

PROJECT INFORMATION DOCUMENT (PID)
INITIATION/CONCEPT STAGE

Report No.: 95434

Project Name	Mali Post-compliance I: EITI implementation
Region	Africa
Country	Mali
Sector(s)	Energy and Extractives
Theme(s)	Transparency and accountability
Lending Instrument	Investment lending (grant)
Project ID	P143834
Borrower(s)	Government of Mali
Implementing Agency	Ministry of Mines
Environmental Category	C
Date PID Prepared	January 29, 2015
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Identification/Concept Review Decision	March 16, 2015
Bank Approval	April 1, 2015

I. Introduction and Context

A. Country Context

1. **Mali is a land-locked country in the Sahel region of West Africa with a mostly rural population of 15.3 million.** Despite a high population growth rate, the country is sparsely populated with huge areas of low density, particularly in the north of the country where insecurity has been an issue over the last decade. Mali had a long tradition of peaceful democratic government, which in 2012 witnessed the occupation of the Northern regions by armed separatist groups and a military coup overthrowing the elected Government. In January 2013, the French intervened in the so called *Operation Serval*, and constitutional and territorial integrity was restored. In August 2013, President Keita was elected through fair and transparent elections, and in December 2013, legislative elections were also held. In 2014, a new regional peace keeping force was mobilized to complement the UN peace-keeping force (MINUSMA). After several rounds of negotiation, a peace agreement was endorsed by all participants in Algiers on March 1st, 2015 with the exception of the *Coordination des Mouvements de l'Azawad* (CMA). The security situation remains volatile, and the first terrorist attack hit in Bamako in early March 2015.

2. **The political crisis has had a significant economic and social impact.** While poverty declined in Mali from 55.6 percent in 2001 to 43.6 percent in 2010, it increased to 46.1

percent in 2012, mainly as a combination of the impact of climatic changes and the political crisis; it remains however geographically concentrated, affecting predominantly populations living in rural areas, which account for 78 percent of the population and also displaced populations living in the south.

3. **The impact was mostly felt through the massive displacement of populations; the suspension of aid leading to an immediate freeze of most public investment projects; the destruction of physical assets and trade links in the North; and the complete disappearance of foreign tourist inflow.** As of June 2014, the total number of refugees and IDPs was around 266,000. The crisis also had more global impacts on the country: per capita GDP growth rates have been negative since the crisis erupted,¹ and that the proportion of poor in total population increased from 44% to 45% between 2011 and 2012. In 2014, it ranked 176 out of 186 countries on the Human Development Index, with more than half of the population live below the dollar-a-day poverty line.

B. Sectoral and Institutional Context

4. **Significant investment in gold mining in Mali, beginning in the 1990s and continuing with the opening of several new mines from 1996 to 2001, has led to the mining sector emerging as a major contributor to the overall economy of Mali.** The underlying geology of Mali includes two main areas of the Birimian gold belt: one in the south and the other one in the west along the border to Senegal. Seven industrial gold mines were in operation in 2013 producing 46.7 tons (46 t in 2012) of gold. A further 20.7 tons (around 4 t in 2012) were produced by artisanal and small scale miners. Mali is the host of the second largest gold mining operation (Loulou) in Africa producing over 580,000 ounces in 2013. Cost of production of mines in Mali varies widely between \$700/oz to close to \$1300/oz depending on age of the mine and type of operations (underground/open-pit).

5. **The mining sector is a significant contributor to the Malian economy.** In 2013, the total value-added of the sector was estimated at 7% of total GDP. The sector contributed more than 200 billion CFFA Francs in tax revenues, and this corresponds directly and indirectly to 21.6% of fiscal revenues in 2011 (3.28% of GDP) or 18.6% to total fiscal revenues (3.89% of GDP). The seven mining companies and their sub-contractors represented 45% of all corporate taxes in 2012. Mali is 20% share-holder of all larger mining projects and gaining dividends. Employment by the mining sector was estimated at approximately 7,000. Indirect employment created by the mining industry is believed to be in closely-related activities (goods and services supply) with a multiplying factor from 6 to 8. Over three hundred thousand people are estimated to be directly involved in informal artisanal and small-scale mining activities.

6. **Despite the sector's economic contribution and on-going reform, there is a perception among the population that mining has not benefitted the population.** There is also still a lack of information and transparency around how the revenues from the sector are managed. As such, over half of the population finds it difficult or very difficult to find out how tax revenue is spent (Afrobrometer 2013).

¹ SCD Mali Concept Note (World Bank, 2014)

9. Mali has been implementing the Extractive Industry Transparency Initiative (EITI) since 2007 and was declared EITI compliant in 2011. It published its last report for 2011 revenues at the end of 2013, just before the deadline set by the EITI International Secretariat. It will publish 2012 and 2013 revenues during the fiscal year 2014 and under the new EITI Standard. Mali EITI is set to be validated again in 2016. Beyond a reconciliation between payments paid by companies and received by governments, the new 2013 EITI Standard also requires governments to include a section on contextual data. This contextual data contains information on issues such as allocation and registration of licenses, production data, sub-national payments, etc. This in turn requires new expertise and capacity for analysis among the members of the multi-stakeholder group, CSOs, media, parliamentarians, and the wider public. There is also a need to ensure that EITI is integrated into the national and local debate around the governance of extractive industries and that revenues and other potential benefits from mining are used to reduce poverty. Much of this capacity is today lacking among stakeholders participating in Mali EITI.

10. There is also increasing concern about the transparency of the allocation and use of mining revenue funds at the decentralized level. The decentralization process in Mali, which was initiated in the late 1990s has resulted in the creation of 761 local authorities recognized as autonomous with specific responsibilities related to the provision of public services. Communes where gold production takes place would receive 60% of local taxes paid by commercial mining firms and 80% of license fees paid by small scale miners. Producing districts should receive 25% and 15% respectively of these taxes, while producing regions should retain 15% and 5% respectively. Currently however local authorities have little possibility to determine the actual level of these taxes and license fees. Mali EITI is thus proposing to focus on increasing the transparency of these fiscal flows and the use of these funds at the local level by decentralizing the EITI process and to create tri-partite structures and dialogue in some of the mining communities and region.

C. Relationship to CAS/CPS/CPF

11. The proposed project is consistent with the Mali Interim Strategy Note (2014-2015). It proposes three priority areas as starting points for the Bank's engagement over the next two years: (i) Laying the foundations for long term accountability and stability; (ii) Protecting human capital and building resilience; and (iii) Preparing the conditions for economic recovery. It also points out the importance of enhancing good governance, transparency and accountability, and mentions the Extractive Industry Transparency Initiative (EITI) and the need for improved tax collection and administration, as well as the need to re-build strong and resilient institutions. The activities will also support the proposed Mali First Recovery and Governance Reform Support Credit (P145275).

12. The proposed EITI project components are aligned with the World Bank Africa Strategy objectives and eligible activities. It specifically addresses the pillar of vulnerability and resilience; and the foundation of governance and public sector capacity. Regarding the pillar of vulnerability and resilience, the project is proposing to support post-conflict Mali with

basic assessments and capacity and dialogue building to restore oversight of the sector.

II. Proposed Development Objective(s)

13. The project development objective is to strengthen the capacity of the Mali Extractive Industry Transparency Initiative (EITI) multi-stakeholder group and Secretariat to implement the initiative at the national and local level.

14. Key Results (From CN)/PDO level indicators

- **Indicator One:** Enhanced capacity of MSG to measure progress and removal of obstacles to EITI implementation.
- **Indicator Two:** Sub-national EITI committees set up and functioning

III. Preliminary Description

15. The grant would be a recipient executed TA, funded through EITI MDTF (\$350,000). The duration would be an estimated 10 months from the start of effectiveness, but closing date can be no later than December 31st, 2015, since this has to comply with the closing of the EITI MDTF.

16. The Ministry of Mines will be the implementing agency. The Mali EITI Secretariat is an independent agency, but reporting to the Minister of Mines. The Project Implementation Unit will within the Ministry of Energy (PCU-ESP) and it will be responsible for all fiduciary and project management tasks. A Memorandum of Understanding between the PIU and the Ministry of Mines has been signed (see attached). This is similar to the arrangements for the on-going Africa Extractive Industry TF grant

IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		x	
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	

Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	USD 350K	Total Bank Financing:	USD 350K
Total Co-financing:	0	Financing Gap:	None
Financing Source: EITI MDTF			USD 350K
BORROWER/RECIPIENT			
Total			USD 350K

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