	0.8	0.8
.. of which IMF credit (net)	0.0	0.3	0.2	0.7	-0.1	-0.1	-0.1
HIPC Initiative assistance	0.2	0.2	0.2	0.2	0.2	0.1	0.1

Sources: Ministry of Finance, IMF and World Bank staff estimates (2014-2017) and projections (2018-2021), March 2018.

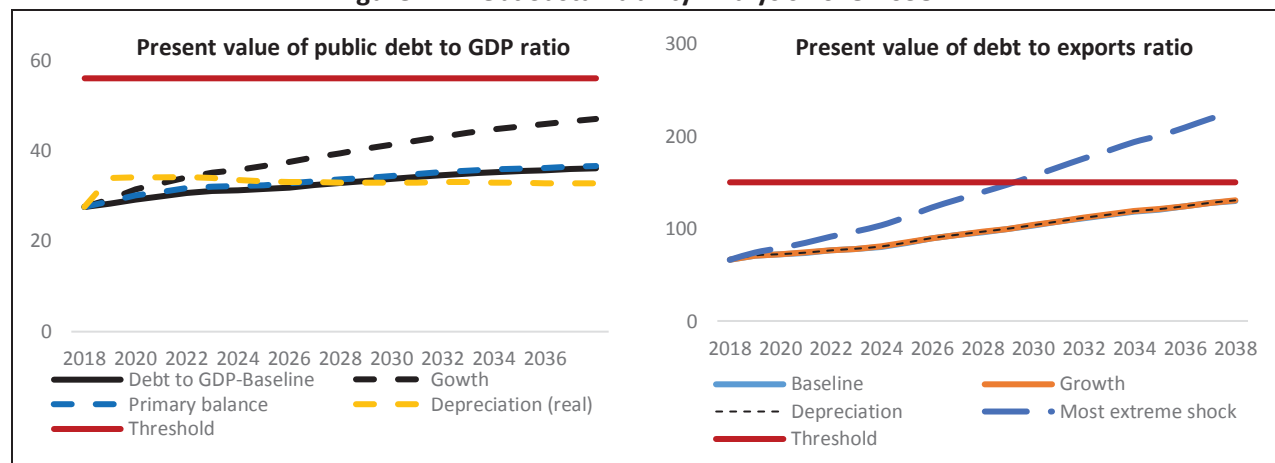
B. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

2.9. **The macroeconomic outlook is broadly positive.** A few key assumptions underlie the baseline medium-term projections. This includes good weather, no additional security deteriorations and uninterrupted electricity supply. Second, according to the IMF (2018), terms of trade would slightly improve from 2019 onwards, following the projected increase of gold prices, Mali’s main export product. Third, favorable climatic conditions would support agricultural production. Fourth, policy commitment would remain strong and in support of an adequate macroeconomic framework.

2.10. **GDP growth is projected to slightly decelerate over the period 2018-2021 from 5.0 to 4.7 percent in line with the potential growth rate.** The tertiary sector will be the main driver of domestic activities owing to the continued 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 processing industries. After exceptional growth in recent years due to favorable climatic conditions, the primary sector would slow down to its long-term trend. On the demand side, investment is expected to continue expanding. Private investments are expected to be stimulated by continuous reforms on business climate and the operationalization of the PPP law. Public investments would be spurred by the creation of the Sustainable Development Fund to finance reconstructions of conflict affected areas.

2.11. **The external CAD is projected to widen to 6.5 percent of GDP in 2018, and to gradually narrow to around 6.0 percent thereafter.** Higher oil prices will increase 2018 imports leading to a wider trade deficit. This would be compounded by an increase in high-import content public investment during the election year. The deficit would be contained at lower levels from 2019 onwards owing to the improvement of terms of trade. It would be mainly financed by financial inflows in the form of debt, official aid, and FDI. Mali’s imputed reserve at the BCEAO would recover over the medium term as import growth decreases and the central bank tightens monetary policy. The regional central bank reserves are expected to increase from 4.2 months of imports in 2017 to 4.5 months in 2021.²

Figure 2.1 Debt Sustainability Analysis 2018-2038



Source: Joint World Bank - IMF DSA, April 2018.

² IMF suggests that WAEMU external reserves should ideally be within a range of five to seven months of prospective extra-regional imports of goods and services.

2.12. **Mali's fiscal position would improve in the medium term, rebounding from a slight deterioration in 2018, following the presidential, parliamentary and local elections.** The fiscal deficit is expected to increase from 2.9 percent of GDP in 2017 to 3.3 percent in 2018, due to pressure on public spending related to increased security threats and the spending incurred for the elections. During 2019-2021, the fiscal deficit would progressively narrow down to 3.0 percent of GDP in line with the WAEMU convergence criterion. The deficit would be financed through expected budget supports and issuance of regional securities.

2.13. **Domestic resource mobilization is expected to significantly improve.** Tax revenue is projected to increase from 15.2 percent of GDP in 2017 to 17.1 percent of GDP in 2021 on the back of better tax collection through continued efforts to streamline tax exemptions and to improve tax and customs administration with the aim of expanding the tax base and increasing tax yields. Concretely, these measures include: (i) prohibiting the granting of new discretionary exemptions; (ii) simplification of tax legislation through the establishment of the medium-size taxpayer office tasked with strengthening and coordinating tax audits; and (iii) capacity building to improve understanding of mining, telecommunication and banking and insurance activities. In addition, the authorities will expand selective audits to avoid the accumulation of VAT credits and streamlined the VAT refund process. IMF (2017) estimated that these measures are expected to boost tax revenues by 0.6 percent of GDP in 2018.

2.14. **The authorities are implementing plans to contain the increase of recurrent spending to make room for increased public investments.** Total expenditures would be contained at 24.1 percent of GDP by 2021 while recurrent expenditure will be controlled mainly by the freezing of spending on goods and services (except in social sectors, health and education) but also by containing the increase of wages and salaries around 5 percent, and implementing the recommendations from the civil servant census. In 2018, wages bill is expected to increase by 0.6 percent of GDP as an additional 827 civil servants and 5,000 soldiers will be recruited. In line with WAEMU's PFM directives, the authorities have adopted the 2018 budget following the program-based budgeting framework, which represents a significant achievement. This will allow for improved budgeting of multi-year spending under the commitment authorizations and payment credits framework. Progress is also being made to allow better tracking of payments and phasing out of Treasury advances bypassing the regular expenditure authorization procedures. The authorities are committed to completing the transition to the Treasury Single Account (TSA) by setting the rules for opening, closing and management of public accounts at commercial banks. They are also adopting measures to enhance budget transparency and improve the presentation of Mali's fiscal accounts.

2.15. **Outlays to assure the provision of energy may limit fiscal space further.** In April 2018, it became clear that EDM has difficulty paying its suppliers, potentially putting the provision of electricity at risk. Guaranteeing a secure electricity supply is critical for economic and political reasons. To meet the WAEMU fiscal deficit target, the Government would have to rationalize spending further. In the past such situations have led to reductions in public investments with concomitant consequences for growth over the medium term. In addition, costly short-term debt incurred by EDM may have to be refinanced, either by finding fiscal space to absorb it, or through securitization and the issuance of additional regional securities.

2.16. **The risk of external debt distress remains moderate.** The April 2018 Debt Sustainability Analysis (DSA) suggests that Mali's risk of debt distress would remain moderate. The inclusion of domestic debt somewhat worsens the assessment of Mali's debt sustainability, but did not change the rating of moderate risk of public debt sustainability. Domestic debt increased from 6 percent of GDP in 2014 to 11 percent of GDP at end-2017 due to securities issuances on the regional market. The projected shortfall of external financing in 2018, while assumed to be temporary, will increase domestic debt further in the

short-term. The Government also started to issue more costly securities outside the regional market. Assuming an unchanged fiscal consolidation path from the previous DSA, the extent of the worsening in the debt profile will depend on the size and duration of the shift from external to domestic financing. As in the previous DSA, stress tests highlight a sustained breach of the threshold for the present value (PV) of PPG external debt-to-exports under the most extreme shock.

2.17. Mali’s debt sustainability is highly sensitive to a tightening of financing terms, and a combination shock. In addition to a financing shock (less favorable terms for external finance looking forward), Mali’s debt sustainability is also vulnerable to a reduction in transfers and FDI, and an export shock owing to the export concentration in gold. It remains crucial that Mali maintains prudent macroeconomic policies, strengthens the effectiveness of public debt management, and continues to meet its external financing needs with grants and concessional loans, wherever possible. In addition, the country should ensure that underlying projects deliver a high return on investment, while continuing the implementation of structural reforms to improve the investment climate and export diversification, amid an expected decline in gold’s export performance over the medium term.

2.18. The economic outlook is subject to significant downside risks. The most significant and unpredictable risks remain the fragile security situation, and election-related pressures on spending. Preventing the spread of insecurity towards the southern regions of the country is critical (and costly) as it would significantly affect the agricultural and mining sectors and induce a profound economic crisis. Agriculture also remains vulnerable to adverse weather conditions. An aggravation of the food security situation would raise social spending needs, would 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 (about 65 percent and 15 percent of total exports, respectively) leaves Mali’s balance of payments vulnerable to international commodity price fluctuations. 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.

Table 2-4: External Debt Stock Composition at Year-End, 2017

	US\$ (Billions)	Share of total debt	Percentage of GDP
Multilateral	3.1	80.8	20.2
IMF	0.2	5.2	1.3
World Bank/IDA	1.6	40.7	10.2
African Development Bank	0.7	17.3	4.3
Islamic Development Bank	0.2	5.3	1.3
Others	0.5	12.2	3.1
Official Bilateral	0.7	19.2	4.8
Paris Club official debt	0.1	1.8	0.4
Non-Paris Club official debt	0.7	17.4	4.4
Total	3.8	100	25.1

Source: Ministry of Finance, IMF and World Bank staff estimates, April 2018.

2.19. **Overall, Mali’s macroeconomic framework is assessed as adequate for the proposed operation.** The authorities have built a solid track record of sound macroeconomic management, even under very volatile circumstances. The GoM has demonstrated a strong policy commitment by improving domestic revenue mobilization, containing recurrent expenditure growth, and boosting capital spending while managing public debt conservatively. Moreover, the macroeconomic policy framework is anchored in the ECF-supported program, which will help buttress inflows of grants and concessional aid in support of the Government's objectives. The credibility of the macroeconomic framework is supported by the external anchor of the WAEMU, and its monetary and reserve management policies. The risk of external debt distress remains moderate.

C. IMF RELATIONS

3.1. **On May 23, 2018, the IMF Board concluded the Eighth and Ninth Review under the ECF Arrangement along with the 2018 Article IV consultation.** Completion of the ECF reviews enables the disbursement of SDR 63.3 million (about US\$89.7 million) or 34 percent of quota, bringing total disbursements under the current arrangement to SDR 154.95 million (about US\$ 219.7 million) or 83 percent of quota. Progress towards achieving the various benchmarks has been satisfactory. The economic recovery continued in 2017, with robust GDP growth, subdued inflation, and an improved fiscal position. The medium-term economic outlook remains positive, although fragile security conditions pose a downside risk. The end-December structural benchmark related to asset declarations was missed but has since been addressed in a satisfactory manner.

3. THE GOVERNMENT’S PROGRAM

3.2. **The CREDD 2016-2018 is Mali’s framework for the design, implementation and monitoring of development policies and strategies at national and sectoral level.** The CREDD reflects priorities formulated in prevailing strategic frameworks such as the *Cadre Stratégique pour la Croissance et la Réduction de la Pauvreté* (Third Growth and Poverty Reduction Strategy Paper - CSCR 2012-2017), *Plan pour la Relance Durable du Mali* (Plan for Sustainable Recovery of Mali - PRED 2013-2014), *Programme d’Actions du Gouvernement* (Action Plan of the Government - PAG 2013-2018), and the *Programme de Développement Accéléré des Régions du Nord* (Program for the Accelerated Development of the Northern Regions - PDA/RN)³. The core objective of the CREDD is attaining the Sustainable Development Goals by 2030. The CREDD comprises two prerequisite axes, three strategic axes, 13 priority areas and 38 specific goals. Each objective comprises three components: (i) inclusion within the performance budget; (ii) measures for institutional modernization; and (iii) quick wins.

- Under the first prerequisite axis the Government sets out to promote *Peace, Reconstruction of the North and Security*. The Authorities are committed to implementing the 2015 Peace and Reconciliation Agreement, to ensuring security across Mali’s territory, and to contributing to a balanced development in all regions in the country.

³ The PRED was adopted by the transition Government in May 2013 with the view to prevent the deterioration of human development indicators following the 2012 security and political crises. It included a subset of CSCR 2012-2017 priority programs envisaged to be implemented in 2013-2014 and financed by donor pledges made at the Brussels Conference. However, the new Government elected in August 2013 laid down, two months later, in the PAG its orientations and priorities for the period 2013-2018 and drew up the PDARN, designed as an operationalization plan of PRED for the northern regions of the country most affected by the security crisis.

- Under the second prerequisite axis the Government commits to *Macroeconomic Stability*. To this end the Authorities intend to improve budgetary planning, public finance management and to ensure solvability of the financial sector including the micro finance sector.
- *Promoting Inclusive and Sustainable Growth* is the first strategic axis of the CREDD. The Authorities commit to develop selected agricultural (including livestock and fisheries) supply chains and to promote family farming. The focus is on food security, improved nutrition as well as developing infrastructures and diversifying the economy.
- *Access to Basic Social Services* is the second strategic axis of the CREDD. The Authorities commit to improve education at all levels (including skills training), enhance the health of the population and increase access to water and sanitation and to expanding social protection.
- *Institutional Development and Good Governance* constitutes the third strategic axis. Improving transparency, fighting corruption and promoting coordination and planning across the administration are priority areas under this axis.

4. PROPOSED OPERATION

A. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

4.1. **The PRIGSO series comprises two single-tranche budget support operations.** The series is designed around two pillars: (i) fostering inclusive growth; and (ii) supporting pro-poor (decentralized) transfers and social protection. These two pillars build on the ongoing reform program of the GoM as well as the CPF agreed between the World Bank and the authorities in October 2015. The first credit, PRIGSO1, in the amount of US\$50 million was approved by the Board in May 2017 and disbursed shortly thereafter. This second operation -- 50 percent credit-50 percent grants -- was originally aimed for disbursement in December 2017, but completion of various prior actions (land tenure, telecom, micro-finance institutions, e-vouchers) took more time. The amount for PRIGSO2 is US\$60 million equivalent.

4.2. **The proposed operation is aligned with the CREDD.** The CREDD 2016-2018 identifies in total 13 Priority Areas. Policy reforms supported by the PRIGSO can all be mapped to CREDD priority areas.

B. LESSONS LEARNED

4.3. **The design of the PRIGSO series is informed by lessons learned from the previous DPO series, the SCD and CPF for 2016-2019, by other projects and analytical work as well as by policy dialogue with the authorities conducted by the World Bank and other development partners.** Among the key lessons are:

- *A selective policy focus*, with a stable and predictable level of support for the annual reform and budget program. This includes: (i) a focus on key sectors of policy reform directly linked to the SCD to ensure greater impact on the binding constraints to reduce poverty; (ii) a series of annual programmatic DPOs linked to specific sector reforms; and (iii) integration of policies and measures complementary to ongoing sector operations and tailored technical assistance (TA) to monitor reform implementation.

- *Policy reform through incremental steps.* As the policy environment in Mali is characterized by limited capacity, strong vested interests and –in the face of pressing security concerns, constraints to focus political attention on the reform agenda, policy reform requires a longer-term perspective and consistency. Multiple smaller reforms taken over a longer period eventually lead to significant change. Consequently, to achieve significant reform, incremental prior actions may be spread over multiple sectors and appear, at times, more process oriented than would be desirable in a less fragile setting.
- *Increasing agricultural productivity is imperative to long-term economic transformation.* Stimulating agricultural productivity is a long-term proposition that requires strong Government coordination, commitment and a clear vision of how growth is to be achieved. A broad set of policy and institutional reforms covering multiple sectors, including politically-sensitive reforms on land policy and administration, as well as significant institution building of key agencies and private sector engagement is necessary to improve agricultural productivity in a way that can contribute to growth in an inclusive manner.
- *Aspects of governance, transparency and PFM can be handled through the regular dialogue.* Informed by the SCD, the IEG assessment of previous DPO series as well the consultations held in preparation for the CPF, it was realized that the next DPO series should shift focus to sectoral policy issues. It was equally realized that there exists policy space to do so, as support to governance and PFM reforms can be pursued through an active policy dialogue in the context of World Bank projects and the annual Country Policy and Institutional Assessment.

C. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

Pillar 1: Fostering inclusive growth

Improve security of land tenure

Completed Prior action #1-PRIGSO1: The Recipient has enhanced security of land tenure through the promulgation of the Agricultural Land Act.

Prior action #1: The Recipient has enhanced the security of land tenure by: (i) adopting two application decrees for the Agricultural Land Act; (ii) appointing members to at least 300 sub-district agricultural land commissions; and (iii) adopting through the Council of Ministers the Domains and Land Policy.

Expected results. *Land commissions are functional, as evidenced by the fact that they held a meeting in the past three months to 80 percent by June 2019.*

4.4. **Climate change and area expansion for crop farming increasingly lead to land conflict and threaten to undermine progress in rural poverty reduction.** Climate change affects rural livelihoods in Mali in at least two ways: average temperatures increase, and rainfall becomes more variable. Climate adaptation necessitates changing farming systems and introducing new crop varieties (see next prior action on how e-vouchers enhance resilience to climate stresses) but also improving tenure security. Particularly in areas where crop farmers and pastoralists live close together and interact conflict intensity is increasing. Farmers are expanding the area under cultivation into land previously used by pastoralists; pastoralists are changing transhumance patterns and routes in response to increasingly changing weather patterns.

4.5. **The land tenure system is characterized by different co-existing land tenure regimes (legal pluralism⁴), creating legal uncertainty and vulnerability.** The typology of tenure situations includes customary possession of land, non-customary possession of land (often for plots purchased from a customary possessor and held with a certificate of sale), occupation of a plot with an administrative document, occupation of a plot with a use right (*concession*), and ownership with a title (*titre foncier* / title deed). These different tenure situations are encountered throughout the country, with *concessions* and ownership titles mostly in the urban core, and customary land or land purchased from customary owners mostly in the peri-urban areas or the rural areas. This legal pluralism is reflected in the body of law, with separate acts governing Agricultural Land and all other land (the Domains and Land Code).

4.6. **Improved land rights and better ways to prevent and address land conflict enhance resilience, foster productive investment and promote inclusive growth.** Security of tenure and clarity around land rights are key to reducing household vulnerability and assuring the dynamism of primary sector. As improved tenure security and land governance can be expected to reduce conflicts, improve the productivity of pastoralists and increase investments by private companies and smallholders alike, the GoM has made the revision of the framework laws governing land a priority, while also intending to invest in decentralized ways to manage land conflicts through the creation of Rural Land Commissions at district level. To this end, and supported by PRIGSO1, the revised Agricultural Land Act was adopted in April 2017. This Act states the conditions of access to agricultural land and includes provisions to safeguard agricultural land rights including by creating decentralized rural land commissions which are expected to play a critical role in managing and resolving rural land disputes and conflicts. With the adoption of the revised rural Agricultural Land Act, the other land Act covering non-agricultural land (the Domains and Land Code) needs to be amended. Doing so is complex as land is sensitive and many stakeholders need to be consulted. The authorities are progressing steadily as reflected in the letter of development policy (LDP). A revised code is being discussed at the highest technical level of Government while the Council of Ministers adopted the new Domains and Land Policy.

4.7. **A concrete outcome of the promulgation of the Agricultural Land Act under PRIGSO1 is that decentralized rural land commissions can now be created.** PRIGSO2 supports this, which requires the adoption of its application decrees and the actual creation and training of the rural land commissions. With 703 districts, creating rural land commissions in every district is a daunting task and for PRIGSO2 300 districts were prioritized in regions which land disputes are most pressing (Kayes, Koulikoro, Segou and Sikasso). Members of these commissions were appointed, sensitized and trained by Ministerial staff. As the functioning of these land commissions is critical, a monitoring and evaluation system was rolled out that allows for easy monitoring of the functionality of these commissions using mobile phones.

4.8. **The results indicator associated with this prior action uses this new monitoring system to assess whether land commissions are functional.** Functional land commissions imply that (relative to the counterfactual) land conflict is reduced, either through preventive action or through conflict resolution. Members (mostly village chiefs) are expected to actively prevent conflict in their own domains and to only bring cases requiring a formal resolution before the Land Commission. Directly measuring a reduction in conflict is not feasible given the limited statistical capacity and the difficulty and cost of setting up an administrative data collection system in remote areas. The chosen indicator therefore, is to assess if these

⁴ Legal pluralism is a typical feature of West African countries which experienced a succession of land regimes that were established through the pre-colonial area, the colonial period, the post-independence socialist transition, and following the market liberalization phase over the past two or three decades. The changes in both political and economic orientations that took place over time added cumulative layers to the legal and regulatory framework that governs land while never completely abolishing the previous system in place.

commissions are holding their meetings or not. Evaluating the functionality of land commissions and whether they function as critical nodes in a dynamic and decentralized conflict resolution system is manageable thanks to the new monitoring system.

Increase competitiveness of and access to telecommunications

Completed Prior action #3--PRIGSO1: The Recipient, through the Ministry of Economy and Finance, has issued a ministerial decision establishing a commission in charge of awarding a 4G license to existing operators and, through the Ministry of Digital Economy and Communication, has issued a ministerial order creating the commission in charge of awarding a fourth mobile telecommunications license, using an open international bidding process.

Prior action #2 – PRIGSO2: The Recipient, through the Ministry of Digital Economy and Communications, has: (i) included obligations in terms of wholesale supply and facility sharing in the 4G licenses for the two active mobile operators; and (ii) launched the call for proposals for a fourth mobile telecommunication license through an open international bidding process offering market access conditions in line with international good practices.

Expected results. Decrease in the average in tariff per minute for personal domestic calls from CFAF 108 (2015) to CFAF 90 by June 2019.

Completed Prior action #4--PRIGSO1: The Recipient, through the Office of the Prime Minister, has facilitated the extension of the mobile telephone network to isolated areas, making operational the Universal Service Fund Management Agency (*Agence de Gestion du Fonds d'Accès Universel - AGEFAU*), by: (i) adopting of the decree of appointment of its Director General; (ii) creating and provisioning of its account; and (iii) adopting of a decree fixing the percentage rate and modalities of payment of compulsory contributions payable to the fund.

Prior action #3 – PRIGSO2: The Recipient, through the Board of Administrators of the AGEFAU, has adopted AGEFAU's work plan for 2018 which includes investments to extend telecom services to previously uncovered areas.

Expected results. Increase in the number of rural localities benefiting from extension projects of telecom services from 0 localities in 2015 to 16 by June 2019.

4.9. **Information and Communications Technology (ICT) services bring significant benefits to poor households.** Mobile telecommunication services can make essential services accessible (emergency calls), increase resilience to shocks (transfers), reduce transaction costs and improve market access (information), offer opportunities for financial inclusion (mobile savings and e-banking) while also creating employment, including for sellers of phone credit and charging or repair services. To attain these benefits, mobile telecommunications services need to be affordable and accessible but according to a 2014 report carried out by *Autorité Malienne de Régulation des Télécommunications et des Postes* (Malian Regulator for Telecommunications and Mail - AMRTP, for approximately 22 percent of the population, telecommunications services are not available. This affects the most vulnerable, poor and isolated households especially.

4.10. **The GoM made important advances in improving the competitiveness of its telecommunications sector but several issues remain.** Authorities have adopted a new legal and regulatory framework in 1998 and revised it in 2011. They privatized Sotelma / Malitel and granted licenses to two additional global operators. However, one telecommunications license holder does not have an operational network yet outside Bamako, leaving a de facto duopoly between Sotelma / Malitel and Orange Mali. Mobile tariffs in Mali are the highest in absolute terms when compared to other countries in the WAEMU sub-region. Prices have not reduced sufficiently to allow for a massive expansion of broadband internet, further limiting the creation of opportunities associated with the use of ICT. Given the failure of the entrance of a third operator, the most appropriate approach to strengthen competition

is the identification of an additional ("fourth") operator⁵. The attractiveness of Mali for another license holder will depend on market conditions (level playing field) and the speed with which the authorities introduce a new license as a prospective investor can be expected to prefer to enter the market while it still is in its take-off phase, which is the case for mobile broadband.

4.11. **The allocation of 4G licenses to existing operators, is an opportunity to level the playing field prior to the entry of an additional operator.** Granting 4G licenses to existing mobile operators as part of their telecommunication license, allows them to deploy high speed broadband services in their respective mobile network and compete with the fourth mobile operator who would be granted the same 4G technology to provide mobile broadband services alongside to voice. The technology upgrade from the current 3G to the 4G improves the quality of service of Internet for the final users for a limited investment. The conditions for the 4G licenses will need to be such that they offer a level playing field for the prospective fourth operator.⁶ Together with the fourth operator, this upgrade of technology on existing operators is expected to unleash the potential of Internet services and applications to all mobile subscribers (covered by the 4G network and subscribing to data plans), with cascading social and economic impacts.

4.12. **Under PRIGSO2 the process of identifying a fourth operator, started under PRIGSO1, continues with the international launch for the call for proposals. In addition, agreement was secured on the level playing field conditions from the existing mobile phone operators, as part of the 4G license attribution process.**

4.13. **One reason why telecom services are not available across the nation is because operators prefer to invest where doing so is (most) profitable.** To ensure people across the territory have access to ICT services, the Government created a dedicated universal access fund, financed through mandatory contributions from telecom operators. By end December 2014 the fund owned CFAF 21.3 billion (US\$40 million) but had not yet disbursed anything in support of improved access. Since that time, numerous changes have been brought about, including the creation of a dedicated management agency (AGEFAU) in 2017. The final step is to assure the effective utilization of the fund by AGEFAU to enhance access. It is supported by Prior action #3 which should lead to investments in telecom access such that at least 16, previously uncovered, rural communes are covered by a mobile phone network by mid-2019.

Improve financial inclusion

Completed Prior action #5-PRIGSO1: The Recipient, through the Ministry of Economy and Finance, has issued ministerial orders withdrawing the licenses of those microfinance institutions that have been audited and needed to be liquidated pursuant to its micro finance sector emergency plan, dated March 2015.

Prior action #4 – PRIGSO2: The Recipient, through the Ministry of Economy and Finance, has strengthened financial inclusion by: (i) appointing a liquidator for two of the microfinance institutions whose licenses have been withdrawn; and (ii) completing the 2017 supervision program of the CCS/SFD in accordance with its annual calendar.

Expected results. Reduction in the non-performing loans ratio of all microfinance institutions (PAR90) from 8.8 percent in 2014 to 4.5 percent in June 2019.

⁵ The third operating license was granted in February 2013, but the operator failed to launch operations to date, after delaying the launch date several times. The operations have been delayed due to difficulties encountered by the operator to secure the financing needed to build the network, and because of a pending legal dispute between shareholders of the company.

⁶ As of April 2018, Orange has been attributed a 4G license, while negotiations with Sotelma / Malitel are ongoing.

4.14. **A lack of appropriate financial products reduces financial inclusion for the poor and constrains the agriculture sector—a key driver of growth and poverty reduction.** Mali’s microfinance sector has been experiencing a crisis for over six years. The sector serves close to one million clients many of whom are in rural areas. It plays an important role in providing financial services to underserved households, microenterprises and farmers. The sector is fragmented, with 100 institutions, many of which are weakly managed, while the national monitoring and supervisory mechanism in place has been performing poorly due to insufficient resources. Two of the country’s biggest institutions have ceased operations and several other small ones are technically bankrupt and must be liquidated.

4.15. **To facilitate the recovery of the microfinance sector PRIGSO1 supported the withdrawal of the operating license closure of nonviable institutions.** As the withdrawal of operating licenses of non-viable institutions continues, PRIGSO2 shifts attention to the liquidation of institutions whose licenses have been withdrawn. Not only is Mali the first WAEMU member state to liquidate bankrupt Microfinance Institutions (MFIs), by agreeing to protect small depositors – see the letter of Development Policy), the Government creates a positive incentive to make sure supervision of the sector is up to standard. Ensuring adequate supervision is also supported by PRIGSO2: the program of supervision needs to be fully executed. A total of 41 MFIs were supervised in 2017 (3 more than initially envisaged) out of a total of 100, with those supervised being identified using risk based criteria and in close collaboration with the BCEAO.

4.16. **Other prior actions under PRIGSO 2 also enhance opportunities for financial inclusion.** For example, (i) the issuance of e-vouchers (Prior action #7) could be linked to mobile account and the information collected about the recipient could be leveraged to provide credit in the future; (ii) the extension of the mobile infrastructure (Prior action #3) offers opportunities to develop financial inclusion; and (iii) mobile money could be used to provide social safety net transfers (Prior action #9).

Energy

(No prior action under PRIGSO1)

Prior action #5: The Recipient, through:

(i) the Ministry of Energy and Water, has initiated the reform process aimed at enhancing the efficiency of the electricity sector by endorsing the audit of EDM, including the proposed set of reform actions.

(ii) EDM, has initiated the process aimed at improving revenue collection by requiring the use of smart meters by high voltage users and large low voltage users.

Expected results. Increase in the number of large low voltage and high voltage users with smart meters from 0 in 2015 to 6,000 by June 2019.

4.17. **A dynamic electricity sector is critical for a fast-growing economy like that of Mali, but the performance of the electricity sector is inadequate.** The sector is plagued by financial imbalances which discourage private sector investment and affect the financial health, and overall functioning of the sector. Just to illustrate, in 2016, EDM ran a pre-subsidy deficit of CFAF 57 billion (US\$100 million). To help cover this deficit the Government transferred CFAF 33 billion (US\$53 million), leading to uncovered expenses which, unresolved, may lead to severe power shortages once suppliers can no longer be paid.

4.18. **To address the structural imbalances of the sector, wide ranging reforms are needed covering three areas:**

(i) **Governance improvements** are needed to improve the way EDM operates, its investments are planned and executed, and its assets are managed. The quality of service and operating performance of EDM have deteriorated in recent times, with a strong increase in the frequency of service interruptions, translation of the mismatch between the capacity of production and demand for electricity, on the one hand, and the aging of its network, on the other. Losses in the transmission and distribution network have steadily increased and were around 23 percent in 2015 (up from 19 percent in 2011), or 360,000 GWh of energy produced but not sold which represents a loss of about 80 million euros for the EDM (at an average cost of production of 23 cents per kWh in 2015). In terms of management, EDM's productivity index declined by 17 percent in 2015, due in part to a more significant increase in the workforce (following the recent massive recruitment that was not matched between the needs and the profile of new recruits) in relation to the evolution of energy production. EDM's objectives are set out in the specifications annexed to the concession contract but have not been updated since the contract was signed in 2006. There is no performance contract linking the EDM to the Government, which prevents regular and periodic monitoring of improvements in EDM's performance.

(ii) **Significant investments** are needed to change the energy mix towards less expensive and more climate friendly fuel options (more hydro and solar; less diesel) and to improve the distribution network. The limited capacity of the Ministry of Energy in terms of planning, preparation, financing and implementation of structuring projects for sector development have led to a situation where the means of production are insufficient to meet the demand, which leads EDM to resort to the leasing of diesel-fueled emergency thermal groups – the total capacity of these groups now reaches 98 MW (27 percent of installed capacity in the national territory and 11 percent of the electricity produced and injected into the interconnected network in 2016). This massive use of thermal group rentals increases the cost of operating, has negative environmental consequences and poses a number of difficulties for the industry. At the current rate of growth (uncontrolled) of demand for electricity and the ambitions to accelerate electrification (overall electrification is estimated at about 30 percent leaving a lot of new users to connect and thus significantly increase demand), the capacity deficit could be approximately 150MW by 2019. However, growth in demand could be better controlled with the application of energy efficiency measures such as the labelling of energy-intensive equipment and the support of companies inefficient in their processes. And;

(iii) **Reforms leading to financial equilibrium in the sector.** The three areas are inter-related. Tariff reform alone would be unrealistic, for instance, the quality of service improves. But to achieve this, investments are needed along with improvements in management.

4.19. To address the shortcomings of the sector the Authorities agreed on a reform strategy with the World Bank in February 2017. This strategy is outlined in the *Feuille de Route pour Appuyer le Développement du Secteur de l'Énergie au Mali* (Road map to support the development of the energy sector). It presents a combination of policy reforms and investments that if implemented would put the sector in financial equilibrium. Elements of the action plan require significant investments which are supported by World Bank projects. This includes efforts to increase regional interconnectivity to Guinea to access hydro power and to invest in solar generation through Ségou solaire. PRIGSO2 supports the implementation of selected short-term actions identified in the Road Map particularly the finalization of the audit of EDM and the associated action plan. The Authorities have taken additional measures to enable the Board of Director of EDM to better perform its corporate role: (i) EDM has amended its statutes to comply with OHADA 2014 Revised Uniform Act to allow independent directors to its Board; and (ii)

EDM's Board has established technical and financial committees at board level for auditing, investment and commercial aspects. These reforms are reflected in the LDP.

4.20. **Improving the financial health of the sector remains a priority in the short term.** As explained above, achieving financial health requires major investments to make the generation mix less costly and more climate friendly and to reduce wasteful inefficiencies resulting from transmission losses. These investments will take time to materialize. In the short run, however, revenues can be boosted through a better management of commercial losses. The reform matrix thus includes the installation of smart meters amongst the largest electricity consumers. An analysis of the sector has found that the 1.5 percent largest users account for about forty five percent of all electricity consumption. By installing smart meters amongst them, billing efficiency will be improved, and climate objectives supported through the more efficient use of energy as consumers pay for what they use. Meanwhile, a study to assess the scope for tariff reform was launched, and efforts are ongoing to restructure EDMs short term (and costly) debt.

Pillar 2: Supporting pro-poor (decentralized) transfers and social protection

Increase the resources of local governments

Completed Prior action #7—PRIGSO1: The Recipient, through the Council of Ministers, has advanced the decentralization process by adopting a draft 2017 budget providing for the transfer of budgetary resources to local governments pursuant to its competencies and resources transfer plan in favor of local governments.

Prior action #6. The Recipient has produced an electronic cadastral map for Bamako.

Expected results. Increase in the percentage of budgetary resources allocated to the three poorest regions in total budgetary resources transferred to regions from 15 percent in 2015 to 25 percent by June 2019.

4.21. **Mali has a long history of attempts at decentralization dating back to the transition to democracy.** 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 that time, decentralization has served the dual objective of appeasing tensions in the north of the country, and stronger development and accountability via bottom up development. All past peace agreements, as well as the Agreement signed in May and June 2015, feature decentralization as tool for peacebuilding and increased economic development of northern Mali. Despite its importance, decentralization has encountered resistance from a centralized and hierarchical bureaucracy which was quick to point out inefficiencies and the lack of accountability of some decentralized entities. As a consequence, some formal authority was decentralized but consolidation of decentralized governance has lagged, especially in the area of fiscal transfers.

4.22. **Decentralized spending is estimated at 16 percent of the budget for 2016.** It covers mostly salaries for teachers and health staff, as well as investment budgets for the health, education and water sectors. As the majority of teachers and health staff are appointed by the central level, decentralization is more the deconcentration of the decision to pay staff to the local level (*engagement*), a payment that is then effectuated by the central line ministry, than an actual decentralization of staffing decisions. Similarly, investment decisions remain largely controlled by the center as they are channeled through the National Local Government Investment Agency or *Agence Nationale d'Investissement des Collectivités Territoriales* (ANICT).

4.23. **This operation supports decentralized revenue collection.** Under the 2015 Peace Agreement the Government committed to allocating 30 percent of its budget to local authorities. This reflects a step

change relative to current levels of spending and its implementation will necessitate greater devolution of decision making powers and the allocation of ‘untied’ fiscal resources. PRIGSO1 supported this objective through the allocation of budgetary resources to local governments in compliance with the Government competencies and resources transfer plan adopted by the Cabinet. PRIGSO2 support a complementary action by the Government consisting in the preparation of a cadaster, initially for Bamako but with a view of a nationwide roll-out and improved security of tenure (important for investments) as well as property tax collection. In March 25, 2016, a decree was adopted to create a cadaster which should improve the business environment and city planning while broadening the tax base. Creating the cadaster entails creating a centralized system comprising a map with all plots (which have been assigned unique plot IDs, called NINACAD), associating existing title deeds to the plots and creating a one stop shop for land titling issues. The cadaster (map as well as title information) will be accessible on line, enhancing transparency and reducing the scope for conflict. PRIGSO2 supports the creation of the cadaster through the completion of the cartography for Bamako.

Improve the provision of agricultural subsidies to poor households

Completed Prior action #2-PRIGSO1: The Recipient, through the Ministry of Economy and Finance, Ministry of Agriculture and Ministry of Livestock and Fisheries, has introduced an e-voucher scheme for the distribution of agricultural inputs subsidies, through the adoption of a revised procedures manual governing the modalities of distribution of such subsidies.

Prior action #7: The Recipient, through the Ministry of Agriculture has launched the e-voucher scheme for the distribution of agricultural input subsidies by: (i) completing the registration of farmers in four sub-districts (Yanfolila, Koutiala, Niono, Bla); and (ii) notifying beneficiaries via text messages about the date at which the e-vouchers will be distributed.

Expected results: Increase in the number of agricultural subsidy beneficiaries who receive their subsidies through e-vouchers (as opposed to paper vouchers) from nil at baseline of 2016 to over 100,000 by June 2019.

4.24. **Since the 2008 food price crisis, the GoM has made food security a core objective of public policy.** One of the key measures implemented was a fertilizer subsidy scheme targeting primarily rice and maize producers in the high productivity areas of Sikasso and Segou. This policy has been successful and since 2008 the production of food grains, particularly of maize and rice, doubled driven by area expansion, yield increases and favorable prices. The scheme absorbed 2.1 percent of Government’s total expenditure in 2015 and relies on paper vouchers and public procurement of fertilizer. It is a transaction heavy approach that takes up much of the human resources of extension services. As evidence is emerging that the current subsidy scheme is less effective than was previously believed, as leakage appears to be substantial, and as there is increasing need to reduce rural household vulnerability to climate change by promoting adapted technologies, the authorities decided to experiment with a more transparent and flexible approach to the provision of agricultural subsidies: electronic vouchers.

4.25. **Electronic (e)-vouchers offer a means to distribute agricultural subsidies that is more transparent, better targeted and more flexible than the traditionally used paper vouchers.** The e-voucher approach uses a data base 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. E-vouchers are flexible as they can be given for chemical inputs but also for drought-resistance seed, and even to purchase services like animal vaccination or extension services, making them attractive as means to promote climate adaptation. An assessment of the pilot e-voucher scheme underscores the many advantages it offers, including reduced transaction costs by 20 percent, a

reduced processing time (from eight to two weeks), an ability to adapt the size of the subsidy to the wealth of the household, traceability of the beneficiaries, increased transparency and the ability to flexibly adapt the subsidy scheme in light of new policy priorities, research insights or climate change. This permits a more scientific and iterative approach to reducing household vulnerability and to supporting crop productivity improvements in a targeted, pro-poor manner.

4.26. **The PRIGSO series supports the switch from a paper-based fertilizer voucher system to the e-voucher system, in a measured way.** 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 a first attempt in 2017 approximately 17,000 beneficiaries in four districts (with high phone network coverage) received e-vouchers. Unfortunately, these vouchers were sent late in the agricultural season and to only a subset of the intended beneficiaries. So, a new attempt is made in 2018 when it is expected that vouchers will be sent to some 80 to 90,000 beneficiaries (including cotton farmers) in the same four pilot districts, Yanfolila, Koutiala, Niono and Bla. The prior action does not reflect the actual sending of the vouchers, but the sending of messages informing beneficiaries, as the timing of the agricultural season does not coincide with preparation schedule for this operation. The results indicator for mid-2019 suggests that over 100,000 beneficiaries have received their e-vouchers in a timely manner.

4.27. **As dialogue around the implementation of the e-voucher scheme in 2017 drew the Authorities' attention to the presence of large discrepancies between the administrative fertilizer price (used to compensate the suppliers) and the market price, with the administrative price being substantially higher, the authorities opted to change the way in which fertilizer distributors are selected.** The Authorities opted for a competitive selection of fertilizer distributors and in doing so expect to attain a more market-conform administrative price. This is reflected in the Letter of Development Policy.

4.28. **One potential constraint to a nationwide roll-out of the e-voucher scheme is the, at times, limited coverage of mobile network in rural areas.** To address this expanding mobile phone coverage in rural areas not covered by the phone network is also tackled by the PRIGSO series. For this, see the policy actions in the telecommunications sector (Prior action #3). The e-voucher scheme has put in place a range of measures to minimize the risk of unwarranted exclusion of beneficiaries. To avoid that beneficiaries fail to get registered because they were not home at the time of registration, two registration campaigns – announced by radio, are held. To avoid that beneficiaries without a phone become excluded, the e-voucher scheme allows beneficiaries to indicate which phone number they prefer to use for receiving their voucher: their own or that of a relative or friend. To avoid that beneficiaries living in areas with mobile phone network are excluded, the scheme announces on public radio when vouchers have been sent urging beneficiaries to go with their phones to areas with network coverage. Vouchers remain valid for an extended period of time. Those who accidentally delete their vouchers, or who say not to have received them can call a special number to have their vouchers re-sent to them.

Extend the coverage of social protection mechanisms

Completed Prior action #8-PRIGSO1: The Recipient, through the Ministry for Solidarity, Humanitarian Action and Reconstruction of the North, has adopted a unified vision of its social protection policy, through the: (a) adoption of a Presidential Decree approving the National Social Protection Policy, along with its accompanying social protection action plans 2016-18; (b) adoption of a Presidential Decree creating the National Council of Strategic Orientation of Social Protection (“National Council”), and the issuance, through *Ministère de la Solidarité et de l’Action Humanitaire* (Ministry for Solidarity and Humanitarian Action - MSAH), of a ministerial order creating the Unified Social Registry Steering Committee (“Steering Committee”); and (c) has commenced the operations of both the National Council and the Steering Committee

Completed Prior action #9-PRIGSO1: The Recipient has made a provision in its 2017 budget for budgetary allocations to expand the coverage of social safety net programs, including JIGISEMEJIRI and RAMED.

Prior action #8: The Recipient, through the Ministry for Solidarity, Humanitarian Action has: (i) made available on-line a Unified Social Registry, including a mechanism to integrate beneficiaries of various social safety net programs; and(ii) made Jigisemejiri beneficiaries eligible to free medical care at the CSCOMS by distributing RAMED insurance cards.

Expected results. Increase in the number of households receiving cash transfers (direct transfers, high-labor intensive work, and income-generating activities) from 60,715 in 2015 to 150,000 by June 2019.

4.29. **The majority of families in Mali live close to, or below the poverty line and are vulnerable to the vagaries of the weather and climate-induced changes in weather patterns. Social safety nets help reduce this vulnerability and increase resilience.** Predictable, multi-annual social protection support to households has been shown to increase resilience by offering a buffer in case of shocks. Moreover, the additional resources result in investments in human capital and physical assets. Cash transfers provided over multiple periods to poor households are typically used to pay off debts, to accumulate productive assets or to buy inputs. Experience shows that these objectives are more effectively achieved when safety net support is combined with investments in livelihoods -as it is done, for instance, through the e-voucher subsidy scheme (Prior action #7) and reforms to improve the maintenance of rural roads under PRIGSO1.

4.30. **An assessment of the redistributive effects of Mali’s fiscal policies by the DPO team finds that cash-transfers (an important component of overall safety nets) are pro-poor and well targeted.** The poorest 40 percent receiving almost 85 percent of the amount transferred. Despite this good performance, safety nets remain underfunded and rely heavily on external financing even though the SCD estimates that safety nets have the potential to reduce the number of poor significantly: less than 2 percent of GDP in perfectly targeted transfers in combination with 2 percent of growth per capita over the next 15 years (of the poorest households) is sufficient to eliminate poverty by 2030. With the adoption of a national social protection strategy coordination in the sector has improved, as has funding. Better organization convinced the Ministry of Finance to set-up a separate budget line for social transfers and attracted additional funding from donors (Department for International Development - DfID US\$10 million; Swiss Corporation US\$0.5 million; and *Agence France de Développement* (French Development Agency – AFD) US\$2.4 million). Mid-2017 the total number of beneficiaries of was estimated at 68,000, up from 60,000 2015. The objective for the PRIGSO series is to reach 150,000 beneficiaries by mid-2019. To facilitate continued coordination a Unified Social Registry has been created, supported by PRIGSO2. The registry is accessible to all (including through internet), and allows prospective beneficiaries to register themselves and claim benefits (upon verification). This enhances transparency as well as coordination.

4.31. **By linking Jigisemejiri to the health insurance system of the ANAM, greater coordination in social protection is achieved, while giving the most vulnerable access to free medical care.** ANAM has created a performance based approach to paying for health services at the frontline level. The approach is scaling up rapidly from 1,008 beneficiaries in 2012 to 87,986 in 2016, a growth that is in large part attributable to the inclusion of almost 45,000 safety net beneficiaries. One of the advantages of working with the Unified Registry is that a separate registration of beneficiaries is no longer necessary. ANAM has much scope for further scaling up and for offering a true (medical) safety net for the poorest households. It is envisaged that the number of people covered by ANAM increases to over 300,000 in 2018.

4.32. Analytical underpinnings for the various prior actions are presented in Annex 5. The implementation status of the various prior actions, and how the proposed prior actions relate to the indicative triggers can be found in Annex 6.

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

4.33. **The proposed operation is closely aligned with the CPF FY16-FY19 (Report 94005).** The two of the pillars of the CPF, 'Create Economic Opportunities' and "Build Resilience' are reflected in the PRIGSO series. In accordance with the CPF, the policy reforms sought are complementary to operational activities that seek to improve productivity and resilience in rural areas and particularly those in the livelihood zones where most of the poor live.

4.34. **PRIGSO complements a number of World Bank investment projects and technical assistance programs.** Policy actions supported under Pillar 1 are supported by advisory services and analytics (ASA) work with respect rural finance, productivity in drylands as well as in the telecommunications sector (ICT-prior action). The proposed reforms are also expected to bolster current World Bank's projects in the areas of agriculture (West Africa Agricultural Productivity Program [WAAPP p129565], Agricultural Competitiveness and Diversification Project [ACDP p130873], Fostering Agricultural Productivity [PAPAM p095091]), Rural Mobility and Connectivity Project [RMCP p160505) and the upcoming Mali Drylands Development Project, P164052) and Rural Mobility Project [RMP]). As for the proposed measures under Pillar 2, they complement ongoing ASA (distributive aspect of the budget), projects and TA in the domains of decentralization (Urban Local Government Support Project [ULGSP p116602], Governance and Budget Decentralization Technical Assistance Project [GBDTAP p112821]) and social protection (Emergency Safety Nets Project [ESNP p127328] and Support for the National Social Protection Strategy [SNSPS p157892]).

4.35. **The PRIGSO series also benefits from the Iterative Beneficiary Monitoring (IBM) approach which has been operational in the country office since 2016.** Developed under a poverty ASA task, IBM offers an innovative, low cost way to assessing the implementation of projects, increasing beneficiary engagement, and enhancing project results. The approach which relies on mobile phone interviews and face to face interviews using small samples has demonstrated to offer valuable and timely feedback to project managers. The approach will be used to assess progress in a number of reform areas, including to assess the functionality of the e-voucher scheme, the rural land commissions and access to free health care by Jigisemejiri beneficiaries.

E. CONSULTATIONS, COLLABORATION WITH DEVELOPMENT PARTNERS

4.36. **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 and civil society

organizations, undertaken during the preparation of the SCD and CPF FY16-19, and around the design and monitoring of the CREDD. All the bills supported by the proposed operation have also followed the traditional consultation process involving public institutions, unions and civil society organizations active in the relevant sectors. More generally, Mali is known for its profound culture of meaningful consultations and “consensus politics”.

4.37. **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 GoM 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.

5. OTHER DESIGN AND APPRAISAL ISSUES

A. POVERTY AND SOCIAL IMPACT

5.1. **The SCD highlights how poverty reduction in Mali has been strongly associated with the increase in the production of cereals.** The increase in the production of cereals was driven by area extension and yield increases, facilitated by market liberalization, significant subsidies on fertilizer and improved road connectivity. The SCD notes how future poverty reduction should be driven by a combination of continued increases in agricultural production and an enabling business environment, while also pointing towards the need for a greater focus on agricultural productivity in the semi-arid zones. The SCD finally points to the significant contribution scaled up, well-targeted, social protection can make to poverty reduction, pointing out that the current level of Official Development Assistance (ODA) is sufficient to bring all poor households to the poverty line.

5.2. **The reforms supported by the proposed operation operationalize the recommendations of the SCD.** Improved financial inclusion⁷, more affordable and accessible telecom services and measures in support of enhanced social protection⁸ complement the e-voucher reforms aimed at rural productivity enhancement. The expansion of the e-voucher scheme enhances the efficiency, transparency and traceability of agricultural subsidies. Moreover, the e-voucher scheme allows for greater flexibility in the targeting of agricultural subsidies, offering the potential to exchange the current paper vouchers for selected fertilizers for tailor-made subsidies for improved (drought resistant) seed in one area, animal services in another and fertilizer in yet another.

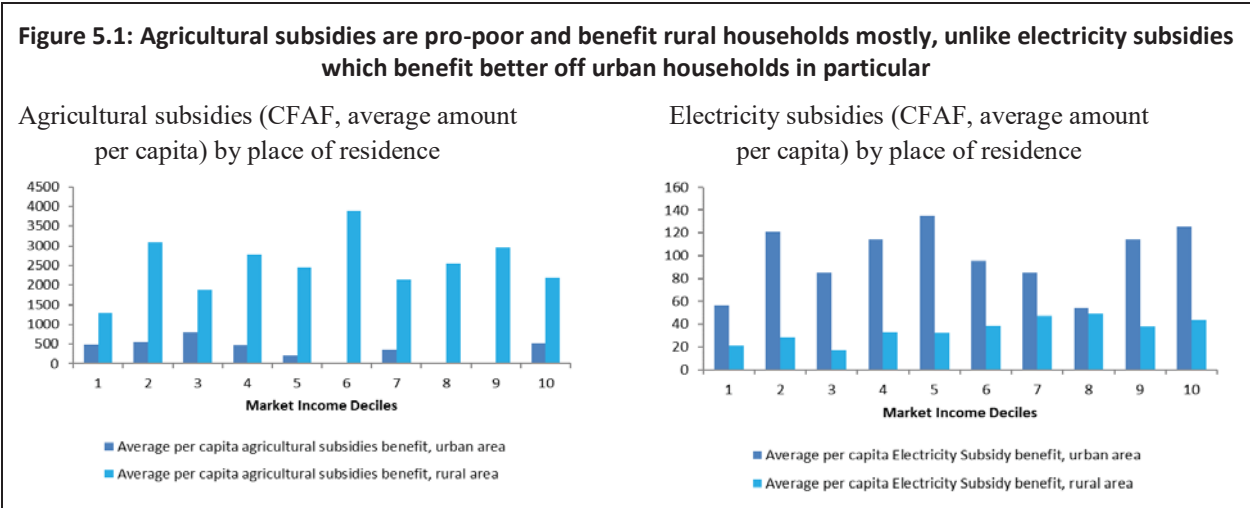
5.3. **Measures have been taken to avoid that households in the four pilot districts that previously received paper vouchers become excluded when they switch to e-vouchers** because of a failure to get registered, because of limited access to a mobile phone network or lack of ownership of a phone. To avoid registration failures, two registration rounds were held. The second round was preceded by a radio campaign to avoid a situation in which beneficiaries who were not included the first round (when enumerators went door to door) are not aware of the need to get registered. Beneficiaries who do not own their own phone are given the option to provide the phone number of someone they trust. Their e-vouchers will be sent to them instead. Even though the four pilot areas were selected because of their network coverage, radio messages precede the distribution of vouchers alerting beneficiaries that vouchers have been sent and can only be collected when they are within reach of the phone network. For those who are out of network, or who have switched-off their phones, text messages remain accessible on the network for several days. Beneficiaries who accidentally erase their text messages can request the vouchers to be sent again. In this way, accidental exclusion can be avoided. To facilitate a successful extension of the e-vouchers system beyond the four pilot areas, and to reach households in the more isolated areas –where the poorest live, this DPO series also supports mobile phone network extension and its upgrading through prior actions for the AGEFAU and the award of new telecom licenses.

⁷ While liquidating one of the two biggest MFI in bankruptcy (Jéméni) the GoM has put in place a pro-poor compensation formula whereby the smaller depositors recovered 80 percent of their net deposits and the largest depositors received 35 percent. The Government envisages to continue to apply a pro-poor formula during future liquidations.

⁸ An internal evaluation of *JigisemeJiri* indicates that about 70 percent of the transfer was used to buy food; around 10 percent to buy medicines and pay rent in urban settings, while in rural areas the transfer helped to cover the costs of education and hygiene products; and about 15-20 percent of transfers were invested in household welfare using the cash to buy either small livestock or agriculture inputs such as herbicides, seeds and fertilizers. The preliminary results of the baseline survey of the external impact evaluation of the *JigisemeJiri* presented by IFPRI indicate that the project displays good targeting for identifying the targeted households.

5.4. **Measures that indirectly support the core priorities of the SCD are support to fiscal decentralization and the operationalization of the land act.** Increased fiscal decentralization bears the premise of improved service delivery because by bringing decision making to the local level, local priorities can be better reflected and because more purchasing power at the local level may incentivize those who make up Mali’s personalized political settlement to invest more in rural areas. To ensure that the results of decentralization are carefully monitored the team has invested –in collaboration with the authorities in a distributional analysis of public spending. This analysis considers the distributional impact of revenue collection and budgetary spending and serves will serve baseline against which future (more decentralized) budgets will be evaluated.

5.5. **The operationalization of the Agricultural Land Commissions is expected to reduce tenure uncertainty, a main constraint identified by the SCD.** The agricultural land act was developed following a participatory regional process and contributes to improving tenure security for particularly smallholder farmers and reducing land related conflict. The new Agricultural Land Act provides greater recognition to customary land rights, requires consent of family members for land transactions, promotes land administration (land holdings and transactions), promotes access of women and young people to agricultural land managed by Government (irrigation schemes in particular) and supports the establishment of village land commissions. The latter is expected to strengthen the involvement of rural populations in agricultural land management. The new land act also supports the establishment of an amicable settlement procedure of agricultural land disputes prior to referral to the competent courts, a measure which is believed to enhance the ability of family farmers to access justice and reduce costs of conflict resolution. Enhancing tenure security, is expected to contribute to productivity enhancing investments and thus help accelerate poverty reduction.



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

5.6. **Reforms in the energy sector are expected to lead to a better business environment and to free-up resources for use in a more progressive manner.** The energy sector benefits from considerable subsidies which are regressive. With PRIGSO2, a start is made with a reform process that will take time and lead to cost reductions. Once completed, the sector is expected to be more competitive and no longer dependent on subsidies. The opportunity costs of these subsidies –which benefit particularly the better off urban households (Figure 5.1), is high, and an alternative use of these public resources is likely to be more pro-poor than its present use.

5.7. **As none of the proposed measures was a priori expected to have a negative impact on the poor, new PSIA analyses were not commissioned** (the impact of tariff reform on the poor had already been assessed for a previous operation and in the Commitment to Equity [CEQ] analysis). As unintended distributional consequences can never be excluded, or as even the best design program may not be implemented as envisaged, the team participated in the development of an innovative monitoring approach (IBM)⁹ that collects feedback directly from beneficiaries to help make sure that policy reforms have the intended effects. IBM has been (and continues to be) applied to assess the implementation of the e-voucher scheme, the creation of land commissions as well as the distribution of free medical care and the creation of the unified register. Results to date, allowed the team to exchange with the authorities on areas where corrective actions were necessary as unintended negative consequences were noted. It led to addressing unexpected gender biases in the registration process of e-voucher beneficiaries and eliminated double entries in its beneficiary register. It also led to further policy dialogue on the selection of social protection beneficiaries, of members to the land commissions and how to address bottlenecks in the provision of free medical care at *Centre de Santé Communautaire* (Community Health Center – CSCOM) level to *Régime d'Assistance Médicale* (Medical Assistance Regime – RAMED) card holders.

5.8. **The reforms included in this proposed operation are expected to be either gender neutral or to have a positive impact on gender equality.** The proposed operation includes measures to foster inclusive growth and sectoral efficiency and support 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 disparities¹⁰ by easing girls' and women's access to basic social services and new economic opportunities. More concretely, through its follow up of implementation practices using IBM, this operation was instrumental to ensuring that individual farmers (male and female) are registered as beneficiaries of the e-voucher scheme, an approach that improves the intra-household bargaining position of women. Through its dialogue on member selection practices for rural land commissions and by demonstrating the low participation of women (6 percent) in the initially created land commissions, this operation opens a dialogue on what could be done to ensure a larger participation of women in these commissions. In a similar vein, IBM evidence and the follow-up dialogue led World Bank management to conclude that future social projection projects need to target women as recipients of cash transfers.¹¹

B. ENVIRONMENTAL ASPECTS

5.9. **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

⁹ World Bank 2018. *An adaptive approach to enhancing the implementation of World Bank projects*. Poverty and Equity Notes, April 2018, number 4.

¹⁰ Only 25 percent of adult women are literate, compared to 43 percent of men. Girls attend school less frequently than boys and are less likely to complete. The gender gap becomes particularly strong after the primary cycle, reaching around 20 percent at lower secondary school and 60 percent at tertiary. Women's access to productive inputs such as agricultural credit, improved seeds or fertilizers is twice to three times lower than for men.

¹¹ For more information see: World Bank 2018. *Enhancing Gender Equality in World Bank projects using IBM*.

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 procedures¹². 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 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.

5.10. Climate change remains at the top of the Government’s agenda. In July 2011 the GoM 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.

5.11. However, environmental institutions lack expertise and funding. The 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 ongoing Natural Resource Management in Climate Change Project (p145799) within the AEDD and the Economic and Environmental Rehabilitation of Niger River under preparation. In addition, all other investments projects under implementation are involving the National Directorate of Control of Pollution and Nuisances 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.

5.12. None of the measures supported by the proposed operation is expected to have any significant negative impact on the environment. The reforms around land management are expected to have a positive impact and improve resilience to the consequences of climate change. 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. The Agricultural Land Act and the revision of the Domains and Land Act should contribute to a better way

¹² Decree No. 08-346/P-RM of June 26, 2008.

to avoid and manage these conflicts and hence to enhanced resilience of pastoralists and farmers. It should also improve tenure security, particularly of smallholder farmers. Security of tenure, in turn is associated with increased investments in soil conservation and fertility. The team recognizes, however, that key challenges stem from the operationalization of these land reform measures and poor implementation of the reform could lead to negative environmental and social impacts. The overall impact this 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 organize an inclusive nationwide awareness campaign. Specific simple and easy access guidelines have to be prepared to ensure ownership of the reform by stakeholders. The Government will also need to strengthen the land reform monitoring and evaluation system by deepening the collaboration with Civil Society Organizations representatives on the implementation of the Agricultural Land Act.

5.13. Reforms in the energy sector are expected to have positive environmental effects in the short and long run. In the short run the installation of smart meters amongst large (industrial) energy consumers who consume almost half of all electricity in the country, is expected to lead to fewer commercial losses. As more electricity will be billed, this is expected to lead to a higher-de facto tariff, inciting greater energy efficiency amongst users. Moreover, and in the longer run, the additional information offered by smart meters puts EDM into a better position to manage its energy production efficiently and to rely less on thermal (emergency-diesel generation). This the more so as the smart meters will make the revenue stream for EDM more sustainable. This is an important step towards a financially rehabilitated sector that is able to attract private sector financing and lower its production costs moving away from polluting emergency generation using diesel and investing into electricity production using hydro (accessible after investments in interconnections to Guinea) and solar (such as the Segou Solaire Project p148355).

5.14. 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. After all, e-vouchers are not only more transparent, they also 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. Moreover, by offering a better tailored package of subsidized interventions, and a package that can be changed rapidly in response to changing physical and climatic circumstances, e-vouchers allow to flexibly adapt to climate change in at least two ways: first in case a climatic shock materializes, e-vouchers allow 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. E-vouchers also increase the food security of net food sellers and buyers by contributing to increased food surpluses and lower food prices. Already, the increase in cereal production in Mali over the past decade has been one of the main drivers of poverty reduction.

5.15. The expansion of the cash transfer program as a result of reforms associated with the Unified Registry is expected to enhance household resilience to the negative consequences of climate change. Climate change in Mali is leading to increased weather variability and to enhance household vulnerability and food insecurity. In fact, the present food insecurity affecting millions of people in the north of the country illustrates the vulnerability of a population that earns a living through rain-fed farming. The cash transfer program, with its emphasis on productive investments, helps reduce vulnerability to climate shocks by increasing the asset base of households (beneficiaries often invest in drought-resistant animals

like goats and sheep), by offering financial means to invest in (solar) irrigation and by allowing households to diversify their sources of income through investments in other (non-farm) income generating activities.

C. PFM, DISBURSEMENT AND AUDITING ASPECTS

5.16. **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 PREM 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 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 Ministry of Economy and Finance (MEF)¹³.

5.17. **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.

5.18. **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.

5.13. **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

¹³ <http://www.finances.gouv.ml/lois-de-finances/lois-des-finances-2016>.

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.

5.14. **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.

5.15. **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 DPOs. 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.

5.16. **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.

E. MONITORING, EVALUATION AND ACCOUNTABILITY

5.17. **The MEF (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.

5.18. **Updates on progress towards the results indicators (mid-2017) are provided in Annex 2.** For a number of indicators the reform program had already led to positive change. For instance, e-vouchers had been implemented at small scale, the ratio of NPLs dropped substantially, budgetary resources allocated to the three poorest regions increased and the number of cash-transfer beneficiaries was on the increase.

5.19. **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 DPO 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, 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”.

6. SUMMARY OF RISKS AND MITIGATION

6.1. **The overall risk rating for the proposed operation is substantial.**

Table 6-1 : PRIGSO2 Risk Rating

Risk Categories	Rating
1. Political, governance and security risks	High
2. Macroeconomic	Substantial
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	Low
8. Stakeholders	Low
Overall	Substantial

6.2. **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 likelihood of such a shift. Moreover, in the political field, the presidential majority base at the National Assembly was recently eroded with the defection of several Members of Parliament from parties who have disassociated themselves from the ruling coalition. The proposed operation does not directly entail measures to

mitigate such risks or their impact, even if the focus put on poverty reduction and resilience is intended to generate buffers needed to absorb security shocks.

6.3. **Macroeconomic risks are substantial.** A significant increase in oil prices, additional outlays to assure uninterrupted electricity production or a drop in gold prices would negatively affect the current account balance and fiscal position. A negative climatic shock would aggravate food insecurity, raise social spending needs and raise food inflation and would significantly reduce GDP growth –also in the non-agricultural sectors. Given Mali’s limited fiscal buffers, such risks could affect budget execution. First this would affect domestically-financed public investment, but if the shock is sufficiently severe recurrent spending could also be affected particularly activities like the operationalization of land commissions, the expansion of the e-voucher scheme or the expansion of social protection. However, Mali’s fiscal situation and management already 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.

6.4. **Sector strategies and policies risks are high particularly with respect to scale up of the e-voucher scheme, energy 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 (US\$60 million in 2014), so are the associated interests. Opposition to the introduction of the e-voucher scheme at limited scale in Sikasso and Segou has been considerable, and the extension of the scheme beyond these two test regions should not be taken for granted. Similar concerns exist for measures promoting electricity sector reform and decentralization. Vested interests are strong and while the DPO 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 and the fact that Presidential elections are planned for July 2018 and parliamentary elections for November 2018.

6.5. **Risks associated with the technical design of project or program are substantial** to reflect the complexity of the policy and results matrix. The Ministry of Finance apart, reforms are implemented by multiple sectors (agriculture, telecom, finance, energy, social protection). Adding to the complexity is physical dispersion of the agents affected by a number of the reforms (land commissions, e-vouchers, social protection). To manage this complexity, the team made sure reform actions were selected in areas in which World Bank projects are active (e-vouchers, social protection, energy), in areas with ongoing ASAs (finance; land) or where the World Bank provides TA (telecom). To reduce the complexity of monitoring reform implementation when beneficiaries live across the territory, the team has started to rely on IBM, which offers direct feedback from beneficiaries in an affordable manner. IBM exercises have been launched for e-vouchers, land commissions and social protection

6.6. **Institutional capacity risks are also rated substantial.** There is a large number of ministries (Economy and Finance, Urban and Land Affairs, Agriculture, Energy and Water, ICT, and Solidarity, Social Protection) 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 e-voucher scheme, the creation of the cadaster, the supervision of agricultural land commissions or the maintenance of the unified register. 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 (MFI, ICT, agriculture, social protection, decentralization, transports, etc.). Monitoring and evaluation arrangements commonly in place in the MEF are largely adequate and have proven their effectiveness during previous DPO series.

6.7. **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.

ANNEX 1: POLICY AND RESULTS MATRIX

Completed prior actions under PRIGSO 1 and prior actions for PRIGSO2		Results (to be attained by June 2019 ^(*))
Prior actions completed under PRIGSO1	Prior actions for PRIGSO2	
Pillar 1: Fostering inclusive growth		
<p>Prior action #1: The Recipient has enhanced security of land tenure through the promulgation of the Agricultural Land Act.</p>	<p>Prior action #1: The Recipient has enhanced the security of land tenure by: (i) adopting two application decrees for the Agricultural Land Act¹⁴; (ii) appointing members to at least 300 sub-district agricultural land commissions; and (iii) adopting through the Council of Ministers the Domains and Land Policy.</p>	<p><i>The newly created land commissions are functional, as evidenced by the fact that they held a meeting in the past three months.</i></p> <p>Baseline (2015): 0% Status (mid-2017): 0% Target (June 2019): 80%</p>
<p>Prior action #3: The Recipient, through the Ministry of Economy and Finance, has issued a ministerial decision establishing a commission in charge of awarding a 4G license to existing operators and, through the Ministry of Digital Economy and Communications, issues a ministerial order creating the commission in charge of awarding a fourth mobile telecommunications license, using an open international bidding process.</p> <p>Prior action #4: The Recipient, through the Office of the Prime Minister, has facilitated the extension of the mobile telephone network to isolated areas, making operational the Universal Service Fund Management Agency (AGEFAU), by: (i) adoption of the decree of appointment of its Director General; (ii) creation and provisioning of its account; and (iii) adoption of a decree fixing the percentage rate and modalities of payment of compulsory contributions payable to the fund.</p>	<p>Prior action #2: The Recipient, through the Ministry of Digital Economy and Communications, has: (i) included obligations in terms of wholesale supply and facility sharing in the 4G licenses for the two active operators; and (ii) launched the call for proposals for a fourth mobile telecommunication license through an open international bidding process offering market access conditions in line with international good practices.</p> <p>Prior action #3: The Recipient, through the Board of Administrators of the AGEFAU has adopted AGEFAU's work plan for 2018 which includes investments to extend telecom services to previously uncovered areas.</p>	<p><i>Decrease in the average in tariff per minute for personal domestic calls.</i></p> <p>Baseline (2015): CFAF 108. Status (mid-2017): CFAF 108 Target (June 2019): CFAF 90</p> <p><i>Increase in the number of rural localities benefiting from extension projects of telecom services.</i></p> <p>Baseline (2015): 0. Status (mid-2017): 0 Target (June 2019): 16</p>

¹⁴ Décret fixant la composition et les modalités de fonctionnement des Commissions foncières villageoises et de fractions ; and (ii) décret fixant les modalités de fonctionnement de l'Observatoire national du Foncier agricole.

Completed prior actions under PRIGSO 1 and prior actions for PRIGSO2		Results (to be attained by June 2019(*))
Prior actions completed under PRIGSO1	Prior actions for PRIGSO2	
<p>Prior action #5: The Recipient, through the Ministry of Economy and Finance, has issued ministerial orders withdrawing the licenses of those microfinance institutions that have been audited and needed to be liquidated pursuant to its micro finance sector emergency plan, dated March 2015.</p>	<p>Prior action #4: The Recipient, through the Ministry of Economy and Finance, has strengthened financial inclusion by: (i) appointing a liquidator for two of the microfinance institutions whose licenses have been withdrawn; and (ii) completing the 2017 supervision program of the CCS/SFD in accordance with its annual calendar.</p>	<p><i>Reduction in the non-performing loans ratio of all microfinance institutions (PAR90).</i> Baseline (2014): 8.8%. Status (mid-2017): 4.9% Target (June 2019): 4.5%</p>
<p>Prior action #6: The Recipient, through the Ministry of Economy and Finance and the Ministry of Equipment, Transport and Regional Integration, has issued an inter-ministerial order fixing the percentage of the Road Maintenance Fund to be allocated to the routine maintenance of priority rural roads.</p>		<p><i>Increase in the execution rate of maintenance needs for priority rural roads.</i> Baseline (2015): 15%. Status (mid-2017): 36% Target (June 2019): 40%</p>
	<p>Prior action #5: The Recipient, through: (i) the Ministry of Energy and Water, has initiated the reform process aimed at enhancing the efficiency of the electricity sector by endorsing the audit of EDM, including the proposed set of reform actions. (ii) EDM, has initiated the process aimed at improving revenue collection by requiring the use of smart meters by high voltage users and large low voltage users.</p>	<p><i>Increase the number of large low voltage and high voltage users with smart meters</i> Baseline (2015): 0. Status (mid-2017): 0 Target (June 2019): 6,000</p>

Pillar 2: Supporting pro-poor (decentralized) transfers and social protection			Results (to be attained by June 2019)
Completed prior actions (PRIGSO 1) and prior actions PRIGSO2	Prior actions for PRIGSO2		
<p>Prior action #7: The Recipient, through the Council of Ministers, has advanced the decentralization process by adopting a draft 2017 budget providing for the transfer of budgetary resources to local governments pursuant to its competencies and resources transfer plan in favor of local governments.</p>	<p>Prior action #6: The Recipient has produced an electronic cadastral map for Bamako.</p>		<p><i>Increase in the percentage of budgetary resources allocated to the three poorest regions in total budgetary resources transferred to regions.</i> Baseline (2015): 15%. Status (mid-2017): 18.3% Target (June 2019): 25%</p>
<p>Prior action #2: The Recipient, through the Ministry of Economy and Finance, Ministry of Agriculture and Ministry of Livestock and Fisheries, has introduced an e-voucher scheme for the distribution of agricultural inputs subsidies, through the adoption of a revised procedures manual governing the modalities of distribution of such subsidies.</p>	<p>Prior action #7: The Recipient, through the Ministry of Agriculture has launched the e-voucher scheme for the distribution of agricultural input subsidies by (i) completing the registration of farmers in four sub-districts (Yanfolilla, Koutiala, Niono, Bla); and (ii) notifying beneficiaries via text message about the date at which the e-vouchers will be distributed.</p>		<p><i>Increase in the number of agricultural subsidy beneficiaries who receive their subsidies through e-vouchers (as opposed to paper vouchers).</i> Baseline (2015): 0 Status (mid-2017): 17,500 Target (June 2019): > 100,000</p>
<p>Prior action #8: The Recipient, through the Ministry for Solidarity, Humanitarian Action and Reconstruction of the North , has adopted a unified vision of its social protection policy, through: (a) adoption of a Presidential Decree approving the National Social Protection Policy, along with its accompanying social protection action plans 2016-18; (b) adoption of a Presidential Decree creating the National Council of Strategic Orientation of Social Protection (“National Council”), and issuance, through MSAH, of a ministerial order creating the Unified Social Registry Steering Committee (“Steering Committee”); and (c) commencement of operations of both the National Council and the Steering Committee.</p>	<p>Prior action #8: The Recipient, through the Ministry for Solidarity and Humanitarian Action, has: (i) made available on-line a Unified Social Registry, including a mechanism to integrate beneficiaries of various social safety net programs; and(ii) made Jigisemejiri beneficiaries eligible to free medical care at the CSCOMS by distributing RAMED insurance cards.</p>		<p><i>Increase in the number of households receiving cash transfers (direct transfers, high-labor intensive work, and income-generating activities).</i> Baseline (2015): 60,715. Status (Dec-2017): 67,815 Target (June 2019): 150,000</p>
<p>Prior action #9: The Recipient has made provision in its 2017 budget for budgetary allocations to expand the coverage of social safety net programs, including JIGISEMEJIRI and RAMED.</p>			

(*) Targets are for end June 2019, 6 months later than envisioned at the start of the series. It reflects the concomitant delay in completing the reform program.

ANNEX 2: LETTER OF DEVELOPMENT POLICY

MINISTÈRE DE L'ÉCONOMIE
ET DES FINANCES

SECRETARIAT GÉNÉRAL



No 01818

REPUBLIQUE DU MALI
Un Peuple - Un But - Une Foi

Bamako, le 04 MAI 2018

Le Ministre de l'Économie et des Finances
A

Monsieur Jim Yong KIM, Président de la Banque mondiale

1818 H Street, NW Washington, DC 20433 ÉTATS-UNIS
Tél : 1-202-473-1000 | Fax : 1-202-477-6391

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 2017 et les perspectives en 2018-2019. Elle présente également l'état de mise en œuvre des réformes en 2017 et le programme de réformes en 2018 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 CSCRP 2012-2017 adopté en décembre 2011, du Programme de Relance Durable du Mali 2013-2014 adopté en avril 2013, du Plan d'Actions du Gouvernement (PAG) 2013-2018 et, depuis 2016, du Cadre Stratégique pour la Relance Economique et le Développement Durable (CREDD). 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 trois piliers : (i) promouvoir une croissance inclusive et durable, (ii) améliorer l'accès aux services sociaux de base, (iii) renforcer le développement institutionnel et durable.

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 réduction de la pauvreté et à une croissance inclusive. Ce financement servira de soutien aux efforts de réduction de la pauvreté et de renforcement de la résilience des populations les plus vulnérables, ainsi qu'à la promotion d'une croissance inclusive.

Faits saillants en 2017

Contexte Politique, Social et Economique

4. Le Mali se remet progressivement de la crise survenue en 2012 grâce au rétablissement de la sécurité, à la conclusion en juin 2015 des négociations du processus d'Alger débuté en 2014 et au 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. 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). 66 pour cent de ce montant a déjà été décaissé dont 33 pour cent à travers le budget de l'Etat.

7. Commencé 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). Cet accord ouvre la voie à une nouvelle ère de paix et de réconciliation durables dans le pays. Dans le cadre de sa mise en œuvre, des Autorités intérimaires ont été installées dans certaines régions du Nord et le seront bientôt dans toutes les régions du Nord. De même, la Conférence d'Entente Nationale s'est tenue en avril 2017 et ses conclusions serviront à l'élaboration d'une charte nationale.

8. L'APRM prévoit la création d'une Zone de Développement des Régions du Nord qui sera 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 Mondiale, la Banque Africaine de Développement et la Banque Islamique de Développement. Une Conférence d'appel de fonds a été organisée le 22 octobre 2015 à Paris en vue d'instituer le Fonds pour le Développement Durable (FDD) qui sera l'instrument financier de la stratégie spécifique de développement. Ledit Fonds a été créé suivant la loi n°2018-008 du 12^e février 2018. Pour renforcer davantage l'administration le Gouvernement a créé en 2016 deux nouvelles régions dans le Nord. Il s'agit notamment des Régions de Taoudénit et de Ménaka.

Développements macroéconomiques et réformes récentes

Au niveau macroéconomique

9. La reprise économique se consolide notamment, en raison des politiques de soutien à l'agriculture et à l'assainissement des finances publiques grâce au paiement des arriérés auprès des fournisseurs. Malgré un léger ralentissement, la croissance réelle du PIB est restée robuste en 2017. Elle est estimée à 5,3 pour cent, soutenue par le maintien des performances dans le secteur agricole notamment, la forte hausse de la production cotonnière et le renforcement du secteur tertiaire, contre 5,8 pour cent en 2016. Avec le soutien aux producteurs et la mise en place des intrants agricoles en début de campagne, malgré un léger retard, le secteur agricole a augmenté de 4,6 pour cent tandis que la croissance du secteur tertiaire a atteint 5,6 pour cent en relation avec le dynamisme de la branche des télécommunications. Le secteur secondaire a également enregistré une hausse de sa production de 6,3 pour cent après une quasi-stagnation en 2016, en raison d'une reprise dans l'industrie extractive, les branches textiles et agroalimentaires et une accélération dans celle des bâtiments et travaux publics. L'inflation des prix à la consommation, malgré une hausse, reste relativement bien maîtrisée avec un taux de 1,8 pour cent en moyenne contre -1,8 pour cent en 2016.

10. Les finances publiques présentent un déficit budgétaire global (base caisse, dons inclus) de 2,6 pour cent du PIB en 2017 comparé à 3,9 pour cent en 2016. Les dépenses totales et prêts nets ont été de 2045,0 milliards de FCFA (23,0 pour cent du PIB). Le solde budgétaire de base a été déficitaire de 79,5 milliards de FCFA (0,9 % du PIB).

11. Le déficit du compte courant (dons inclus) de la balance des paiements s'est réduit pour atteindre 6,2 pour cent du PIB en 2017 comparé aux 7,2 pour cent en 2016, à la faveur d'une hausse de la valeur des exportations d'or et de la baisse des importations de produits alimentaires favorisée par la bonne production agricole en 2016. Ce déficit du compte courant n'a été que partiellement financé par des entrées nettes de capitaux, principalement sous la forme d'aide extérieure et d'investissements directs étrangers. En conséquence, le solde global de la balance des paiements a enregistré un déficit de 67,9 milliards de FCFA, financé par l'utilisation des réserves de changes de la Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO).

12. La masse monétaire a crû de 7,4 pour cent, sous l'impulsion du crédit à l'économie qui a progressé de 11,1 pour cent. Les banques commerciales recourent en partie aux avances de la BCEAO pour financer l'économie malienne et souscrire aux titres émis par les Etats de l'Union Economique et Monétaire Ouest Africaine (UEMOA).

Au niveau des réformes

Améliorer la gestion publique, assurer la transparence et promouvoir la redevabilité

13. L'administration malienne fait face à un défi de modernisation et de stabilité pour promouvoir des méthodes innovantes dans le fonctionnement de tous les services et de toutes les institutions du secteur public. Pour améliorer la compétitivité des savoirs et des services, le Gouvernement a créé des opportunités nouvelles, notamment la formation à travers l'Ecole Nationale d'Administration et instauré la mise en concurrence des emplois administratifs

supérieurs. A cet effet, le Gouvernement a adopté le projet de loi portant principes fondamentaux de la création, de l'organisation, de la gestion et du contrôle des services publics. Ce texte adopté par l'Assemblée Nationale a été promulgué par la Loi N°2014-049 du 19 septembre 2014, introduisant le principe de l'adéquation entre le profil et le poste pour la nomination aux emplois supérieurs et le principe d'égalité, d'équité et de transparence.

14. Le dispositif de reddition et de jugement des comptes des comptables publics participe à la transparence et la redevabilité. La Section des Comptes de la Cour Suprême est l'acteur principal de ce dispositif. Malgré de nombreuses initiatives entreprises par le Gouvernement tendant au renforcement des capacités de la Section des Comptes pour faire face à ses obligations juridictionnelles, les réformes en profondeur tardent à voir le jour. En attendant l'érection de la Section des Comptes de la Cour Suprême en une Cour des Comptes comme le prévoient les Directives de l'UEMOA, ce qui était prévu dans le texte de la réforme constitutionnelle dont le processus d'adoption a été suspendu, le Gouvernement a adopté le projet de loi organique visant le renforcement des capacités de la Section des Comptes pour remplir ses missions juridictionnelles de manière plus efficace au sein de la Cour Suprême.

15. Le droit d'accès à l'information est essentiel pour le développement. Ce droit est un élément fondamental de la bonne gouvernance qui donne à chacun les moyens de participer activement à la réalisation des objectifs du développement. Ainsi, le Gouvernement a encouragé la publication de plusieurs documents budgétaires, notamment la liste des contribuables, les documents du budget annuel, la situation d'exécution du budget, le plan de passation des marchés d'appel d'offre. Pour soutenir ce droit d'accès à l'information, des efforts significatifs ont été enregistrés, comme la promulgation de la loi portant code de transparence (Loi n°2013 - 031 du 23 juillet 2013) et l'adoption de son décret d'application (Décret N°2014-0607/P-RM du 13 août 2014), dont l'un des objectifs est d'améliorer l'efficacité de la dépense publique pour le bénéfice des citoyens.

16. 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 contre l'enrichissement illicite. Dans le cadre de l'application de cette loi, un Office de lutte contre l'enrichissement illicite (OCLEI) a été créé et ses membres nommés. Cependant, certaines difficultés sont intervenues à l'application de la Loi avec sa contestation par les syndicats. 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 des 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.

17. Pour assurer la transparence des paiements issus de l'exploitation des extractions des ressources naturelles, le Mali a adopté les normes de l'Initiative pour la Transparence des

Industries Extractives (ITIE) pour devenir pays conforme de l'ITIE 2011. Afin de promouvoir cette pratique, le Gouvernement a introduit une ligne budgétaire dans la loi de finances 2014 pour le financement des activités de l'Initiative de Transparence des Industries Extractives.

Améliorer l'efficience de la dépense publique pour favoriser la relance économique

18. Face au besoin récurrent et croissant des transferts budgétaires à l'Energie du Mali (EDM.SA) en raison du déséquilibre structurel entre les prix de vente de l'électricité et les coûts de production, le Gouvernement a adopté et appliqué le mécanisme d'ajustement tarifaire de l'électricité en 2013 tout en procédant à une augmentation moyenne des tarifs de l'électricité de 7 pour cent. Malgré cet ajustement tarifaire, la viabilité financière reste toujours préoccupante. Ainsi, le Gouvernement a adopté et met en œuvre le plan d'actions visant à restaurer durablement la viabilité financière de la compagnie Electricité du Mali tout en stabilisant les pertes opérationnelles d'EDM.SA à partir de 2014. A cet effet, le Gouvernement compte sur l'assistance des services de la Banque mondiale, en matière de transferts ciblés sur les couches les plus vulnérables de la population qui pourraient être intensifiés en cas de hausse des prix des produits énergétiques ou alimentaires.

19. 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 (CPER) dont toutes les régions seront dotées en 2019. Ainsi, ces CPER 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. Pour mettre en place cet instrument, le Gouvernement a adopté le décret d'application établissant les contrats plans entre l'Etat et les régions en vue de promouvoir le développement régional dans le pays. A ce jour six (6) Régions (Sikasso, Ségou, Mopti, Tombouctou, Gao, Kidal) ont signé leur contrat plan, ceux des régions de Koulikoro et Kayes sont en cours d'approbation par le Ministère de l'Economie et des Finances et un (1) en cours d'élaboration (Bamako).

20. La délivrance des services publics passe par une administration faisant une bonne planification pour déterminer les besoins à satisfaire par une bonne préparation des commandes publiques. Les usagers des services publics trouvent souvent les délais de passation longs. Fort de ce constat, le Gouvernement a engagé la mise en œuvre des actions visant à réduire les délais de passation des marchés publics. Ces actions ont concerné notamment la relecture du décret portant code des marchés publics et des délégations de service public et de son arrêté d'application. Elles ont permis de responsabiliser davantage les autorités contractantes par (i) le relèvement des seuils de conclusion et d'approbation des marchés, (ii) la réduction des délais

imputés à chaque acteur de la commande publique, (iii) la réduction du nombre de signataires des contrats, (iv) l'élimination des doublons dans la revue à priori des dossiers de marchés, (v) l'allègement conséquent du nombre des pièces administratives éliminatoires et (vi) la relecture de certains articles pour mieux préciser leur contenu et encadrer la préparation des plans de passation des marchés. Toutes ces actions ont contribué dans la mesure du possible à réduire les délais de passation d'au moins 28 jours améliorant ainsi le cadre macroéconomique, le service rendu aux usagers et la performance des projets et programmes.

21. Les projets d'investissement publics souffrent de mauvaise préparation en matière d'évaluation des coûts et de planification des activités. Pour y remédier, le Gouvernement a procédé en août 2017 avec l'assistance du FMI à l'Evaluation de la Gestion des Investissements Publics (PIMA). Il y 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 le Gouvernement introduira progressivement des contrats de performance appliqués aux projets d'investissement en vue de créer un système d'incitation sur la performance des projets..

Favoriser une croissance inclusive

22. 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. A cet effet, le Gouvernement a fait voter par l'Assemblée Nationale une loi foncière agricole qui sécurisera davantage les investissements dans le secteur en renforçant les droits de propriété foncière en milieu rural. Il a adopté les décrets d'application de la loi foncière agricole et opérationnalisé 300 commissions locales du foncier. Quant au projet de loi portant révision du Code domanial et foncier, il est en cours d'adoption. Mais avant l'adoption de cette loi, le Gouvernement a élaboré et introduit en Conseil des Ministres le document de Politique Nationale Domaniale et Foncière.

23. 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. En outre, le Gouvernement s'était engagé, au cours de la prochaine campagne agricole, à octroyer les subventions aux intrants à travers le système des bons électroniques, à titre exclusif, dans au moins deux régions. Dans ce cadre, le recensement des producteurs a été réalisé dans les cercles de Koutiala et Yanfolila dans la Région de Sikasso et de Bla et Niono dans la Région de Ségou. Selon le Chronogramme des SMS seront envoyés aux producteurs le 30 avril 2018.

24. Dans le cadre de la sélection des fournisseurs, le Gouvernement a lancé un processus compétitif qui a arrêté une « short list » de 42 fournisseurs. Une consultation pour avoir des offres financières a été lancée auprès des fournisseurs retenus dans la « short list ». Une session de formation des fournisseurs retenus dans le cadre du système E-voucher s'est tenue le mardi 17 Avril 2018. Au total quarante-deux (42) fournisseurs étaient présents à la formation. La formation a porté sur : (i) l'architecture du système E-voucher ; (ii) le rôle et les responsabilités des fournisseurs dans le dispositif E-Voucher ; (iii) les conditions et le support de remboursement de la subvention électronique et (iv) le délai de mise en place des stocks par les fournisseurs. En perspective, la formation des magasiniers et secrétaires généraux des OP

encadrées par la CMDT et l'ON, des représentants des fournisseurs devrait s'achever à Koutiala, Yanfolila, Bla et Niono dans la semaine du 23 au 28 avril et le déploiement des fournisseurs par commune s'effectuera avant le 30 avril 2018, date d'envoi prévue des bons électroniques aux bénéficiaires.

25. Le secteur des télécommunications est l'un des plus dynamiques au Mali et contribue fortement à la croissance économique du pays. En vue d'accroître la concurrence dans le secteur et de le rendre accessible au plus grand nombre, le Gouvernement a adopté les deux textes ci-après : (i) le 17 octobre 2016, la décision de création de la commission en charge d'accorder une licence 4G aux opérateurs existants, et (ii) le 30 mars 2017, l'arrêté de création de la commission chargée d'attribuer une quatrième licence de téléphonie mobile à travers un processus d'appel d'offres international ouvert. Il a également rendu opérationnelle l'Agence de Gestion du Fonds d'Accès Universel (AGEFAU) par :

- la nomination du Directeur Général par décret pris en Conseil des Ministres le 13 septembre 2016 ;
- la tenue de la session inaugurale du conseil d'administration de l'Agence le 29 mars 2017, et deux autres sessions ordinaires pour adopter le programme d'activités ;
- la fixation, par décret pris en Conseil des Ministres le 23 novembre 2016, de la proportion des contributions obligatoires des opérateurs de téléphonie mobile destinée à financer le service universel et devant être transférée à l'Agence de Gestion du Fonds d'Accès Universel ;
- la création et l'approvisionnement du compte de l'agence en avril 2017.

26. Le Gouvernement a mené à bon terme les mesures de réforme susmentionnées par l'octroi d'une licence 4G à l'opérateur dont la licence est arrivée à échéance et les négociations sont en cours pour le deuxième opérateur. Le cahier de charges a été approuvé par les deux parties et les négociations financières sont en cours. L'appel d'offres international ouvert et offrant des conditions d'accès au marché conformes aux meilleures pratiques internationales en vigueur pour l'attribution d'une quatrième licence de téléphonie mobile 4G a été lancé en mars 2018. Le Conseil d'Administration de l'AGEFAU tenu en février 2018 a adopté le programme d'activités 2018 ainsi que le budget y compris le montant des ressources allouées aux projets d'extension des services de télécommunication.

27. Le secteur de la microfinance est l'un des éléments importants du développement des activités génératrices de revenus et du financement des toutes petites et petites entreprises. Dans le cadre de l'assainissement de ce secteur, le Gouvernement a procédé au retrait, par des arrêtés pris le 31 août 2016, de l'agrément de 23 Systèmes Financiers Décentralisés (SFD) audités et devant être liquidés, en application du plan d'urgence du secteur de la microfinance adopté en mars 2015. Ainsi, un liquidateur a été recruté en janvier 2018, pour procéder à la liquidation de deux SFD (Gnakini de Sibi et Jamajigui de Sanankoroba) ayant fait l'objet d'un retrait d'agrément. Le Gouvernement s'engage à prendre en compte les petits déposants de ces SFD. Par ailleurs, la Cellule de Contrôle et de Surveillance des SFD a entièrement exécuté son programme de mission d'inspection des SFD comme prévu en 2017. Ainsi, 41 missions d'inspections et de contrôle ont été réalisées sur 38 prévues.

28. En vue de désenclaver les principaux bassins de production agricole et d'améliorer l'accès des producteurs aux centres de consommation, le Gouvernement accorde une grande importance à la construction et à l'entretien des pistes rurales, indispensables pour l'écoulement des produits locaux et l'amélioration des revenus des producteurs. Dans le cadre du renforcement de cette politique, le Gouvernement a pris le 20 octobre 2016 un arrêté fixant à 5 pour cent le taux minimal du Fonds d'entretien routier à allouer à la maintenance des pistes rurales.

Soutenir les transferts décentralisés en faveur des pauvres et la protection sociale

29. Le Mali a entrepris depuis de nombreuses années la mise en œuvre d'une ambitieuse politique de décentralisation. Cette politique est l'un des piliers de la résolution de la crise que le pays traverse en ce moment. En vue du renforcement des collectivités territoriales, notamment en matière financière, le Gouvernement a inclus dans le projet de Loi de finances 2017, un transfert de ressources budgétaires aux collectivités territoriales conformément au plan gouvernemental de transfert de compétences et de ressources adopté en Conseil des Ministres. En outre, le Gouvernement a réalisé le plan cadastral du District de Bamako, qui a permis d'identifier géographiquement 213 087 parcelles. Le Plan cadastral sera un outil très important pour refonder les rapports sociaux autour de la question foncière et de mettre la terre au service du développement et de mobiliser les ressources de la fiscalité foncière au profit des collectivités territoriales.

30. Le Gouvernement du Mali et la Banque mondiale ont expérimenté avec succès le projet de protection sociale Jigiseme Jiri. Vu la réussite de cette expérience, le Gouvernement a inscrit dans le projet de Loi de finances 2018 des lignes budgétaires pour l'extension des programmes de filets sociaux Jigiseme Jiri et RAMED. Dans le but de renforcer le système national de protection sociale, le Gouvernement a entamé la mise en place du RSU – incluant un mécanisme permettant d'intégrer les bénéficiaires des différents programmes de filets sociaux – et d'assurer une prise en charge sanitaire gratuite effective au niveau des Centre de Santé Communautaires (CSCOM) pour les bénéficiaires du Programme Jigiseme Jiri éligibles au RAMED.

Perspectives en 2018-2019

Au plan macroéconomique

31. Malgré la persistance de la crise sécuritaire dans le nord du pays, l'économie malienne a retrouvé son niveau de croissance structurelle. Malgré un léger ralentissement, la croissance réelle restera robuste avec un taux de croissance de 5,0 pour cent en 2018 contre 5,3 pour cent comme en 2017. La poursuite des efforts déployés par le Gouvernement, notamment dans le secteur agricole devrait permettre un maintien de la croissance du PIB en termes réels en 2018 au même niveau qu'en 2017 (5,0 pour cent). L'inflation est projetée à 1,4% pour cent en 2018, légèrement en dessous du niveau observé en 2017.

32. Le déficit du compte courant (dons inclus) de la balance des paiements devrait légèrement se détériorer en ressortant à 6,9 pour cent du PIB en 2018 après 6,2 pour cent en 2017. Ce déficit du compte courant devrait être partiellement financé par des entrées nettes de capitaux,

principalement sous la forme d'aide extérieure et d'investissements directs étrangers. En conséquence, le solde global de la balance des paiements devrait enregistrer un déficit qui avoisine 1,9 pour cent du PIB. En 2019, le déficit des opérations courantes (dons compris) de la balance des paiements devrait s'améliorer d'un point et demi de pourcentage et atteindre 6,4 pour cent du PIB en raison d'une amélioration des exportations. Il devrait être entièrement financé par les investissements directs étrangers dans le secteur de l'or et des télécommunications et l'aide extérieure sous forme de prêts.

33. La masse monétaire devrait croître de 16,0 pour cent en 2018 et d'environ 8 pour cent en 2019, sous l'impulsion du crédit à l'économie et au Gouvernement. Au niveau du secteur financier le Gouvernement poursuivra les actions pour l'assainissement du secteur de la microfinance et la réduction des créances en souffrance du système bancaire.

34. Par rapport à la politique budgétaire, le déficit budgétaire global (base caisse, dons inclus) est projeté à 3,6 pour cent du PIB en 2018. Le déficit du solde budgétaire de base est attendu à 124,3 milliards de FCFA, soit 1,3 pour cent du PIB. Le Gouvernement s'engage à veiller au strict respect des règles budgétaires dans l'exécution du budget. En 2019, le déficit budgétaire global (base caisse, dons inclus) s'améliorerait en se situant 3,1 pour cent du PIB de même que le déficit du solde budgétaire de base qui est attendu à 1,3 pour cent.

Programme de Réformes

Favoriser une croissance inclusive

35. Le Gouvernement a lancé le processus d'élaboration d'une nouvelle stratégie de développement nationale. Cette Stratégie post-CREDD portera sur la période 2019-2023 et sera le document de référence des Politiques Publiques. Par ailleurs, conformément aux conclusions de la Journée de la Prospective de janvier 2014, il est recommandé de fonder cette nouvelle stratégie de moyen terme sur une nouvelle vision de long terme, Mali 2040. La vision du développement à long terme sera formulée par un rapprochement des scénarios qui délimitent le champ des futurs possibles pour le pays, des objectifs de développement contenus dans les différents documents de politique (CREDD, ODD, documents sectoriels), et des aspirations du pays. Elle doit aboutir à une option fondamentale de développement et des principales ambitions du pays à l'horizon 2040.

36. Après le lancement de l'Appel d'offres international, le Gouvernement s'engage à terminer dans les meilleurs délais, l'attribution de la quatrième licence de téléphonie mobile 4G.

37. Soutenir les transferts décentralisés en faveur des pauvres et la protection sociale.

Le Gouvernement a inclus dans le projet de Loi de finances 2018, un transfert de ressources budgétaires aux collectivités territoriales conformément au plan gouvernemental de transfert de compétences et de ressources adopté en Conseil des Ministres.

Autres mesures de réforme en cours ou envisagées

38. Le Gouvernement a initié la mise en œuvre d'autres réformes, visant notamment à attirer les investissements directs étrangers et à améliorer le cadre des investissements et la transparence des procédures de passation des marchés publics. Il a ainsi mis en place à travers une loi, un

cadre juridique et réglementaire pour le Partenariat Public-Privé (PPP) et créé une unité PPP. Il a également révisé le code des marchés publics et des délégations de service public afin d'assurer sa cohérence avec les dispositions figurant dans la loi portant sur les PPP. Un code de déontologie pour la passation des marchés publics a aussi été adopté.

39. Des réformes sont également en cours dans le secteur de l'électricité. Un audit institutionnel du secteur, en particulier de la société EDM, a été réalisé et ses résultats ont servi à réaliser une mise à jour du plan de redressement du secteur et à orienter la réforme institutionnelle du secteur qui sera entamée au courant de l'année 2018. Par ailleurs, Le Gouvernement veillera à ce que des mesures adéquates soient mises en place pour rétablir l'équilibre financier du secteur de sorte que l'EDM puisse couvrir ses coûts d'exploitation et ainsi répondre à toutes ses obligations financières. Dans ce sens le gouvernement a procédé au changement de la gouvernance au niveau de la société avec la nomination d'un gestionnaire afin de poursuivre l'assainissement des comptes de la société. EDM a aussi changé ses statuts en conformité avec OHADA pour la nomination d'administrateurs indépendants et établi des comités techniques et financiers (comité audit, comité stratégie et comité investissement). La société EDM continuera de mettre en œuvre toutes les mesures nécessaires pour améliorer sa performance technique et commerciale. Elle procédera notamment à la réhabilitation et l'extension de son réseau d'interconnexions et de distribution afin d'acheter de l'énergie moins cher dans les pays voisins et d'en réduire les pertes techniques. A terme elle procédera au changement du mix énergétique qui dépend présentement fortement du thermique vers un mix moins-cher incluant plus d'hydroélectricité et du solaire. D'un point de vue commercial, l'EDM généralisera l'utilisation des compteurs intelligents pour les gros consommateurs et compteurs à prépaiement afin de réduire le cycle de facturation et ainsi améliorer son taux de facturation et de recouvrement. L'EDM poursuivra par ailleurs l'optimisation de l'approvisionnement de ses centres de production en fuel. Le Gouvernement veillera, en collaboration avec la Commission de Régulation de l'Electricité et de l'Eau, à déterminer le tarif optimal qui permette de recouvrer les coûts du service de l'électricité et procédera en temps opportun à un ajustement graduel de la tarification de ce service afin de réduire graduellement le niveau de la subvention accordée par l'Etat à EDM.

40. Le Gouvernement poursuit le renforcement de la gouvernance des finances publiques à travers certaines réformes fondamentales, notamment dans le domaine fiscal avec la mise en œuvre d'un plan de réduction des exonérations fiscales et la poursuite de la rationalisation de la TVA. Par ailleurs, à partir des leçons tirées de l'expérience du second Plan d'Action Gouvernemental pour l'Amélioration et la Modernisation de la Gestion des Finances Publiques (PAGAM/GFP II), le Plan de Réforme de la gestion des finances publiques au Mali (PREM) pour la période 2017-2021 a été élaboré et adopté. Sa mise en œuvre se fera à travers une stratégie qui, au-delà du cadre logique déclinant l'ensemble des actions à réaliser sur la période 2017-2021, identifie, de manière sélective, un nombre limité de pôles de changements et de cibles à atteindre, définis en fonction de critères spécifiques. Pour l'année 2017, les réformes engagées au titre de l'opérationnalisation des Directives du cadre harmonisé des finances publiques de l'UEMOA ont permis au Gouvernement de faire adopter la loi de Finances 2018, présentée en mode programmes conformément à la Loi n°2013-028 du 11 juillet 2013, modifiée, relative aux lois de finances. Le Mali devient ainsi le 2^{ème} pays de l'UEMOA, après le Burkina Faso, à adapter son système de gestion budgétaire aux meilleurs standards internationaux. Dans la perspective de mieux accompagner ce processus d'exécution de la loi de finances en mode

budget programmes et permettre aux acteurs de jouer pleinement leurs rôles, plusieurs actions sont prévues en 2018 en vue de finaliser l'élaboration des autres référentiels, notamment la charte de gestion, le Contrat Annuel de Performance, le Rapport Annuel de Performance et la lettre de mission.

Suivi et Evaluation

41. Le Ministère de l'Economie et des Finances (MEF) sera responsable, pour la coordination d'ensemble, de la supervision 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. Ces points focaux 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 2019, (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

Translation in English: Letter of Development Policy

Mister President,

1. This Letter of Development Policy discusses economic trends in 2017 and outlook for 2018-2019. It also discusses the implementation of reforms in 2017 and the 2018 reform program to support economic recovery and reduce poverty.

2. This reform program aligns with the 2012-2017 Strategic Framework for Growth and Poverty Reduction (*Cadre Stratégique pour la Croissance et la Réduction de la Pauvreté 2012-2017*, CSCRP) adopted in December 2011, the 2013-2014 Sustainable Recovery Project for Mali (*Programme de Relance Durable du Mali 2013-2014*) adopted in April 2013, the 2013-2018 Government Action Plan (*Plan d'Actions du Gouvernement 2013-2018*, PAG), and, since 2016, the Strategic Framework for Economic Recovery and Sustainable Development (*Cadre Stratégique pour la Relance Economique et le Développement Durable*, CREDD). CREDD's objective is to achieve the Millennium Development Goals (MDGs) before 2030 by unleashing potential, improving resilience to achieve peace and security, and by promoting inclusive development to reduce poverty and inequalities. It is based on three pillars: i) inclusive and sustainable growth, ii) access to basic social services, and iii) institutional development and sustainability.

3. To achieve the reform objectives, the Government requests financing from the World Bank to support poverty reduction and inclusive development. This financing will be used for efforts to reduce poverty, improve the resilience of the most vulnerable groups, and promote inclusive growth.

Key Points About 2017

Political, Social, and Economic Context

4. Mali is gradually recovering from the crisis in 2012 thanks to the restoration of security, the conclusion of negotiations in June 2015 for the Algiers Process initiated in 2014, and the return of financial and technical partners.

5. The French force known as Serval, later replaced by the regional Barkhane force, the EU Military Training Mission (EUTM), soldiers from 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 have helped to restore the State's authority and integrity in the northern regions of Mali. The Government has adopted a framework act on military planning, which attests to the will of Mali's senior political and military officials to equip the country with a defense system capable of protecting its vital interests.

6. The Conference for the Development of Mali held in Brussels on May 15, 2013 and the five meetings that followed it were highly productive. They brought together 80 countries and 28 international organizations, which committed USD 4.4 billion (39% of the GDP). 66% of this amount has already been disbursed, of which 33% through the Government budget.

7. The Agreement for Peace and Reconciliation in Mali (APRM) was signed in two phases, on

May 15, 2015 and June 20, 2015 following inter-Malian negotiations that began in 2014 with support from the international community and led by the Republic of Algeria. This agreement marks the beginning of a new era of lasting peace and reconciliation in Mali. Under the terms of this agreement, interim authorities have been deployed to some northern regions and will soon be deployed in the rest of the northern regions. In addition, the Conference on National Unity (*Conférence d'Entente Nationale*) was held in April 2017 and its conclusions will be used to prepare a national charter.

8. The APRM includes provisions to create a Development Zone in the northern regions. This zone will follow a specific development strategy aimed at getting the northern regions' development indicators on par with those in the rest of the country. The Government bases this strategy on the conclusions of the assessment of needs and of development and recovery priorities in the northern regions carried out jointly by the World Bank, the African Development Bank, and the Islamic Development Bank. A fundraising roundtable was held on October 22, 2015 in Paris in order to establish the Sustainable Development Fund, which will be the financial instrument of the specific development strategy. The fund was officially created by Law 2018-008 of February 12, 2018. To further strengthen the Government's position in the north, two new administrative regions were created in 2016: Taoudénit and Ménaka.

Macroeconomic Developments and Recent Reforms

9. Economic recovery is being achieved by policies supporting agriculture and fiscal consolidation through the payment of arrears to suppliers. Despite a slight decline, real GDP growth remained healthy in 2017 at 5.3% versus 5.8% in 2016. Growth has been driven primarily by a robust agricultural sector, including a significant increase in cotton production, and a stronger tertiary sector. Thanks to support for farmers and agricultural inputs being made available early in the growing season (despite a slight delay), agricultural production increased by 4.6% while the tertiary sector growth grew by 5.6% thanks primarily to a thriving telecommunications sector. The secondary sector also grew by 6.3% after nearly stagnating in 2016, driven by the recovery of the extractive industry, textile and agro-food industries, and an increase in public works projects. Despite a slight increase, inflation remained relatively stable at 1.8% in 2017 versus -1.8% in 2016.

10. Regarding public finances, the total budget deficit (cash basis, including grants) represented 2.6% of GDP in 2017 versus 3.9% in 2016. Total expenditure and net lending totaled CFAF 2,045 billion (23% of GDP). The deficit of the basic budget balance was CFAF 79.5 billion (.9% of GDP).

11. The current account deficit (including grants) on the balance of payments dropped to 6.2% of GDP in 2017 versus 7.2% in 2016. This was due to an increase in the value of gold exports and the drop in food imports thanks to strong agricultural production in 2016. The current account deficit was only partially financed by net capital inflows, primarily in the form of foreign aid and direct foreign investment. As a result, the overall balance of payments deficit was CFAF 67.9 billion, which was financed by foreign exchange reserves of the Central Bank of West African States (BCEAO).

12. The money supply increased 7.4%. This increase was due to lending to the economy increasing by 11.1%. Commercial banks partially used advances from the BCEAO to finance

the Malian economy and to purchase securities issued by members of the West African Economic and Monetary Union (WAEMU).

REFORMS

Improving Public Management, Transparency, and Accountability

13. The Malian administration is in the process of becoming more modern and stable. This will allow it to implement innovative operational methods in all public services and institutions. In order to make skills and services more competitive, the Government has created new opportunities, such as training at the Ecole Nationale d'Administration, and established a competitive hiring process for senior positions in the public administration. The Government has also adopted a draft bill on the fundamental principles that will govern the creation, organization, management, and oversight of public services. This draft bill was adopted by the National Assembly and promulgated by Law 2014-049 of September 19, 2014. It requires that candidates for senior positions have appropriate backgrounds while emphasizing equality, equity, and transparency.

14. The preparation and judgment of financial statements by public accounts are factors of transparency and accountability. The Auditing Section of the Supreme Court (*Section des Comptes de la Cour Suprême*) is the primary actor in this system. Despite the Government's numerous efforts to improve the Auditing Section's capacity to fulfill its jurisdictional duties, substantial reforms have yet to occur. Until the Auditing Section can be established as a Court of Auditors as called for by WAEMU Directives, which is included in the constitutional reform bill whose approval process has been suspended, the Government has adopted the draft organic bill that aims to strengthen the Auditing Section's capacity to fulfill its jurisdictional duties more efficiently within the Supreme Court.

15. The right to access information is critical to development and is a fundamental aspect of good governance. It provides people with the means to play active roles in achieving development objectives. For this reason, the Government has encouraged the publication of budget information, including the list of taxpayers, yearly budgets, budget implementation reports, and procurement plans. Significant efforts have been made to improve the access to information, which include the promulgation of the Code on Transparency (Law 2013-031 of July 23, 2013) and the adoption of its implementing decree (Decree 2014-607/P-RM of August 13, 2014) whose objectives include improving the efficiency of public spending for the benefit of citizens.

16. Economic and financial crime poses a threat to stability and security. It undermines institutions, justice, democratic and ethical values, and it jeopardizes all aspects of development. In order to combat economic and financial crime, in 2013, the Government adopted the law to prevent and eliminate illicit enrichment. As part of this law, an office dedicated to combatting illicit enrichment (the OCLEI) was created and staffed. However, trade unions have voiced opposition to the law, making its implementation difficult. The Government has created a committee to identify and remedy shortcomings in the law. This committee, which includes various social partners, is tasked with proposing revisions to the law and submitting them to the Council of Ministers for approval in the form of a formal and consensual document. Legal work is required in order to finalize the list of those subject to said law. A portion of this list stems from a direct reading of the law, but another portion is subject to legal interpretation. Until the committee can complete its work, this structural reform will move forward, but the law will only be applied to those 1,479

persons whose presence on the list requires no legal interpretation.

17. In order to ensure transparency of payments for the exploitation of natural resources, Mali adopted the standards of the Extractive Industries Transparency Initiative (EITI). The country is in compliance with EITI 2011. In order to promote this practice, the Government created a budget line in the 2014 Finance Law for the financing of activities related to the extractive industries transparency initiative.

Improving the efficiency of public spending to promote economic recovery

18. Given the recurrent and growing need for budget transfers to energy in Mali (to the electricity company EDM) due to the structural imbalance between the sales price of electricity and production costs, the Government adopted and applied a rate adjustment mechanism for electricity in 2013 while raising the electricity price by 7%. Despite this rate adjustment, financial viability remains a concern. The Government has adopted and implemented since 2014 an action plan that aims to restore the financial viability of EDM while stabilizing its operational losses. To this effect, the Government is counting on assistance from World Bank services in the form of transfers to the most vulnerable segments of the population, which may need to be increased in the event that energy or food prices increase.

19. The primary objective of decentralization is achieving balanced development throughout the country. Other key objectives of decentralization are: (i) improving the delivery of public goods and services, (ii) improving governance, and (iii) meeting the demand for local autonomy. While local taxation does exist, local governments rarely use this resource and this hinders their ability to fund the competencies transferred to them by the state. The Government has increased fiscal transfers to local governments through traditional transfer instruments and new instruments such as state-region contracts (*contrats-plan Etats-Régions*, CPER), which all regions will have in 2019. CPER contracts are viewed as vital to regional economic development. They are a major component in the process of shoring up the decentralization reform set forth in the Framework Document on the National Decentralization Policy (*Document Cadre de Politique Nationale de Décentralisation*, DCPND), which is described in phase III of the National Support Program for Local Governments (*Programme National d'Appui aux Collectivités Territoriales*, PNACT) and reiterated in the recommendations of the government-organized summit on decentralization held in October 2013. To implement this instrument and with a view to promote regional development in the country, the Government adopted the implementing decree for CPER contracts. To date, six regions (Sikasso, Ségou, Mopti, Tombouctou, Gao, and Kidal) have signed CPER contracts. CPER contracts with the regions of Koulikoro and Kayes are awaiting approval by the Ministry of Economy and Finance. The CPER contract with the region of Bamako is currently being prepared.

20. Public service delivery requires good planning at the administrative level in order to determine what needs must be met through public procurement. Users of public services often feel that it takes too long to award public contracts. For this reason, the Government has taken action to improve the timeliness of procurement, such as reviewing the decree relative to the awarding and approval threshold for procurement contracts and the decree implementing the public procurement code. These actions have

made the contracting authorities more accountable by: (i) raising the awarding and approval threshold for public contracts, (ii) shortening the deadlines given to public procurement actors, (iii) reducing the number of contract signatories, (iv) eliminating redundancies in the ex-ante review of bids, (v) reducing the number of eligibility criteria, and (vi) revising certain articles to make them more precise and to improve procurement planning. This set of actions has reduced procurement timelines by at least 28 days, thereby improving the macroeconomic framework, services, and the execution of projects and programs.

21. Public investment projects are hindered by poor planning of costs and activities. To remedy this situation, in 2017, the Government carried out a Public Investment Management Assessment (PIMA) with support from IMF. Since 2014, the Finance Law has included a budget line for financing feasibility studies on public investment projects in order to improve their quality. The Government will gradually introduce performance contracts for investment projects with a view to create an incentives scheme for project performance.

PROMOTING INCLUSIVE GROWTH

22. For many years, the agricultural sector has been the engine of the Malian economy, yet its potential is held back by structural problems that must be resolved. The National Assembly passed a law on agricultural land tenure, which will increase the security of agricultural investments by strengthening land ownership rights in rural areas. The Government has adopted the decrees implementing the law on agricultural land tenure and operationalized 300 local land tenure offices. The draft bill revising the code on public and private land ownership is under review. In the meantime, the Government drafted and submitted to the Council of Ministers a policy document on public and private land.

23. In order to improve the efficiency and transparency of agricultural subsidies, the Government adopted a system of electronic vouchers (e-vouchers) for the distribution of public subsidies for agricultural inputs by revising, on October 21, 2016, the procedures manual that stipulates rules governing subsidy distribution. In addition, during the next crop year, the Government has opted to allocate subsidies to inputs through the system of electronic vouchers in at least two regions on an exclusive basis. A census of producers has been conducted in Koutiala and Yanfolila in the Sikasso region and in Bla and Niono in the Ségou region. According to the planning document, text messages will be sent to producers on April 30, 2018.

24. The Government created a short list of 42 suppliers, which were selected through a competitive process. A meeting was held with selected suppliers where they were invited to submit their financial proposals. A training session for the selected suppliers on the e-voucher system was held on Tuesday, April 17, 2018. 42 suppliers attended the training session. The training covered the following topics: (i) structure of the e-voucher system, (ii) the role and responsibilities of suppliers in the e-voucher system, (iii) conditions and means of e-voucher repayment, and (iv) the deadlines for the delivery of goods by suppliers. Training for storage workers and general secretaries of producers associations (*Organisations Paysannes*, OP) supervised by the Malian Company for Textile Development (*Compagnie Malienne pour Développement des Textiles*, CMDT) and the ON (*Office du Niger*), and suppliers' representatives will be completed in Koutiala, Yanfolila, Bla, and Niono on the week of April 23-28 and suppliers will be deployed to communes prior to April 30, 2018, which is the

scheduled date for electronic vouchers to be sent to beneficiaries.

25. Telecommunications is one of Mali's healthiest sectors and accounts for a significant share of the country's economic growth. With a view to stimulate competition and open the sector to more actors, the Government adopted two regulatory documents. On October 17, 2016, a public commission was created to issue 4G licenses to existing operators. On March 30, 2017, a decree was adopted creating a public commission tasked with issuing a fourth mobile telecommunications license through an open international bidding process. It also operationalized the AGEFAU by:

- appointing the General Director of the Agency by decree adopted by the Council of Ministers on September 13, 2016;
- holding the Agency's first board meeting on March 29, 2017, and two other ordinary meetings in order to adopt a yearly agenda;
- setting, by decree adopted by the Council of Ministers on November 23, 2016, the mandatory contributions of telecommunications operators to the Agency to be used to finance universal service;
- opening and funding an account for the Agency in April 2017.

26. The Government has successfully implemented the abovementioned reforms by issuing a 4G license to the operator whose license had expired and negotiations are underway for a second operator. Both parties have approved the contractual terms and financial negotiations are underway. The international bidding process that will result in the issuance of a fourth 4G telecommunications license and grant market access in line with current standard international practices was opened in March 2018. At its meeting in February 2018, the AGEFAU board adopted the 2018 agenda and the budget, which specified the amount to be spent on projects to expand telecommunications services.

27. Microfinance plays an important role in generating income and financing small and very small businesses. In consolidating this sector and under the emergency plan for the microfinance sector adopted in March 2015, the Government canceled, by decrees of August 31, 2016, the agreement on the 23 decentralized financial systems (*Systèmes Financiers Décentralisés, SFD*), which must be audited and liquidated. To this end, a liquidator was appointed in January 2018 to proceed with the liquidation of two SFDs (Gnakini in Sibi and Jamajigui in Sanankoroba) whose agreements were canceled. The Government will not neglect those who made small deposits in these SFDs. In addition, the Unit for SFD Auditing and Monitoring (*Cellule de Contrôle et de Surveillance des SFD - CCS-SFD*) completed its audits of SFDs in 2017 as scheduled. 41 audits were completed whereas only 38 were initially planned.

28. To open up the main agricultural areas and give producers greater access to markets, the Government prioritizes building and maintaining rural roads, which are critical for moving local products and increasing producers' incomes. The Government adopted a decree on October 20, 2016 requiring that at least 5% of the road maintenance budget be allocated to rural roads.

Supporting decentralized transfers to assist the poor and promote social protection

29. Mali has been pursuing an ambitious decentralization policy for several years. This policy is a cornerstone of the resolution of the crisis the country is experiencing. To strengthen

local governments, particularly their finances, the Government included in the 2017 Finance Law a transfer of budget resources to local governments in line with the governmental plan for the transfer of competencies and resources adopted by the Council of Ministers. In addition, the Government completed the cadastral map of the Bamako district, which includes the geographic coordinates of 213,087 plots of land. The cadastral map will be an important tool for reshaping social relations as they relate to land ownership issues, for putting land in the service of development, and for mobilizing land tax revenue for the benefit of local governments.

30. The Government and the World Bank's successfully trialed the social protection program Jigiseme Jiri. In light of this success, the Government included in the 2018 draft Finance Law budget lines for extending the Jigiseme Jiri and RAMED (medical assistance scheme for the poor) social safety net programs. To strengthen the national social protection system, the Government is working to establish the Unified Social Registry (*Registre Social Unifié*, RSU) with a mechanism for including beneficiaries of various social safety net programs and to ensure free health care at Community Health Centers (CSCOM) for beneficiaries of the Jigiseme Jiri program who are eligible for RAMED.

Outlooks for 2018-2019

Macroeconomic Level

31. The Malian economy has resumed structural growth despite the ongoing security crisis in the northern part of the country. Although slowing slightly, real growth will remain strong in 2018 at 5% versus 5.3% in 2017. Ongoing efforts by the Government in the agricultural sector should sustain real GDP growth in 2018 at the 2017 level (5%). Inflation is expected to be 1.4% in 2018, which is slightly less than in 2017.

32. The current account deficit (grants included) on the balance of payments should increase slightly in 2018 to 6.9% of GDP versus 6.2% in 2017. The current account deficit should be financed partially by net capital inflows, primarily in the form of external aid and direct foreign investment. As a result, the current accounts balance of payments should record a deficit amounting to roughly 1.9% of GDP. In 2019, the current account deficit (grants included) on the balance of payments should improve by 1.5% and reach 6.4% of GDP due to increased exports. It should be completely financed by direct foreign investment in the gold and telecommunications sectors and by external loans.

33. The money supply should grow by 16% in 2018 and by 8% in 2019 driven by lending to the economy and the Government. In the financial sector, the Government will continue efforts to consolidate the microfinance sector and reduce outstanding debt in the banking system.

34. Regarding budget policy, the total budget deficit (cash basis, grants included) is expected to be 3.6% of GDP in 2018. The basic budget deficit is expected to be CFAF 124.3 billion, or 1.3% of GDP. The Government is committed to ensuring that budget execution adheres to budget rules. In 2019, the total budget deficit (cash basis, grants included) should improve to 3.1% of GDP whereas the basic budget deficit is expected to be 1.3%.

Reform Program

Promoting inclusive growth

35. The Government has started the process of designing a new strategy for national development. This post-CREDD strategy will cover the 2019-2023 period and will be the reference document for public policies. In addition, and in line with the conclusions of the workshop on outlooks for the future (*Journée de la Prospective*) in January 2014, this new medium-term strategy should be based on a new long-term outlook for Mali in the year 2040. The long-term outlook for development will take into account scenarios of the country's possible futures, development objectives in various policy documents (CREDO, SDGs, sectoral documents), and the country's aspirations. This long-term outlook should set forth a development path and define what the country hopes to achieve by the year 2040.

36. After launching the international bidding process, the Government is committed to issuing a fourth 4G telecommunications license as soon as possible.

37. Supporting decentralized transfers to assist the poor and promote social protection. The Government included in the 2018 finance law a transfer of budget resources to local governments in line with the governmental plan for the transfer of competencies and resources adopted by the Council of Ministers.

Other reforms underway or planned

38. The Government has started to implement other reforms. Most aim to attract direct foreign investment and to improve the investment framework and the transparency of public procurement. The Government has passed a law creating a legal and regulatory framework for Public-Private Partnerships (PPP) and a PPP unit. It also revised the public procurement code and the delegation of public service in order to ensure it aligns with the provisions of the PPP law. An ethical charter on public procurement has also been adopted.

39. Reforms are also underway in the electricity sector. An institutional audit of the sector and of the company EDM has been completed and the results were used to update the recovery plan for this sector and to guide the institutional reform set to begin in 2018. In addition, the Government will ensure that adequate measures are taken to restore financial balance to the sector so that EDM can cover its operating costs and meet all its financial obligations. For instance, the Government has changed the company's governance and appointed a new director in order to continue consolidating the company's accounts. EDM also changed its statutes to align with OHADA, appointed independent administrators, and created technical and financial committees (auditing committee, strategic committee, and an investment committee). EDM will continue to take all necessary measures to improve its technical and commercial performance. It will upgrade and expand its supply and distribution network in order to purchase cheaper energy from neighboring countries and to reduce technical losses. It will eventually change its energy mix, switching from the current heavy reliance on thermal power to a cheaper mix that includes more hydropower and solar power. From a business standpoint, EDM will expand the use of smart meters for large customers and prepaid meters in order to shorten the billing cycle and improve billing and collection rates. In addition, EDM will continue to improve the fuel supply at its production centers. In collaboration with the Electricity and Water Regulation Commission (*Commission de Régulation de l'Electricité et de l'Eau*), the Government will help to determine the optimal rate that will make it possible to cover the service costs of electricity and, at the right time, proceed with the gradual adjustment of rates in order to wean EDM off the government subsidy.

40. The Government continues to strengthen the governance of public finance through in-depth reforms, including tax reform with the implementation of a plan to reduce tax exemptions and VAT reform. In addition, based on lessons learned during the second Government Action Plan for the Improvement and Modernization of Public Finance Management (*Plan d'Action Gouvernemental pour l'Amélioration et la Modernisation de la Gestion des Finances Publiques*, PAGAM/GFP II), a new Public Finance Reform Plan for Mali (*Plan de Réforme de la Gestion des Finances Publiques au Mali*, PREM) for the 2017-2021 period has been adopted. It will be implemented through a strategy that, in addition to the logical framework used to plan actions for the 2017-2021 period, identifies a limited number of change areas and targets defined according to specific criteria. In 2017, reforms undertaken to implement WAEMU directives harmonizing public finance management systems have allowed the Government to secure the adoption of the 2018 Finance Law, with a programmatic budget in compliance with the revised Law 2013-028 of July 11, 2013 relative to finance laws. This has resulted in Mali becoming the second WAEMU country to align its budget system with best international practices. With a view to better support the implementation of the Finance Law with a programmatic budget and to allow actors to play their roles fully, several initiatives are planned in 2018 in order to finalize other reference documents, including the management charter, the annual performance contract, the annual performance report, and the mission statement (*lettre de mission*).

Monitoring and Evaluation

41. The Ministry of Economy and Finance is responsible for the overall coordination, supervision, and monitoring of the reform program implemented in the CREDD framework. It will be in contact with the relevant people and departments at the ministries, directorates, and agencies tasked with program implementation. The participating ministries, directorates, and agencies will supply information and documentation relevant to the implementation and monitoring of their respective programs to the Ministry of Economy and Finance, which will oversee progress toward the program objectives. The main sources of information are: (i) the census taken in April 2019, (ii) household surveys conducted by the National Statistics Institute, (iii) statistics about the administration collected yearly by the planning and statistics offices of the line ministries, (iv) economic statistics from the National Office of Development Planning, and (v) budget data provided by the Ministry of Economy and Finance. These sources will be used for the monitoring and evaluation of reforms underway, including those supported by development aid for poverty reduction and inclusive growth.

Sincerely,

/s/

Dr. Boubou CISSE
Officier de l'Ordre National

ANNEX 3: IMF RELATIONS ANNEX

IMF EXECUTIVE BOARD COMPLETES EIGHTH AND NINTH REVIEWS UNDER THE ECF ARRANGEMENT, APPROVES US\$89.7 MILLION DISBURSEMENT, AND CONCLUDES 2018 ARTICLE IV CONSULTATION WITH MALI

Press release No. 18/191

May 23, 2018

On May 23, 2018, the Executive Board of the International Monetary Fund (IMF) completed the Eighth and Ninth Reviews of Mali's performance under the program supported by an Extended Credit Facility (ECF) arrangement. Completion of the reviews enables the disbursement of SDR 63.3 million (about US\$89.7 million) or 34 percent of quota, bringing total disbursements under the current arrangement to SDR 154.95 million (about US\$ 219.7 million) or 83 percent of quota.

The ECF arrangement for Mali was approved on December 18, 2013 for SDR 30 million (about US\$46.2 million, or 16.1 percent of quota at the time see [Press Release No. 13/524](#)).

Additional access of SDR 68 million (about US\$96.4 million, or 36.4 percent of quota) was approved on June 9, 2016. It was followed by an augmentation of SDR 88.6 million (about US\$125.6 million), or 47.5 percent of Mali's quota approved on July 7, 2017 along with a one-year extension of the program, bringing Mali's access under the ECF arrangement to SDR 186.6 million (about US\$264.6 million) or 100 percent of quota.

The Executive Board of the IMF also completed the 2018 Article IV Consultation with Mali.

Mali's economic recovery continued in 2017 amid persistent security challenges. GDP growth remained robust, at an estimated 5.3 percent supported by good harvests and robust domestic demand. Inflation was subdued, remaining well below the regional ceiling. The 2017 fiscal outturn and the 2018 budget are in line with the program targets and the goal of converging to the WAEMU's regional fiscal deficit norm of 3 percent of GDP by 2019. The macroeconomic outlook is, however, subject to downside risks stemming mainly from Mali's fragile security situation.

ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

Prior actions	Significant positive or negative environment effects (yes/no/to be determined)	Significant poverty, social or distributional effects positive or negative (yes/no/to be determined)
Operation Pillar 1: Fostering inclusive growth		
Prior action #1: The Recipient has enhanced the security of land tenure by: (i) adopting two application decrees for the Agricultural Land Act; (ii) appointing members to at least 300 sub-district agricultural land commissions; and (iii) adopting through the Council of Ministers the Domains and Land Policy.	Yes, positive	Yes, positive
Prior action #2: The Recipient, through the Ministry of Digital Economy and Communications, has: (i) included obligations in terms of wholesale supply and facility sharing in the 4G licenses for the two active operators; and (ii) launched the call for proposals for a fourth mobile telecommunication license through an open international bidding process offering market access conditions in line with international good practices.	No	Yes, positive
Prior action #3: The Recipient, through the Board of Administrators of the AGEFAU has adopted AGEFAU’s work plan for 2018 which includes investments to extend telecom services to previously uncovered areas.	No	Yes, positive
Prior action #4: The Recipient, through the Ministry of Economy and Finance, has strengthened financial inclusion by: (i) appointing a liquidator for two of the microfinance institutions whose licenses have been withdrawn; and (ii) completing the 2017 supervision program of the CCS/SFD in accordance with its annual calendar.	No	Yes, positive
Prior action #5: The Recipient, through: (i) the Ministry of Energy and Water, has initiated the reform process aimed at enhancing the efficiency of the electricity sector by endorsing the audit of EDM, including the proposed set of reform actions. (ii) EDM, has initiated the process aimed at improving revenue collection by requiring the use of smart meters by high voltage users and large low voltage users.	Yes, positive	Yes, positive
Operation Pillar 2: Supporting pro-poor (decentralized) transfers and social protection		
Prior action #6. The Recipient has produced an electronic cadastral map for Bamako.	No	No
Prior action #7: The Recipient, through the Ministry of Agriculture has launched the e-voucher scheme for the distribution of agricultural input subsidies by (i) completing the registration of farmers in 4 sub-districts (Yanfolila, Koutiala, Niono, Bla); and (ii) notifying beneficiaries via text message about the date at which the e-vouchers will be distributed.	Yes, positive	Yes, positive
Prior action #8: The Recipient, through the Ministry of Solidarity and Humanitarian Action, has: (i) made available on-line a Unified Social Registry, including a mechanism to integrate beneficiaries of various social safety net programs; and (ii) made Jigisemejiri beneficiaries eligible to free medical care at the CSCOMS by distributing RAMED insurance cards.	No	Yes, positive

ANNEX 5: ANALYTICAL UNDERPINNINGS FOR PRIGSO2

Prior Actions	Analytical Underpinnings	Key Findings
Pillar 1: Fostering inclusive growth		
<p>Prior action #1: The Recipient has enhanced the security of land tenure by: (i) adopting two application decrees for the Agricultural Land Act; (ii) appointing members to at least 300 sub-district agricultural land commissions; and (iii) adopting through the Council of Ministers the Domains and Land Policy.</p>	<ul style="list-style-type: none"> ▪ “Mali priorities for ending poverty and boosting shared prosperity. Systemic country diagnostic”, Report No. 94191-ML, World Bank, 2016. ▪ “A systemic analysis of land markets and land institutions in West African cities: rules and practices, the case of Bamako, Mali”, Alain Durand-Lasserve, Maïlis Durand-Lasserve, Harris Selod, Policy Research Working Paper 6687, 2013. ▪ Bamako – an engine of growth and service delivery. World Bank 2018. ▪ “Décentralisation, acteurs locaux et foncier : Fiches pays, Comité technique Foncier et développement”, Alain Rochegude, Caroline Plançon, 2009. 	<ul style="list-style-type: none"> ▪ Competing demands for land by pastoralists and farmers present additional sources of risk for the welfare of rural population. ▪ Mounting population pressure due to migration and population growth, land degradation and increasing non-agricultural use put localized pressure on land tenure systems. ▪ Difficulties in accessing land for development impairs private initiative. ▪ Better urban planning will also help remove barriers to private real-estate development. ▪ The land registration system needs reform to improve security of tenure and to end land-grabbing and speculation.
<p>Prior action #2: The Recipient, through the Ministry of Digital Economy and Communications, has: (i) included obligations in terms of wholesale supply and facility sharing in the 4G licenses for the two active operators; and (ii) launched the call for proposals for a fourth mobile telecommunication license through an open international bidding process offering market access conditions in line with international good practices.</p> <p>Prior action #3: The Recipient, through the Board of Administrators of the AGEFAU has adopted AGEFAU’s work plan for 2018 which includes investments to extend telecom services to previously uncovered areas.</p>	<ul style="list-style-type: none"> ▪ “Bilan de la libéralisation du secteur des communications électroniques au Mali et options de réformes sectorielles”, Report No. AUS11566, World Bank, June 2015. ▪ Enabling the digital revolution in sub-Saharan Africa: what role for policy reforms? World Bank, Spring 2017. 	<ul style="list-style-type: none"> ▪ Mali lacks behind in affordable universal access to mobile phone networks. ▪ The main reason for lack of access is affordability. ▪ Coverage issues also remain. ▪ Competition intensity is relatively small in the sector, with an existing duopoly in which operators are not inclined either to reduce prices or to share infrastructure. ▪ The mobile phone market is a major sector of the economy in terms of contribution to GDP and employment.
<p>Prior action #4: The Recipient, through the Ministry of Economy and Finance, has strengthened financial inclusion by: (i) appointing a liquidator for two of the microfinance institutions whose licenses have been withdrawn; and (ii) completing the 2017 supervision program of the CCS/SFD in accordance with its annual calendar.</p>	<ul style="list-style-type: none"> ▪ Mise à jour de l’Etude du Potentiel du marché de crédit-bail au Mali, World Bank 2017. ▪ “Enhancing Financial Inclusion and Access to Finance in Mali” report prepared by team led by Andrea Dall’Olio, World Bank 2018. 	<ul style="list-style-type: none"> ▪ The microfinance sector reaches more depositors than the banking sector, but the majority of these institutions are in financial distress. ▪ For households, micro-entrepreneurs and poor farmers, financial access to savings, credit, and insurance products is seriously affected by the moribund microfinance sector.

<p>Prior action #5: The Recipient, through: (i) the Ministry of Energy and Water, has initiated the reform process aimed at enhancing the efficiency of the electricity sector by endorsing the audit of EDM, including the proposed set of reform actions. (ii) EDM, has initiated the process aimed at improving revenue collection by requiring the use of smart meters by high voltage users and large low voltage users.</p>	<ul style="list-style-type: none"> ▪ Feuille de Route pour Appuyer le Développement du Secteur de l'Énergie au Mali, February 2017, World Bank. 	<ul style="list-style-type: none"> ▪ The energy sector is structurally deficient and requires measures at short, medium and long term to improve governance, the distribution network as well as the energy mix.
<p>Pillar 2: Supporting Pro-poor (decentralized) transfers and Social Protection</p>		
<p>Prior action #6. The Recipient has produced an electronic cadastral map for Bamako.</p>	<ul style="list-style-type: none"> ▪ Etude sur l'état actuel du transfert des ressources financières de l'Etat aux Collectivités Territoriales, OXFAM/SDC, Jan 2017. ▪ Bamako – an engine of growth and service delivery. World Bank 2018. ▪ "Mali priorities for ending poverty and boosting shared prosperity. Systemic country diagnostic", Report No. 94191-ML, World Bank, 2016. ▪ "Réussir la décentralisation financière", Report No 15/287, IMF, 2015. ▪ "Fiscalité locale et décentralisation", Report No 15/291, IMF, 2015. ▪ "Geography of Poverty in Mali", 88880-ML, World Bank, 2014. 	<ul style="list-style-type: none"> ▪ Decentralization and local governance reform, a priority for the Government since the start of the Malian third republic in 1991, have progressed very slowly; the 2015 Peace Accord gives new impetus to the decentralization process. ▪ The litmus test for decentralization is whether resources are actually transferred to local entities. ▪ To become an engine of growth and services delivery the focus should be on how Bamako is built and organized spatially. ▪ The main source of funding for local governments in Mali remains the central government budget, while own resources are low in face of the needs to finance their operating costs and investment.
<p>Prior action #7: The Recipient, through the Ministry of Agriculture has launched the e-voucher scheme for the distribution of agricultural input subsidies by (i) completing the registration of farmers in 4 sub-districts (Yanfolila, Koutiala, Niono, Bla);, and (ii) notifying beneficiaries via text message about the date at which the e-vouchers will be distributed.</p>	<ul style="list-style-type: none"> ▪ "Is there potential for dryland agriculture? Some evidence from Mali", Mansur Ahmed, Joanne Gaskell, and Madhur Gautam, World Bank. ▪ 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. 	<ul style="list-style-type: none"> ▪ 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 extension and 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.

<p>Prior action #8: The Recipient, through the Ministry of Solidarity and Humanitarian Action, has: (i) made available on-line a Unified Social Registry, including a mechanism to integrate beneficiaries of various social safety net programs; and(ii) made Jigisemejiri beneficiaries eligible to free medical care at the CSCOMS by distributing RAMED insurance cards.</p>	<ul style="list-style-type: none"> ▪ “Mali Priorities for Ending Poverty and Boosting Shared Prosperity. Systemic Country Diagnostic”, Report No. 94191-ML, World Bank, 2016. ▪ “Priorities for ending poverty in Mali: education, health and social protection”, World Bank, 2015. ▪ “Opportunities for social protection to address poverty and vulnerability in a crisis context. Mali”, World Bank, 2015. 	<ul style="list-style-type: none"> ▪ The capacity of central government to identify the most vulnerable or to design location specific programs is limited. ▪ In the absence of formal safety nets and low levels of household wealth, ordinary life events, such as illness or the death of a family member, often result in significant welfare shocks. ▪ Social Safety Nets (SSNs) programs contribute to poverty reduction in the short-term, directly through transfers of income and consumption goods and indirectly, as well as in the medium and long term by protecting or expanding the productive assets of households. ▪ Predictable, multi-annual social protection support to households has been shown to result in investments in human capital and assets.
<p>In addition to these studies, this DPO is supported by various World Bank projects in the Mali portfolio, including the regional West Africa Agricultural Productivity Program (P153419); the Mali Rural and Mobility Project (P160505); Safety Nets Project (Jigisemejiri) (P157892) and various Mali Energy Projects (P108440, p162925, P145664, P131084).</p>		