

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA64910

Project Name	Mali Support to Agroindustrial Competitiveness Project (P151449)
Region	AFRICA
Country	Mali
Lending Instrument	Investment Project Financing
Project ID	P151449
Borrower(s)	Ministry of Economy and Finance
Implementing Agency	Ministry of Agriculture
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	30-Sep-2016
Date PID Approved/Disclosed	30-Sep-2016
Estimated Date of Appraisal Completion	22-Nov-2016
Estimated Date of Board Approval	22-Nov-2016
Appraisal Review Decision (from Decision Note)	The review did authorize the team to appraise and negotiate

I. Project Context

Country Context

Mali is one of the world poorest countries with a per capita gross domestic product (GDP) of US \$704.50 in 2014. Life expectancy is low (57 years of age); malnutrition levels are high (28 percent of under-five children are stunted); and most of the 17.1 million population is illiterate (69 percent of adults). The economy of this landlocked country is predominantly rural and informal: 64 percent of the population resides in rural areas, and 80 percent of the jobs are in the informal sector.

The incidence of poverty is high and predominantly rural. Before the 2012 political and security crisis, Mali had succeeded in reducing poverty, mainly because of increased agricultural production and better functioning value chains. Between 2000 and 2010, the incidence of poverty declined from 60 percent to 51 percent. In 2010, half the population lived below the US\$1.9/day poverty line and 90 percent of the poor live in rural areas. Geographically, poverty is concentrated in the south, where population density is highest. For example, Sikasso region has the highest incidence of poverty (83.2 percent). Since 2010, drought (2012) and conflict (2012-2013) have taken their toll, and as a result, poverty is likely to have worsened.

The performance of the Malian economy remains largely dependent on the agricultural sector (40 percent of GDP). Since 1995, the economy grew at approximately 5.0 percent per year until 2010. However, in 2012, due to the global recession, the military coup, and the deteriorating security situation in the north, Mali GDP growth slowed dramatically to 1.2 percent. After normalization of

the conflict, economic growth resumed in 2013, first at a slow pace resulting from following adverse weather conditions that affected cereal production. In 2014, growth accelerated to 7.2 percent following sizable financial support received from development partners, which enabled an upsurge in public investment, and the revival of private consumption. The signing of a peace agreement in 2015 (Peace and Reconciliation Accord Resulting from the Algiers Process) strengthened hopes for peace and stability.

Seizing Mali long-term growth potential through economic transformation will require gradually expanding and diversifying the productive sectors of the economy, particularly agriculture. Prospects for rapid structural transformation are unrealistic, given limited progress in recent years in Sub-Saharan Africa. This limited progress points to the need of addressing certain key prerequisites for the agricultural sector to seize opportunities arising from urban growth that will increase demand for livestock products and high-value farm products. These prerequisites are significant productivity gains in agriculture; diversification of products to high-value crops; increase in value addition; a flexible labor market and minimum education to adapt to new sectors; and conditions favorable to trade and investment (notably, low transport costs and a good investment climate that includes efficient enabling services). Growing Mali agricultural private sector will require following a gradual approach, whereby growth prospects should be explored, first within existing value chains and sectors and try to be expanded toward products that are relatively low in economic complexity but still close to what already is being produced.

Sectoral and institutional Context

The agricultural sector is highly fragmented and subsistence farming is the dominant model. The majority of farms are small. Sixty-eight percent of farmers work on fewer than 5 ha of land, while another 18 percent enjoy access to between 5 and 10 ha, but lack critical assets and inputs. Furthermore, a large part of the rural road network to access the agricultural production basin, especially in the Sikasso region, is impassable during the rainy season (June to September), which hinders producers from accessing urban and export markets. Of the country's 37,000 km rural road network, 95 percent is in bad condition. The Rural Access Index is approximately 22 percent, which is the third lowest in the world.

Independent smallholders remain largely disconnected from markets. Behind the lack of integration of smallholders into more productivity-enhancing and value-generating (notably through transformation) value chains, they are also undermined by low levels of organization and capacity. These conditions appear not only in markets, where larger operators often are absent, but also among interprofessional organizations, cooperatives, and other professional groups. Furthermore, investments in the sector are very low. Public investment in agriculture is 15 percent, that is, above the 10 percent Comprehensive Africa Agriculture Development Programme target. However, in a fragile landlocked economy, 15 percent is neither sufficient nor necessarily sustainable. The efficiency of public support needs to be improved to leverage private investment, which is also very much needed. Agricultural production receives only a small portion (5.49 percent) of overall private sector credit, largely to finance the cotton sector. With the exception of the National Bank of Agricultural Development (Banque Nationale de Developpement Agricole), and the Malian Bank of Solidarity (Banque Malienne de Solidarite) to a much lesser extent, banks and multilateral financial institutions rarely directly finance producer cooperatives and/or farmers. However, interest in expanding investment opportunities in the sector seems to be growing. The Bank of Africa, Ecobank, Banque Sahelo Saharienne pour l'Investissement et le Commerce, and, more recently,

the Atlantic Bank Group (Banque Atlantique) have diversified their financing beyond the cotton sector. The International Bank of Mali (Banque Internationale pour le Mali) is showing increasing interest in cattle fattening.

Stronger participation from Mali private sector in agricultural production and transformation is required to grow and diversify the agri-based economy of Mali. Mali agricultural private sector is small in size and has not yet actively engaged in a formal manner with independent smallholders. As few as 40 firms pay 80 percent of all formal private sector salaries. With only 500 industrial firms, Mali processing and industrial capacity is underdeveloped. Very few private sector players have emerged with the capacity to engage contractual relationships with independent smallholders to provide an integrated package of inputs, financing, extension, and marketing services. Growing Mali agricultural private sector will require following a gradual approach, by seeking relatively organized and potentially creditworthy actors as anchors, and then forging with, or around, them productive alliances with smallholders and farmers cooperatives to improve the quantity and quality of supply. Better integration of local suppliers around agroindustrial processing units and support to private sector providers of agribusiness services will augment revenues and lower the costs to actors to maximize economic benefits derived from each value chain.

The National Investment Promotion Agency (Agence pour la Promotion des Investissements au Mali, API-Mali) has a central role to play in encouraging both foreign and local agribusiness investment. API, the agency in charge of promoting foreign direct investment (FDI) and small and medium enterprise development, has not been able to fulfil that role during a phase of decline since the 2012 coup. Recent independent evaluations identified the need to substantially change the structure and staffing of the agency. In addition, after four years with extremely limited funding, the agency has to start rebuilding its capacities and role as the nation's lead investment promotion structure. Weak structural and operational capacities and the lack of predictable processes for investors (compounded by the negative perception of Mali as an investment destination) are constraints to overcome to promote vibrant agricultural value chains.

Two emerging value chains in the regions of Sikasso-Bamako-Koulikoro offer strong prospects of economic, private sector-led development around processing and value-addition activities: (a) mango and (b) animal feed. The project will focus on supporting these two value chains. The economic and financial analysis in the Implementation Completion and Results Report of the Agricultural Competitiveness and Diversification Project (ACDP) revealed that mango production and cattle fattening are, respectively, the second and third most profitable undertakings in Mali financed under the project. Building on the ACDP and other World Bank experiences, these two value chains are deemed major sources of potential for agroindustrialization in the coming decades through (a) improving productivity; (b) reducing post-harvest losses; (c) increasing the processing of agricultural products; and (d) facilitating access to higher-value markets for both fresh and processed products. The selected area is where the project is expected to have sustainable major impacts on the overall performance of the selected value chains. While the region is characterized by a favorable natural endowment for agricultural production and, most importantly, for the crops under selected value chains, the Sikasso region is also associated with high levels of poverty and subsistence farming.

Mango Value Chain

The first value chain of focus is mango (fresh, processed, and dried mango). It has a clear

international competitive advantage (due to its high quality and harvest timing) and a potential to be unlocked to fully realize existing transformation and export capacities, which are currently underutilized. Contributing US\$35.5 million in exports in 2014, mango is already one of Mali most important agricultural export products. The ACDP was instrumental in increasing the combined export volume to Europe, the Maghreb, and Economic Community of West African States (ECOWAS) region from 10,500 tons in 2008 to 38,800 tons in 2015, a 20.5 percent compound annual growth rate over the period. Of the 600,000 tons of mango produced in the country in 2015, only 38,800 tons were exported (6 percent of the total or 11 percent of exportable varieties). This low marketed level testifies the important untapped potential that exists to increase market penetration.

In recent years, Mali has reached a total installed processing capacity of about 85,000 tons (pulp, dried mango, and juice). However the supply of exportable mango is stagnating. Recovering this installed capacity means that it is important to prevent orchards from getting too old. Thus, ensuring their continuous renewal is essential. Moreover, orchard densification or expansion takes time (4-6 years) and requires a specific longer-term investment strategy, while access to finance is a major difficulty in the sector. The harvest period, while timely for export markets, also coincides with the rainy season. As a result, exporters and processors have great difficulty securing enough mangos. Indeed physical access to orchards is difficult and, in some cases, impossible. Due to seasonal or permanent interruption on rural roads, most production areas are barely accessible by light trucks. In addition, the collection of mangos is a major logistical challenge: it requires multiple stops to collect mangos today at farm gates while aggregating supply at key points would allow for larger quantities to be collected at once. Thus, it dramatically increases costs of collecting mangos.

Animal Feed Value Chain

The second value chain is animal feed, from inputs production (cereals, oilseeds) to feed milling. There are significant opportunities for expanding investment in animal feed commodities, ultimately increasing revenues of rural farmers and animal producers, improving the nutritional value of livestock, and supporting animal processors to meet increasing market demand for high-quality meats.

Animal feed production has strong potential to establish an agroindustrial sector that will be driven by modern production of cattle, sheep, goats, and poultry. For a long time, Mali has been a major center in West Africa for livestock rearing. The country has more than 10 million cows and 34 million sheep and goats and the sector constitutes approximately 10 percent of Mali's GDP. However, as of today, less than 0.5 percent of these animals are used for fattening purposes. This figure is bound to rise exponentially as the country continues to urbanize at rates superior than 5 percent per year and the demand for animal products (quality meats, milk, and eggs) grows, over 12 percent per year for broiler meat and over 9 percent per year for chicken eggs, for instance. Supply capacity is also rising with the recent increase in modern slaughterhouse capacity by 300 cattle and 600 ovine/goat per day. Industrial production of livestock feed is expected to follow (by more than 50,000 tons yearly by 2020). In addition to the strong internal consumption, two important stimuli are the external demand in the region (meat in Côte d'Ivoire and Senegal, animal feed in Mauritania and Senegal) and unfavorable change in climate conditions that is reducing available pasture areas (livestock grows at 3 percent annually whereas grazing areas for animals are shrinking).

The current state of feed production in Mali requires fostering and enabling contractual relationships among stakeholders in the value chain, combined with targeted and hands-on support to farmer cooperatives through contract farming. Contractual relationships require taking into account land issues for each kind of stakeholder. This will facilitate a much-needed access to finance for producers, thus increasing quality and sustainably diversifying animal feed inputs, such as soybeans and sunflower seeds. Improvements in post-harvest storage and management by the feed industry are important at the production level for farmer and trader cooperatives to reduce post-harvest losses and respond to market demand. Main feed ingredients relevant to smallholders are cereals and oilcake. Mali high production of maize (1.7 million tons annually) and cotton seeds (250,000 tons) gives a clear advantage to respond to the rising national, regional, and international demand for animal feed. The fact that some animal feed companies already export a significant part of their production provides a good opportunity to improve the local supply of feed. Oilcake (35 percent of livestock feed) is derived primarily from cotton seeds (but can also be from other oilseeds). Cotton seeds are crushed to make cotton seed oil of which oilcake is a byproduct. Mali uses only about 25 percent (500,000 tons) of its installed oil crushing capacity (1.9 million tons). Only 250,000 tons of cotton seeds are produced in Mali under CMDT, whereas approximately the same volume is imported from neighboring countries.

As Mali beef industry grows, it is expected to transition from more traditional styles of livestock raising to more modern systems. The transition to higher volume and more modern commercial systems will entail greater use of animal feed for cattle. Currently, there are a few operators in Mali who practice animal fattening before slaughter. These intensive fatteners operate only from December through June (dry season), when the amount of pasture is very limited. They feed on a three-month cycle and usually have two cycles during this period. From the animal nutrition standpoint, this system has massive inefficiencies that should be improved, including the feed quality and blends that certainly could be optimized.

II. Proposed Development Objectives

The objective of the project is to increase the processing of agricultural products for targeted value chains in the selected geographic area.

► (Processing ► (is defined as the conversion of harvested agricultural products into valuable, marketable products. ► (Targeted value chains ► (refer to mango and animal feed. The ► (geographic area ► (is the agricultural production basin of Sikasso-Bamako-Koulikoro in southern Mali.

III. Project Description

Component Name

Component 1: Support Agribusiness Diversification through Mango Processing and Investment Promotion (USD 5.5 millions)

Comments (optional)

Subcomponent 1(a): Promote Mango Processing and Exports (USD 2.3 millions)

Subcomponent 1(b): Strengthen Institutional Capacities at API-Mali to Promote Investment in Agribusiness (USD 3.2 millions)

Component Name

Component 2: Improve Access to Mango Production Areas (USD 10.8 millions)

Comments (optional)

Subcomponent 2(a): Rehabilitate Rural Roads (USD 8.3 millions)

Subcomponent 2(b): Modernize Collection and Conditioning Facilities (USD 2.5 millions)

Component Name

Component 3: Foster Animal Feed Production (USD 9.6 millions)

Comments (optional)

Subcomponent 3(a): Strengthen Capacities of Value Chains Actors (USD 2.9 millions)

Subcomponent 3(b): Implement Productive Alliances Business Plans through Subprojects (USD 6.8 millions)

Component Name

Component 4: Strengthen Institutional and Implementation Capacities (USD 4.1 millions)

Comments (optional)

Of which \$600,000 unallocated.

IV. Financing (in USD Million)

Total Project Cost:	30.00	Total Bank Financing:	30.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			30.00
Total			30.00

V. Implementation

Institutional arrangements. The project will be implemented by the MoA through the CNRA. The CNRA has an existing Coordination Unit for WAAPP-2A which will be strengthened. The WAAPP-2A Coordination Unit will have the overall responsibility for project implementation support. A multisectoral Technical Committee (TC) will be established to guide the MoA. It will be chaired by the MoA with the project technical director as secretary and will consist of 12 members. TC members will represent the project beneficiaries, including representatives from the public (such as the National Directorate for Agriculture, DNPIA, DNI, DNR, API-Mali) and private sector and producer groups (such as IFM, FIFAM, FEBEVIM, OPI, FENAPHAB). The TC will have the mandate to review and advise the MoA on an annual Project Implementation Plan. The plan will be prepared by the project technical director with the contribution of focal points as represented in the TC and will facilitate the coordination of institutions involved in project implementation. Although the number of representatives on the TC is set at 12 and the private sector must be represented by at least 6 members at all times (or minimum 50 percent of membership), member composition may change over time as proposed by the Government and deemed acceptable by the World Bank. The TC is expected to meet at least twice a year to review the biannual report that will be prepared by the project technical director. The TC ensures that all the participating institutions have delivered their reporting requirements to the MoA, specifically to the PCU. The TC will report to the Agropoles Steering Committee (SC) at least once a year to present project results, progress, and plans.

Implementation arrangements. The PCU at the level of the CNRA is embedded in the MoA and vested with responsibility for financial matters and implementation support for all project activities.

Key staff of the PCU are (a) the coordinator (CNRA executive secretary), (b) the procurement specialist, (c) the financial controller, and (d) the M&E officer; and it will be further strengthened with the recruitment of (a) a procurement assistant, (b) a principal accountant, and (c) an assistant accountant. The coordinator will be seconded by a technical director to work in close collaboration with the consultants and alliances. Each key staff in the PCU requires the experience and qualifications satisfactory to IDA. Additional technical staff may be hired for the duration of this project based on the needs of project implementation. The PCU, together with stakeholders, will develop annual work plans (AWPs) and procurement plans (PPs), and otherwise drive implementation and the achievement of objectives.

Subprojects of the productive alliances. The provision of support for the effective implementation of subprojects (productive alliances investment plans) will be done by the PCU and the technical support of SAC technical director and the IC. Eligible beneficiaries are buyers (rural assemblers/brokers, traders/exporters, and processors) jointly with farmers or producer cooperatives. It will be required that at least 30 percent of productive investments for subproject cost be covered by the beneficiaries in cash to ensure that producers and buyers have the necessary resource endowment. On average, the project will finance approximately US\$70,000 in each subproject.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
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

Comments (optional)

The borrower prepared the following documents: a Environmental and Social Management Framework (ESMF), a Resettlement Policy Framework (RPF), and an Integrated Pest Management Plan (IPMP) in compliance with OP/BP 4.01, OP/BP 4.09, OP/BP 4.11 and OP/BP 4.12.

VII. Contact point

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