

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC36257

<b>Project Name</b>	Mali Support to Agroindustrial Competitiveness Project (P151449)
<b>Region</b>	AFRICA
<b>Country</b>	Mali
<b>Sector(s)</b>	General industry and trade sector (10%), General transportation sector (35%), Agricultural extension and research (15%), Agro-industry, marketing, and trade (35%), Animal production (5%)
<b>Theme(s)</b>	Infrastructure services for private sector development (10%), Micro, Small and Medium Enterprise support (25%), Rural non-farm income generation (20%), Trade facilitation and market access (25%), Rural services and infrastructure (20%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P151449
<b>Borrower(s)</b>	Government of Mali
<b>Implementing Agency</b>	Ministry of Rural Development
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/ Updated</b>	30-Mar-2016
<b>Date PID Approved/ Disclosed</b>	30-Mar-2016
<b>Estimated Date of Appraisal Completion</b>	20-Apr-2016
<b>Estimated Date of Board Approval</b>	30-Sep-2016
<b>Concept Review Decision</b>	Track II - The review did authorize the preparation to continue

## I. Introduction and Context

### Country Context

Mali is a landlocked economy with a population of approximately 14.9 million people. With a per capita GDP of USD 457 (2005 constant prices) in 2014, Mali is one of the poorest countries in the world. Life expectancy is low (54 years), levels of malnutrition are high, and most of the population is illiterate. The economy is predominantly rural and informal: 73 percent of the population resides in rural areas; 80 percent of jobs are in the informal sector. The formal sector is largely located in Bamako, the capital city, and is highly concentrated.

Poverty incidence is high and most of the poor live in rural areas. In 2010 more than half the

population (51 percent) lived below the dollar-a-day poverty line. Poverty incidence is much lower in urban areas (14 percent) and 90 percent of all poor live in rural areas. It is concentrated in the South where population density is highest. Since 2010, drought (2012) and conflict (2012-present) have taken their toll and poverty incidence is likely to have risen. In early 2012, the vast northern regions fell under control of rebel forces, while a coup d'état in Bamako threw the country into political instability and turmoil. A strong international military response in early 2013 has prevented the further expansion of the crisis, and the signing of a peace agreement in June 2015 (Algiers Accord) has revived hopes for peace and stability. Prior to the 2012 political and security crisis, Mali had been successful in reducing poverty, mainly thanks to increased food crop production on farm and better-functioning value chains for food. Between 2000 and 2010, the incidence of poverty declined from 60 percent to 51 percent; the Gini coefficient also dropped during the same period from 0.40 to 0.33 and malnutrition rates improved.

The performance of the Malian economy is largely dependent on the performance of the agricultural sector. The overall good growth in the Malian economy over the last several years is in part due to agricultural GDP growth. Since 1995, the economy grew at about 5 percent per year until 2010, but a global recession, the military coup and terrorist activity caused a noticeable slowdown in GDP to about 1.2 percent in 2011-2012. The economic growth has resumed after the normalization of the situation, first at a slow pace in 2013, because of adverse weather conditions that impacted the cereal production, and rebounded at 4.7 percent in 2014 .

Seizing Mali's long term growth potential through economic transformation will require a gradual expansion and diversification of the productive sectors of the economy, and agriculture in particular. Mali's economy remains dominated by the primary sector, as reflected in the country's low ranking on the economic complexity index, 102nd out of a total of 128 countries . Prospects for rapid structural transformation are unrealistic. Indeed, limited progress recorded in structural transformation in Sub-Saharan Africa in recent years points to the need for some pre-requisites, including the realization of significant productivity gains in agriculture; a flexible labor market and minimum education to adapt to new sectors; and favorable conditions to trade and investment (notably low transport costs and a good investment climate that includes efficient enabling services, such as electricity supply). In preparing the ground for medium term structural transformation, Mali will first need to explore the prospects for growth within existing sectors and try to expand towards products that are relatively low in economic complexity and close to what is already being produced. In addition, there are opportunities for market expansion in specific value chains where barriers to private investment are the lowest and where Mali has the highest potential: particularly in exports of cereals, tropical fruits, and livestock.

### **Sectoral and Institutional Context**

Agricultural private sector is still small and fragmented in Mali, and there is important untapped potential. The formal private sector in Mali is quasi-inexistent: as few as 40 firms pay 80 percent of all formal private sector salaries. With only 500 industries , Mali's processing and industrial capacity is underdeveloped. Very few private sector players have emerged with the capacity to engage with independent smallholders, providing an integrated package composed of inputs, financing extension and marketing services. On the production side, fragmentation is the norm: subsistence farming is the dominant model in Mali. More than 70 percent of Mali's population live in the rural areas, and as of the last agricultural census in 2004, there were approximately 800,000 farms in Mali of which 8.9 million people derived their subsistence. The majority of farms are small, with 68 percent of farmers with less than 5 hectares of land and 86 percent with less than 10

hectares. Their land tenure rights are not always secured. With no engagement with the formal private sector, these smallholders are quite disconnected from opportunities that might have a positive effect on farmers in particular and to the agriculture sector in general. While the level of organization varies from one value chain to the other, inter-branch organizations, cooperatives and other professional groups exist, albeit with modest capacity, and will be major targets of the Project. Creating the conditions for agriculture-based sectorial transformation in the long term will require increasing revenues through (i) the improvement of productivity, (ii) the reduction of post-harvest losses, (iii) the increase in processing of agricultural products, and (iv) the facilitation of access to higher value markets for both fresh and processed products.

Weak sector governance and poor capacity have so far considerably limited poverty reduction efforts. Mali suffers from weak governance mechanisms and low capacity which affect resource allocation across a range of key areas for the agriculture sector, from access to land to agricultural infrastructure, inputs, and investment climate. For example, one of the main bottlenecks for investment into the agricultural sector is secured land access: attribution of lands methodology and coexistence of several legal systems for recognition and governance of land rights in Mali (state law and traditional rights) weaken legal certainty and hinder Mali development. To generate transformative private investments in the Agriculture sector, a particular attention will need to be paid to: (i) institutional mechanisms and delivery platforms, and (ii) transparency and social accountability. The Project will need to work closely with, and reinforce the capacities of, several public institutions that have critical influence for agricultural investments generation, such as the Ministry of Rural Development (MDR), the National Roads Administration, the long established API-Mali (Investment Promotion Agency), currently under restructuring, and other relevant stakeholders

Despite its importance to the economy, agricultural production receives a small portion of the overall private sector credit. Agricultural production contributes to 40 percent to GDP, employs approximately 65 percent of the active population, but receives only 5.49 percent of overall private sector credit, largely to finance the cotton sector. With the exception of BNDA (and BMS to a much lesser extent), banks and MFIs rarely finance producer cooperatives and/or farmers directly. Modernization and diversification of key agricultural value chains will require better access to private finance, fostered by a vibrant and viable commercial agribanking sector. BOA, Ecobank, BSIC and Banque Atlantique have more recently diversified their financing beyond the cotton sector.

Inefficiencies along agricultural value chains impede the creation of additional value, such as processing, and better integration of local producers in global value chains. The total road network is about 89,000 km, and the road density is 2km /100 km<sup>2</sup>, one of the lowest in West Africa. The rural access index is about 17 percent which is the third lowest in the world after South-Sudan and Chad. A large part of the rural road network especially in the region of Sikasso is impassable during rainy season, which hinders producers from accessing urban and export markets. Although over the last two decades the Government of Mali (GoM) has heavily invested in improving its road network, no allocation is dedicated to rural roads. Lack of other adequate dedicated public services and infrastructure (phytosanitary and quality systems, commercial infrastructure, industrial parks, etc.), low access to finance and inputs, poor farming practices, the threat of drought and the impact of climate change are undermining productivity, growth and diversification. These shortcomings are compounded by the very low capacity of farmers and farmers' organizations, and as is discussed

further down, and a highly fragmented private sector, characterized by informality and small-holders.

### **Relationship to CAS**

Expanded access to markets in key agricultural value chains. The Country Partnership Framework (CPF), in line with the Systematic Country Diagnostic (SCD), highlights the importance of Malian agriculture sector development to reduce poverty on a lasting basis. One of the three objectives of the CPF is to create economic opportunities, by contributing to: (i) increased productivity in agriculture; and (ii) expanded access to markets in key agricultural value chains. Expected Project impacts (higher level objectives) are (i) Sustainable growth of agricultural sector and its diversification, (ii) Enhanced participation in targeted local, regional and global value chains, and (iii) Either rising rural incomes or number of jobs created. Thus, the proposed Project results chain contributes to this CPF's, with particular focus on "Improve transformation and participation to local, regional and global value chains" with the following expected outcome "Expanded access to markets in key agricultural value chains".

The preparation and implementation of the proposed Project is part of World Bank – IFC Joint Agriculture Business Plan for Mali. Close coordination between the IFC and the World Bank will play an important role in the areas of infrastructure, trade and competitiveness, financing and value chains, where each institution will contribute on the basis of its respective mandates. The Joint Business Plan lays out the planned activities of IFC and the World Bank, their sequence and proposed timeline, specific roles of various teams as well as key milestones and outcomes to monitor progress. This Project will also build synergies with other World Bank Group projects.

## **II. Proposed Development Objective(s)**

### **Proposed Development Objective(s) (From PCN)**

The Project Development Objective is to generate investments in commercial agriculture and increase processing of agricultural products for targeted agro industrial segments in selected basins.

Project beneficiaries will include: MSME and family farms in targeted agro industrial segments (incl. producers, processors, exporters and traders); private sector representatives such as farmers associations/ cooperatives (inter-branch organizations of contributing value chains to targeted segments), chambers of agriculture and regional assemblies (APCAM, CCI), membership based employers' associations (CNPM, OPI, REAO, etc.); rural population in the Project's basin; financial and non-financial institutions (e.g., MFI, banks, funds) that contribute to agricultural businesses financing in Mali; and line ministries/ departments (e.g., rural development, investments promotion, transport, and trade and industry), their agencies and local authorities (Sikasso region and its municipalities and circles). The number of beneficiaries under each category will be determined during the preparation phase.

### **Key Results (From PCN)**

The proposed key results that would be used to measure the achievement of the PDO are as follows: (i) Private capital mobilized (core – US\$ amount); (ii) Sales revenue from targeted beneficiaries (percentage increase); (iii) Client days of training provided (core – number) of which female (core – number); (iv) share of rural population in the Project area with access to an all-season road (percent ); and (v) direct Project beneficiaries (number), of which female (core – percentage).

The Project will include a citizen engagement review mechanism. It will be expressed through consultations measuring level of satisfaction of the population impacted by the Project, feedback

from beneficiaries in the selection of specific interventions (both TA and works), and empowerment of citizens (for example, regarding the maintenance of rural roads). Indicators may include the share of citizens reporting satisfaction with the Project in the Project area, the share of citizens (including women) that participate to consultations, the share of beneficiaries that feel Project investment reflected their needs, the satisfaction of beneficiaries with public services offered with the Project, the number of infrastructures for which arrangements for community engagement in operations and maintenance are being established.

### **III. Preliminary Description**

#### **Concept Description**

The Project will only be a subset of Government commercial agriculture growth strategy and program, focusing on one region and two agro industrial segments.

a) It will focus only in one specific production basin (Sikasso region), where the Project has highest chance to succeed (versus for examples: Office du Niger in Segou [governance], or Kidal in Northern Mali [security]), and where agriculture, despite favorable growing conditions and diversity of crops and production techniques, remains associated with high levels of poverty , mostly subsistence farming (outside of cotton production).

b) Building on existing Bank experiences (former and ongoing operations), two agro industrial segments have been selected: (i) the animal feed industry as an intersection of both maize and livestock value chains and (ii) the mango value chain, already semi-industrialized but with important potential that may still be unlocked. To support the development of these segments, agro-industrialization entry points in the form of private operators (e.g. Cédiam, Atrafel, Grands Moulins du Mali) and associations (Mango association, FIFAM, OPI) have been identified, and key activities have been discussed to address binding constraints to their competitiveness and build on demonstrated potential growth, existing and future processing activities, and increased access to domestic, regional and international markets.

c) No large infrastructure development (such as agro-hydraulic ones) will be undertaken and only critical rural roads rehabilitation works will be sequenced as required to comply with implementation readiness.

With an estimated USD 30 million (IDA), the Project will support the GoM strategy through two interrelated components: (i) the first one at national level, aiming at facilitating the implementation of the Malian government commercial agriculture strategy and the generation of agribusiness investment in Mali, and (ii) the second one in the Project's basins, aiming at strengthening linkages between the primary, secondary and tertiary sectors in targeted value chains through combined interventions in agro industrialization and agribusiness services development in selected agro ecological basin(s) .

The first component will address the following constraints: (a) stakeholders' lack of implementation capacity, (b) lack of processes predictability for investors worsen by negative perception of Mali as an investment destination, (c) weak and ineffective investment promotion efforts, (d) limited capacity and knowledge of local financial intermediaries in appreciating and mitigating risks pertaining to agriculture and agribusiness financing, and (e) limited financial and banking literacy and borrowing capacity in agricultural value chains.

With US\$ 10 million, it aims at strengthening capacities of the stakeholders in charge of the implementation of Mali commercial agriculture program, supporting investments in agricultural

enterprises and developing capacity of the banking sector as well as farmers associations, aggregators, industries and wholesalers to ensure a better development of targeted agro industrial segments. A focus will be on commercial agriculture; i.e. agro industrial competitiveness and private sector provision of agribusiness services in animal feed and mango agro industrial segments. Entry points to promote Mali agricultural potential will be successful private sector actors such as aggregators, processors and wholesalers (i.e. relatively organized and potentially credit worthy actors).

The second component will address the following constraints: (a) inefficiencies along targeted value chains due to inadequate integration of actors and coordination failures amongst stakeholders, (b) limited reliable access to quality raw material in key value chains to support secondary sector expansion, (c) lack of post-harvest facilities linking primary to secondary sectors, (d) limited rural accessibility and rural connections to markets, (e) limited knowledge of sanitary, quality and technical standards, and poor implementation of modern practices, and (f) lack of private sector participation in agribusiness services.

With US\$ 20 million, it aims at improving value creation in targeted value-chains and developing sustainable infrastructure services to targeted beneficiaries. The activities under this component will be organized around strategic entry points in the maize, livestock and mango value chains such as aggregators, processors and wholesalers so to focus on two strategic agro industrial segments (animal feed and mango processing). The Project will seek relatively organized and potentially credit worthy actors as anchors, and seek to forge with or around them productive partnerships/alliances with small holders and farmers associations. A particular attention will be given to the process to accessing land, in respect to the existing land tenure rights. The better integration of local suppliers (primary sector) around agro industrial units (secondary sector) and support to private sector provision of agribusiness services (tertiary sector) will augment revenues and lower costs of actors in a way it maximize economic benefits derived from crop yields, rural accessibility and post-harvest gains, processing facilities, better organized value chains, and access to new markets.

#### 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:	30.00	Total Bank Financing:	30.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			30.00
Total			30.00

## VI. Contact point

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