

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: 56510-ML

PROJECT PAPER
ON A
PROPOSED ADDITIONAL CREDIT
UNDER THE PILOT CRISIS RESPONSE WINDOW
IN THE AMOUNT OF SDR 7.5 MILLION
(US\$ 11.2 MILLION EQUIVALENT)
TO THE
REPUBLIC OF MALI
FOR A
RURAL COMMUNITY DEVELOPMENT PROJECT

September 13, 2010

Agricultural and Rural Development
Sustainable Development Department
Country Department AFCW3
Africa Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

CURRENCY EQUIVALENTS

(Exchange Rate Effective August 31, 2010)

Currency Unit = FCFA
FCFA516 = US\$1
US\$1 = SDR0.66273

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ADC	<i>Animateur de Développement Communautaire</i> (Community Development Field Agent)
AF	Additional Financing
ANICT	<i>Agence Nationale d'Investissements des Collectivités Territoriales</i> (National Agency for Local Governments' Investments)
APE	<i>Association de Parents d'Élèves</i> (Parents' Associations)
ASACO	<i>Association de gestion des centres de santé communautaires</i> (Rural Community Clinics / Health Centers Management Committee)
BCGP	<i>Bureau Central de Gestion du PACR</i> (PACR Implementation Unit)
CAS	Country Assistance Strategy
CBO	Community-Based Organizations
CRW	Pilot Crisis Response Window
CSCOM	<i>Centre de Santé Communautaire en milieu rural</i> (Rural Community Health Centers / Clinics)
ESMF	Environmental and Social Management Framework
EU	European Union
FY	Fiscal Year
GoM	Government of Mali
IDA	International Development Association
IFR	Interim Financial Report
M&E	Monitoring and Evaluation
MTR	Mid-term review
NGO	Non Governmental Organization
NRM	Natural Resources Management
ODC	<i>Opérateur de Développement Communautaire</i> (Community development support operator)

OP/BP	Operational Policy / Bank Policy
PACR	<i>Projet d'Appui aux Communautés Rurales</i> (Rural Community Development Project)
PAD	Project Appraisal Document
PDO	Project Development Objective
PIU	Project Implementation Unit
PPF	Project Preparation Facility
PMP	Pest Management Plan
PRSC	Poverty Reduction Strategy Credit
SHCS	School / Health Care Support
SOE	Statement of Expenditures
UNICEF	United Nations Children's Fund
WFP	World Food Program

Vice President:	Obiageli Katryn Ezekwesili
Country Director:	Kathryn Hollifield (Acting)
Sector Manager:	Karen McConnell Brooks
Task Team Leader:	Olivier Durand

MALI

ADDITIONAL FINANCING FOR MALI RURAL COMMUNITY DEVELOPMENT
PROJECT

PROJECT PAPER

AFRICA

AFTAR

Basic Information (Original Project)			
Project ID: P040653		Project Name: Rural Community Development Project	
Team Leader: Olivier Durand		Expected Closing Date: June 17, 2012	
Environmental category: Partial Assessment		Lending Instrument: Specific Investment Loan	
		Joint IFC:	
		Joint Level:	
Basic Information (Additional Financing)			
Date: September 13, 2010		Team Leader: Olivier Durand	
Country Director: Mary Kathryn Hollifield		Sectors: General agriculture, fishing and forestry sector (100%)	
Sector Manager/Director: Karen Mcconnell Brooks		Themes: Rural services and infrastructure (50%); Rural non-farm income generation (25%); Other rural development (25%)	
Project ID: P121057		Environmental category: Partial Assessment	
Lending Instrument: Specific Investment Loan		Additional Financing Type: Scale Up	
		Joint IFC:	
		Joint Level:	
Project Financing Data			
[] Loan [X] Credit [] Grant [] Guarantee [] Other:			
For Loans/Credits/Others:			
Total Bank financing (US\$m.): 11.20			
Proposed terms: Standard			
Financing Plan (US\$m)			
Source	Local	Foreign	Total
BORROWER/RECIPIENT	0.00	0.00	0.00
International Development Association (IDA)	11.20	0.00	11.20
Total:	11.20	0.00	11.20
Borrower: Republic of Mali Bamako Mali			

Responsible Agency:

Ministry of Social Development, Solidarity and Senior Citizens

Mali

Tel: (223-66) 755-077

Estimated disbursements (Bank FY/US\$m)

FY	2011	2012	2013						
Annual	7.50	3.00	0.70						
Cumulative	7.50	10.50	11.20						

Project implementation period: Start September 30, 2010 End: June 17, 2013

Expected effectiveness date: December 30, 2010

Expected closing date: June 17, 2013

Does the project require any exceptions from Bank policies?

Ref. Section Appraisal of Project Activities

[] Yes [X] No

Have these been approved by Bank management?

[] Yes [] No

Does the project include any critical risks rated “substantial” or “high”?

Ref. Section Project Risks and Mitigating Measures

[] Yes [X] No

Project development objective **Ref. Section Bank Response**

Improve the living conditions of project-supported rural communities in terms of (i) access to basic socio-economic services, and (ii) a sustainable increase in incomes, while promoting improved natural resources management practices.

Project description *[one-sentence summary of each component]* **Ref. Section Bank Response**

- Component A: Capacity building for community and socio-professional organizations empowerment;

- Component B: Communal initiatives fund for socio-collective investments;

- Component C: Local Productive Initiatives Fund for productive investments designed and implemented by socio-professional organizations;

- Component D: Project Management, Monitoring and Evaluation, and Knowledge Management;

- Component E: Assistance to rural primary schools, health care associations and community health centers.

Which safeguard policies are triggered, if any? **Ref. Section Appraisal of Project Activities**

Category B project - OP4.01 and OP 4.09; same as under original project.

Effectiveness condition: the Project Implementation Manual has been updated under terms satisfactory to the Association

MALI
Rural Community Development Project

CONTENTS

I. Introduction	1
II. Background and Rationale for Additional Financing	1
III. Proposed Changes	3
IV. Appraisal Summary	7
Annex 1: Results Framework and Monitoring	11
Annex 2: Operational Risk Assessment Framework	19
Annex 3: Financial Management and Procurement	24

I. INTRODUCTION

1. This Project Paper seeks the approval of the Executive Directors to provide an additional financing to the Mali Rural Community Development Project (*Projet d'Appui aux Communautés Rurales* (PACR) - P040653) in the amount of a US\$ 11.2 million IDA Credit through the Pilot Crisis Response Window (CRW). The processing of this additional financing also includes an extension of the project closing date of the project for 12 months from June 17, 2012 to June 17, 2013, a reallocation of credit proceeds among categories and a revision of the results framework.

2. Additional activities will support rural community-based organizations affected by the recent financial crisis and the lingering of the food and oil price crises. The project will help social associations and productive organizations restore and strengthen their capacities in managing and delivering social and productive services to community and rural producer members. In compliance with OP/BP13.20, the proposed additional financing is consistent with the original project development objective (PDO) and will help implement additional and expanded activities that up-scale the project's impact and development effectiveness. So far project implementation has been fully satisfactory as confirmed by the recent mid-term review concluded in June 2010. No major changes are proposed to the project institutional set-up and implementation arrangements.

II. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING IN THE AMOUNT OF \$11.2 MILLION

3. **Background information:** The project is financed through an IDA Credit amounting to SDR 40.4 million (US\$60 million equivalent) that was approved by the Board of Executive Directors on September 15, 2005 and became effective on March 24, 2006. The project development objective is to improve the living conditions of project-supported rural communities in terms of (i) access to basic socio-economic services, and (ii) a sustainable increase in incomes, while promoting improved natural resources management practices. The project would achieve this objective through community empowerment and capacity building (Component A – “Capacity building”), socio-collective investments (Component B – “Communal Initiatives Fund”) and productive investments (Component C – “Local Productive Initiatives Fund”). The project is targeting 54 communes (and 1,041 villages) in poor rural areas in four administrative regions (Tombouctou, Ségou, Mopti and Sikasso).

4. Community development operators (local NGOs) are providing close support to communes, communities and rural producer organizations in designing and implementing small-scale social and productive investment projects. Overall management and coordination functions are assigned to a project implementation unit. Project financing for social investments is channeled to communes through the National Agency for Local Government Investments (*Agence Nationale d'Investissements des Collectivités Territoriales* – ANICT), which collects external resources for equitable redistribution to communes.

5. The project is closely linked to GoM's long-term Growth and Poverty Reduction Strategy Framework. The Bank has been strongly supporting the implementation of GoM's rural development strategy. The project reflects the commitment of the CAS to agriculture in general and social and economic development of rural communities in particular. It complements on-going programs and projects within the context of decentralization, and other IDA-funded projects in rural areas supporting agricultural competitiveness and diversification as well as rural infrastructure.

6. **Status of Project Implementation:** The project encountered a slow start due to the time required for implementation operators to engage with supported communities and to initiate a first batch of demand-driven investment projects. As assessed by the recent mid-term review conducted in June 2010, the project is now fully on track and disbursements have been steadily increasing. As of August 31, 2010, the project had disbursed about US\$42.1 million, representing 69% of the total project funding. So far the project has trained more than 1,800 members of community based organizations and more than 250 elected members of local governments (communes). More than 500 social investments have been constructed through communes and 620 productive investments are being implemented by rural producer organizations.

7. Project progress towards PDO achievement and overall implementation progress are rated satisfactory. Some procurement problems have been encountered at the communal level under component B. To address these issues an action plan was agreed and subsequently implemented to strengthen local governments' capacities in procurement and to ensure a closer supervision of procedures at the communal level. The project is in compliance with all legal covenants. There are no unresolved fiduciary problems; during past project supervisions some ineligible expenditure incurred by eight communes were detected, which were reimbursed by ANICT in June 2010.

8. **Rationale for additional financing:** Mali faces recurrent external shocks particularly droughts or locust infestations. For the last five years, Mali has faced a succession of severe external shocks, including inadequate rainfall and floods, the 2008 food price crisis, followed by the oil price crisis. The country is not facing the full impact of the global economic slowdown as a result of the 2009 financial crisis, but at the same time is not escaping it either. According to PREM analysis (PRSC 4), the impact of the global economic crisis is complex: while record high gold prices, large privatization receipts and favorable weather conditions have contributed to mitigating the overall macroeconomic impact, negative effects persist in some sectors and regions affected by reduced remittances and tourism related incomes, compounded by the lingering impacts of the food price crisis. Many households in the project targeted communes are relying on workers abroad and are affected by a reduced flow of remittances. There is a high level of uncertainty regarding the recovery of the European labor market and remittances may remain low for 2010 and probably 2011.

9. Although the GoM has developed a wide range of publicly-funded risk management and safety net programs, it fails to provide enough options for vulnerable groups. A review of Social Safety Net programs in Mali (AFTSP, April 2010) shows that the scope and coverage of the social safety net is very small (0.5 percent of GDP in 2009) compared to the most urgent needs (about 27 percent of the Malian population is food insecure). The study suggests an expansion of the social safety nets programs based on a set of cost effective existing and new programs. As stated in the Program Document for the fourth Bank PRSC in Mali, given the limited fiscal space available for safety net programs, it is recommended that the Government allocates its scarce resources to programs that are well targeted, cost-efficient and promote demand for health and education.

10. Donor response has been limited so far. The donor group for Food Security is mainly focused on the governance and management of the National Security Food Stock Program, under the leadership of the World Food Program (WFP) and the EU. Some international agencies,

mainly the United Nations Children’s Fund (UNICEF) and WFP, are engaged in small-scale safety net initiatives but they remain very limited compared to the needs. NGOs are more active: for instance, OXFAM is testing cash transfer, CRS is developing a school feeding program, and rural development NGOs such as *Afrique Verte* are providing support to cereal banks. With the exception of some budget support operations, the existing response to directly address the repercussion of the crisis is limited.

11. A first Bank response to the crisis has been provided through the Pilot Crisis Response Window to the fourth Poverty Reduction Strategy Credit (PRSC-4). This operation approved by the Board on June 3rd, 2010 is the second in a programmatic series of three PRSCs designed to support the implementation of the Government’s poverty reduction strategy in the challenging context of an exceptionally unfavorable global environment. Specifically, this second series aims to strengthen public financial management and improve access to basic social services, while enhancing the regulatory and institutional framework for infrastructure and private investment. The proposed operation also aims to assist the authorities’ efforts to cope with potential effects of the global slowdown and maintain the momentum of reform to achieve critical development objectives.

12. In parallel, the proposed Additional financing to the PACR under the Pilot Crisis Response Window will give the Bank the opportunity to provide direct assistance to rural communities, the poorest groups of the society affected by the crisis. Actually, the Rural Community Development Project is one of the few available instruments to directly address the immediate needs of vulnerable populations. PACR is targeting 54 poor communes, representing 1,054 villages, in rural areas and has already deployed a strong network of agents who are experienced in community development support. The project can serve as an efficient vehicle to provide additional support to rural communities affected by the recent crises and to restore capacities of health, education and producer associations to provide effective services to communities and villagers at large.

13. Rural populations in Mali are relying on their own cereal production for familial consumption but are also buying imported products such as milk, sugar and oil. As a result of lower remittances and higher cost for imported products, PACR field community development support operators (ODC – *Opérateurs de Développement Communautaire*) have recorded delays at the level of teachers and nurses payment in community-managed rural primary schools and rural community health centers (CSCOM - *Centres de Santé Communautaire en milieu rural*). Rural households’ expenditures for tuition, school stationary, medicines and health mutual association subscription have seriously decreased. Agricultural input prices have also increased and rural producers are facing higher production costs. At the household level, rising food and fuel prices are putting further pressure on poor families, thereby threatening the sustainability of the gains achieved in previous years.

III. PROPOSED CHANGES

14. **Project Development Objective:** The original PDO is to “*Improve the living conditions of project-supported rural communities in terms of (i) access to basic socio-economic services, and (ii) a sustainable increase in incomes, while promoting improved natural resources management practices*”. No changes will be made to the PDO which remains fully relevant to the current rural community needs and to the proposed additional activities.

15. **Institutional set-up and implementation arrangements:** Implementation of on-going activities is delegated to a project implementation unit for components A, C and D. Investments under component B are financed through ANICT and implemented by communes. On the ground, Community Development Operators (ODC – *Opérateurs de Développement Communautaires*) support communes, community-based organizations and socio-professional organizations in designing and implementing social and productive investments. The additional financing will use the current project institutions and operators.

16. **Changes and extension of the closing dates:** The proposed changes consist primarily of: (i) increasing the Bank's financial contribution to the existing project activities, with the exception of those under Component B; (ii) adding a new component to provide social assistance to rural primary schools, rural community health centers (CSCOM) and health care associations ("*Mutuelles de santé en milieu rural*"); (iii) reallocating the unallocated budget of the original Credit and among other categories; and (iv) extending the closing date of the project for 12 months through June 17, 2013. This one-year extension will be the first extension and allow the project time to properly deliver the proposed additional activities and to provide adequate support to rural community-based organizations. As such, the additional financing will comply with OP/BP13.20 as additional funds will be used within three years of the current closing date of the original project. Some modifications have been agreed with respect to the results framework to ensure realism in the targets, as well as consistency between the intermediate outcomes and the PDO outcomes and their indicators, as well as to capture the additional outcomes and outputs that are envisaged to be generated under the AF (details in Annex I).

17. **Proposed additional activities:** Under **Component A**, additional training will be provided and delivered through the existing network of project training resources and field agents. Strong management capacities are seen as the critical element to ensure the viability of small-scale rural investments and the sustainability of rural organizations and associations. As such and for sustainability purposes, the project will strengthen its training of management trainers and advisers through a partnership to be developed with the "Start and Improve your Business" SIYB-program from the International Labor Organizations. The project information and communication program will also take this opportunity to reiterate and strengthen its messages on education and other social and health messages especially for young girls.

18. Under **Component C**, the additional financing will help rural producer organizations restore and increase their stocks of agriculture and livestock inputs (fertilizers, vet medicines, etc.). It will help agricultural producers access improved seeds while receiving additional training on rural entrepreneurship and PO management. For each type of productive investments a specific package has been designed, including a lump sum for agricultural inputs, innovations to be introduced, training, field visits to similar experiences and participation to regional agricultural exhibitions. All packages include specific activities to promote improved natural resources management practices specific to the production under consideration.

19. Eligible criteria have been agreed on to select the most reliable rural producer organizations that have a sustainable number of members, are in the process of adopting the cooperative status and are not suffering from mismanagement. Selection criteria will look also at the most viable investment projects, meaning technically sustainable with respect to the organization of work (service cooperative vs. production coops). The typology of projects and the estimated number of producer organizations that will benefit from this additional assistance are as follows: around 100 of vegetable perimeters, usually managed by women; 100 producer

organizations involved in rainfed production; 20 agro-forestry projects; 100 bovine and ovine husbandry, breeding and fattening farms; 60 poultry farms; 10 fish farming units; 10 post-harvest processing units; 50 artisans.

20. Under **Component D**, additional resources will be allocated to (i) strengthening field support to community-based organizations with additional staff on the ground, and (ii) supervising activities, as well as monitoring and evaluation.

21. A new **Component E** will be created and implemented by the Project Implementation Unit to help management committees of rural primary schools and CSCOMs¹, as well as health care associations, to:

- (i) Temporarily support rural primary school and CSCOM staff: with the crisis, many rural families are facing difficulty to cover school fees or health care; this situation results in children leaving schools, teachers not paid or families missing health care; the additional financing would temporarily provide financial assistance to rural schools and community health centers to restore their capacities in maintaining activities and services to rural population. No salaries will be paid to staff.
- (ii) Restore stocks of school stationary and medicines, as well as renew obsolete or damaged equipments: for the same reasons, many rural schools and CSCOMs have not been able to renew their equipment and direct financial assistance is required to maintain those basic social services available to rural poor.

22. Financial assistance, equipment and stocks will be delivered to primary schools and CSCOMs as part of School / Health Care Support (SHCS) micro-grants to be prepared and submitted by schools' and community health centers' management committees, as well as health care associations. Resources will not be channeled through component B because the ANICT financing mechanism has been designed to provide investment resources to communes for infrastructure construction, not for soft support. ANICT investment relies on annual budgeting and is not the appropriate channel to provide urgent and social assistance to rural communities. Such assistance will be centralized and channeled at the level of the PIU.

23. Within the 54 communes of project interventions, not all primary schools and CSCOMs will receive support to avoid a dilution of the proposed material and financial assistance. Eligible criteria have been agreed on to serve primarily schools and community health centers in real financial difficulty, where at least 30% of children of the project supported community-based organizations are attending. The project team has estimated that around 720 of rural primary schools and 45 CSCOMs would require assistance. Assistance will be extended to mutual associations that play an important role for rural people to access social basic services when available. The project team has made an assessment and selected 30 health care associations based on their coverage, institutional organization and management performances.

24. **Result framework and indicators:** result indicators have been revised to: (i) include real impact and outcome indicators at the PDO level and at the intermediate outcome level; and to (ii) ensure consistency of target values between the PAD and the legal agreements (see corrigendum sent to the Board in June 2009). M&E system is performing properly and providing relevant data and analyses on small-scale investment projects and result indicators. The results framework

¹ *Associations de Parents d'Élèves* and *Association de gestion des centres de santé communautaires (ASACO)*

incorporates all relevant, mandatory core indicators (number of direct beneficiaries). One specific indicator has been added to measure the impact of the proposed additional activities.

25. As part of the additional financing appraisal, it has been agreed with the Government of Mali, and in consultation with AFTRL, to reduce the number of indicators as there are too many (12 in the legal agreement) and some of them are not fully relevant, focusing mainly on project activity, processing and outputs. The objective is to simplify the results framework by keeping one or two indicators per component as per current. Specific indicators have been added to measure progress in implementing the proposed additional financing and its impact on rural communities. The new proposed result framework with detailed explanation is presented in annex 1.

26. **Additional financing budget allocations:** The allocation of the proposed additional funds is shown below: (i) Financial resources will be channeled to community-based and producer organizations through components E and C respectively; (ii) a large share of the additional financing will be dedicated to training (40%); and, (iii) 10% of the AF will offer additional resources to field operators to facilitate project implementation, along with additional resources for PIU supervision, monitoring and evaluation.

Table 1 - Proposed allocation of additional funds

Component	Initial allocation (MUS\$)	Add. financing (MUS\$)	Total (MUS\$)
A- Capacity building	12.1	1.3	13.4
B- Communal initiatives fund	11.0	0.0	11.0
C- Local productive initiatives fund	23.1	2.4	25.5
D- Project implementation, coordination, M&E, and knowledge management	6.2	2.5	8.7
E- Assistance to rural primary schools, health care associations and community health centers	0.0	5.0	5.0
Unallocated	6.5	0.0	6.5
PPF refinancing	1.1	0.0	1.1
Total	60.0	11.2	71.2

27. Based on the mid-term review conclusions and recommendations, the Bank and the project team have taken the opportunity of the additional financing appraisal to reallocate the unallocated funds to mainly cover overrun for certain categories of expenditures. The proposed budget reallocation aims also at strengthening training and advisory services to community-based and producer organizations, especially for technical and management advice, along the lines as agreed during the recent MTR of the original project

28. Under Component D, some costs have been underestimated at appraisal for the coordinating activities at the national level supervising and investments at the regional and local

levels. Inflation and increasing fuel prices have also led to overrun of operating costs. Additional staffs have been recruited to strengthen the overall project coordination unit, especially for supervising a large number of small-scale investment projects. Along the same lines, regional coordination units have been strengthened with one assistant to the regional coordinators to ensure a closer monitoring of field operators and a stronger dialogue with regional authorities, decentralized public services and local governments. Some training and communication costs have also been supported by this component.

Table 2 – Budget reallocation of unallocated funds of the original credit

Component	Initial allocation (MUS\$)	Additional financing (MUS\$)	Reallocation (MUS\$) Cr 4113-MLI	Total (MUS\$)
A- Capacity building	12.1	1.3	+1.0	14.4
B- Communal initiatives fund	11.0	0.0	+3.0	14.0
C- Local productive initiatives fund	23.1	2.4	0.0	25.5
D- Project implementation, coordination, M&E and knowledge management	6.2	2.5	+2.0	10.7
E- Assistance to rural primary schools, health care associations and community health centers	0.0	5.0	0.0	5.0
Unallocated	6.5	0.0	-6.0	0.5
PPF refinancing	1.1	0.0	0.0	1.1
Total	60.0	11.2	-	71.2

IV. APPRAISAL SUMMARY

29. **Project design and implementation:** The project institutional set-up and implementation arrangements have proved so far to be efficient in delivering infrastructures and services to communes, rural communities and grassroots associations and producer organizations. Under the overseeing of the national steering committee chaired by the Ministry of Social Development, the PIU will remain in charge of the overall coordination of training delivery, social investment construction, productive sub-projects implementation, and monitoring and evaluation. At the regional level, the PIU will maintain its regional antennas to ensure a closer supervision of field interventions. Training activities and direct support to communities and communes will be carried out by regional service providers and field operators (ODC).

30. The proposed additional activities will be implemented through the existing project institutional set-up and implementation arrangements. Activities to be carried out by component have been detailed by component with specific justification and specific objectives, with detailed actions, eligible criteria and costs. Under the supervision of the PIU and its regional entities, ODCs will be responsible for the application of the proposed eligibility criteria. The assessment

done during the recent project MTR confirmed the good performance of these operators, their sound connection with activities on the ground and the trust they have gained from local governments and rural community-based associations and grassroots producer organizations.

31. The project implementation manual will be updated as a condition of effectiveness to include the proposed additional activities, along with the proposed delivery mechanism and eligible criteria for selection benefitting social associations and rural producer organizations.

32. Social assistance at the core of this CRW additional financing will be directly delivered by the project coordination unit. As explained earlier, the ANICT financing mechanism under component B is not the appropriate channel to deliver urgent social assistance to be rural social associations. A new component E, specifically dedicated to the proposed social assistance, has been created so to make a clear distinction with hard investments delivered under component B through ANICT and local governments. This component E will be under the full responsibility of the project coordination unit as mentioned above.

33. **Safeguards:** The original project was classified as a category B with respect to the environmental and social considerations of the project investment and in line with World Bank policies. The envisaged nature of the activities to be supported under the proposed additional financing, as described above, is not expected to generate any significant additional or different negative environmental and social impacts. In view of this, the classification of the project is maintained at B and no other safeguards policies are triggered other than those triggered already under the original project (OP 4.01 and OP 4.09). Accordingly, possible adverse environmental and social impacts generated by the original project and additional financing are expected to remain minimal, site specific and manageable to an acceptable level as described in Annex 10 of the original PAD (Report No. 31205-ML).

34. An Environment and Social Management Framework (ESMF) was prepared for the original project and disclosed in January 2005. It includes the following: (i) systematization of environmental and social impact assessment for all identified sub-projects before entering into a funding agreement with communities; (ii) training of staff and partners of the national and regional coordination units; (iii) establishment and implementation of an intersect consultation framework for the environmental control and monitoring; (iv) reinforcement of coordination meetings of harmonization and consultation at all levels among stakeholders; and (vi) concerted efforts of NGOs and mass media for the execution of an Information-Education-Communication program aimed at improving environmental management. The recommendations of the safeguard documents are incorporated in the Project Implementation Manual (PIM). This ESMF has been updated for the proposed additional financing and re-disclosed on August 30, 2010 in-country and at the InfoShop.

35. A self-standing pest management plan (PMP) was also prepared for the original project and disclosed in May 2005. For the purpose of the additional financing and as part of the appraisal, this PMP has been updated and re-disclosed as a revised version on August 30, 2010 (in-country and at InfoShop). It will be further updated based on the recently disclosed (in January 2010) PMP that was prepared for the newly approved “Fostering Agricultural Productivity Project in Mali” (June 2010). This update will also further document procedures and measures related to medicine waste management, handling and disposal. The final revised version will be disclosed before project effectiveness.

36. Safeguards compliance of the original project is currently rated as Satisfactory and has been rated as such throughout the entire implementation period. The recent mid-term review of the original project that was concluded in June 2010 assessed that the elaboration of community-based investments includes a proper analysis and anticipation of their potential adverse impacts on the environment and provides relevant prevention measures. However, it was also noted that the application of the proposed measures on the ground is not always sufficiently rigorous and for this reason recommendations have been provided to ensure a more strict compliance of investment implementation to the proposed mitigation actions. Additional training on mitigation measures will be delivered by the project to field operators and technical advisors that work closely with community-based organizations and producer groups. Implementation of these measures will be closely monitored by subsequent Bank supervision missions.

37. **Financial Management:** The FM arrangements for the Additional Financing will rely on the existing arrangements. Financial accounting and reporting, as well as audit arrangements, are rated satisfactory or moderately satisfactory. The financial management risk assessment has been updated and included in annex 3. Following the improvement made by the project in financial management in addition with the clean-up of ineligible expenditures (for eight social investments implemented by communes) and the related safeguards measures taken by ANICT (especially the recruitment of civil work specialists at the regional level for a closer supervision of social investment implementation), the rating of overall project financial management has been upgraded to satisfactory. No particular risk is foreseen in the proposed additional activities. Cash transfer to grassroots associations and producer organizations will not use the ANICT financing mechanism which provides resources to local government for hardware investments. This will be done by the project coordination unit under the newly created component E based on the eligibility criteria set for selecting social associations that will receive assistance. Financial assistance to rural producer organizations will be channeled through the existing mechanism under component C.

38. Transaction-based disbursements arrangements of the original project will remain the same for the proposed additional financing. All supporting documents will be provided for SOEs for all transactions submitted to Bank prior review. The others will be retained at the PIU and must be made available for periodic review by Bank' missions and external auditors. Interim Un-audited Financial Reports (IFRs) would be prepared on a quarterly basis. The IFR will include sources and uses of funds by project expenditures classification. It will also include a comparison of budgeted and actual project expenditures (commitment and disbursement) to date and for the quarter. The PIU will submit copies of the IFRs to the Bank within 45 days following the end the calendar quarter. The Financial Agreement will require the submission of Audited Financial Statements for the PIU to IDA within six months after year-end. The external auditor of PACR will have an additional clause to his ToR to take into account the operations under the additional financing. He will conduct an annual audit of the additional financing statements. A single opinion on the Audited Project Financial Statements in compliance with International Standards on Auditing will be required.

39. **Procurement:** The procurement for the proposed additional funding will be carried out in accordance with the World Bank's *Guidelines: Procurement under IBRD Loans and IDA Credits* dated May 2004, revised in October 2006 and may 2010; and *Guidelines: Selection and Employment of Consultants by World Bank Borrowers* dated May 2004, revised in October 2006;

and the provisions stipulated in the Financing Agreement. For each contract to be financed by the Credit, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the World Bank project team in the Procurement Plan. “Guidelines on Preventing and Combating Fraud and Corruption in Project Financed by IBRD Loans and IDA Credits”, dated October 15, 2006, shall apply to the project. Prior review thresholds for goods, non consultant services and selection of consultants are detailed in annex 3.

40. As the project experienced difficulties with procurement at the communal level under the ANICT component B and at the rural producer organizations and community-based associations’ level under component C, the procurement risk is still rated as substantial but procurement quality has substantially improved at the PIU level. Therefore, no additional activity will be implemented through the ANICT financing mechanism and all procurement will be under the responsibility of the PIU (BCGP - *Bureau Central de Gestion du PACR*). A Procurement Plan has been prepared as part of the appraisal mission. It will be updated at least every year or as required to reflect implementation progress and improvements in institutional capacity.

41. **Policy Exceptions and Readiness:** No exceptions are envisaged. The project is already fully operational so that the proposed additional activities could start as soon the credit is signed.

42. **Effectiveness condition:** The Project implementation manual will be revised as a condition of effectiveness to include the proposed additional activities and the eligibility criteria set forth to select social associations and rural producer organizations that will receive assistance from the project.

Annex 1: Results Framework and Monitoring

MALI: Additional Financing for Mali Rural Community Development Project Results Framework

PDO		Project Outcome Indicators		Use of Project Outcome Information	
Current	Proposed	Current	Proposed	Current	Proposed
Improve the living conditions of project-supported rural communities in terms of (i) access to basic socio-economic services, and (ii) a sustainable increase in incomes, while promoting improved natural resources management practices	<i>[Unchanged]</i>	[Core indicator]	Number of direct project beneficiaries (inc. women)	<ul style="list-style-type: none"> Gauge revenue generation directly attributable to project; 	⇒ Asses overall impact of project investments on community access to basic social services
		By the end of the project, at least 75% of micro-projects implemented under the project for more than 3 years are still active	<i>[Rephrased to better capture income increase]</i> At the end of the project, at least 60% of the productive projects have generated average annual income per member superior to the daily poverty line	<ul style="list-style-type: none"> Provide opportunity to targeted communities to gauge improvement to the environment in their own terms; 	⇒ Assess project impact on socio-professional groups to manage productive investments and generate revenues
		By the end of the project, at least 80% of beneficiaries perceive positive social or environmental impacts as a result of project intervention	<i>[Dropped]</i> <i>Perception indicators not sufficiently relevant to properly assess project impact; need to reduce the number of indicators</i>	<ul style="list-style-type: none"> Provide opportunity to targeted communities to gauge improvement to their living conditions in their own terms. 	
		By the end of the project, at least 80% of the stakeholders of the project perceive an improvement in their participation in the local and communal development process and activities		<ul style="list-style-type: none"> Complement quantitative impact analysis; 	
		By the end of the project, 80% of targeted communities perceive significant improvement in access to basic services thanks to project interventions	<i>[Rephrased]</i> By the end of the project, 80% of villages supported by the project have adequate access to basic social services (Clinic within 15km, School within 5km and 1 water access for 400 people)	<ul style="list-style-type: none"> Assess overall impact of project beyond revenue-generated in the first indicator. 	

		By the end of the project, quantitative impact evaluation of project is positive	<i>[Dropped]</i> <i>Vague and difficult to measure</i>		
		<i>[New indicator] to capture the environmental objective included the PDO</i>	By the end of the project, at least 50% of community-based organizations have implemented improved natural resources management practices		

Intermediate Outcomes		Intermediate Outcome Indicators		Use of Intermediate Outcome Monitoring	
Current	Proposed	Current	Proposed	Current	Proposed
Component A: Capacity Building ⇒ The governance and managerial capacity of targeted communes and local communities are improved	<i>[Unchanged]</i>	<ul style="list-style-type: none"> By the end of the project at least 80% of the communes have elaborated a satisfactory process of communal development plans; 	<i>[Dropped]</i> Communal development plans have not been updated and the process will be reformed.	<ul style="list-style-type: none"> Monitor governance of assisted communes; 	⇒ Monitor the number and the quality of training and capacity building delivered to communities by the project ⇒ Assess the impact of project training investments on community groups' capacities to properly manage social investments
		<ul style="list-style-type: none"> By the end of the project, at least 75% of the communities that have benefited from a social, cultural or economic investment under the project still have functioning management committees and have upgraded monitoring capacities 	<ul style="list-style-type: none"> By the end of the project, at least 75% of the communities that have benefited from a socio-collective or productive investment under the project still have functioning management committees 	<ul style="list-style-type: none"> Monitor communes' operational capacity to suggest eventual adjustment during implementation 	
		<ul style="list-style-type: none"> By the end of the project, 75% of the socio-professional groups that have benefited from a social, cultural or economic investment under the project still have functioning management committees and have kept up to date their monitoring instruments; 	<i>[Dropped]</i> Redundant with previous indicator; transferred to component C where technical advisory services is provided to socio-professional groups	<ul style="list-style-type: none"> Monitor managerial capacity of assisted communes for an indication on sustainability; 	
		<ul style="list-style-type: none"> By the end of the project 80% of the communes are satisfied by support services provided to them; 	<i>[Dropped]</i>	<ul style="list-style-type: none"> Monitor effectiveness or support given to and by NGOs and rural micro-enterprises to suggest eventual adjustment during implementation. 	
		<ul style="list-style-type: none"> By the end of the project at least 60 private service and training providers have benefited from project support for capacity building for the improvement of the quality of their services and the development of their activities. 	<i>[Unchanged]</i> <i>Target will change to include other beneficiaries of training sessions</i>		

Intermediate Outcomes		Intermediate Outcome Indicators		Use of Intermediate Outcome Monitoring	
Current	Proposed	Current	Proposed	Current	Proposed
Component B. Investments and Technical Support Services for Communal Initiatives. ⇒ The access to and sustainability of basic socio-economic services for the targeted communes are improved.	<i>[Unchanged]</i>	By the end of the project:	<i>[Transferred to PDO level]</i>	To suggest eventual adjustment during implementation: • Document the number of communal projects on the ground; • Monitor the execution and functioning of communal sub-projects; • Monitor critical mass of socio-economic investments to increase communal internal revenues; • Monitor critical mass of environmental investments; • Monitor the number of support services contracts.	⇒ Monitor the number and the quality of social investments delivered to communities through ANICT and communes ⇒ Assess the impact of project social investments on communities' access to basic social services
		• at least 80% of targeted communes have access to key social public services; • at least 450 social, cultural and economic investments have been implemented, together with corresponding training and technical and economic support;	<i>[Unchanged]</i>		
		• At least 10% increase in the communal internal revenues;	<i>[Dropped]</i> Measurable but not fully attributable to the project		
		• At least 140 communal NRM investments executed and maintained through NRM management groups;	<i>[Dropped]</i> None of the communes have requested NRM investments		
		<i>[New] to capture the preliminary impact of social investments</i>	• 90% of social investments financed by the project have increasing attendance rate		

Intermediate Outcomes		Intermediate Outcome Indicators		Use of Intermediate Outcome Monitoring	
Current	Proposed	Current	Proposed	Current	Proposed
Component C: Investments and Technical Support Services for Local Community-Based Productive Initiatives ⇒ The targeted communities have increased their income in a sustainable way.	[Unchanged]	By the end of the project: • at least 900 productive investments have been implemented, together with the corresponding technical support, assistance contract or training;	[Unchanged]	To suggest eventual adjustment during implementation: • Document the number of CBO sub-projects on the ground;	⇒ Monitor the number and the quality of productive investments implemented by socio-professional organizations
		• At least 20% increase in the CBO revenues;	<i>[Dropped] impossible to measure especially for new activities</i> By the end of the project, 75% of the socio-professional groups that have benefited from a productive investment under the project are still properly functioning and making profits;	• Monitor the execution and functioning of CBO sub-projects; Monitor the number of support services contracts.	⇒ Assess results achieved by productive investments and the efficiency of advisory services provided by the project.

Intermediate Outcomes		Intermediate Outcome Indicators		Use of Intermediate Outcome Monitoring	
Current	Proposed	Current	Proposed	Current	Proposed
Component D: Project Implementation, Monitoring & Evaluation, and Knowledge Management ⇒ Staff in place manage efficiently the project; ⇒ Beneficiaries are efficiently involved in project monitoring and evaluation. ⇒ Project data are	Project is properly managed and supervised, with results and impact regularly monitored and evaluated	• Throughout the execution, the national steering committee has met regularly in accordance with the schedule set forth in the PIM;	<i>[Reformulated]</i> • Throughout the execution and at the end of each year, the project holds a multi-stakeholder workshop for assessing annual results and planning next year investments and activities	• Ensure Borrower's ownership of project;	⇒ Ensure that procurement and financial management is adequate from Year1 to Year 6 and that mitigation measures for procurement and financial risks are in place for timely action;
		• Procurement process (deadline) is assessed as satisfactory;	<i>[Dropped]</i> Not real intermediate outcome indicators but process indicators; Part of the regular assessment	• Promote multi-stakeholders partnership for project stewardship and implementation;	⇒ Use M&E as tool for planning and decision-making for all stakeholders;
		• Acceptance of Special Accounts' SOE submitted for		• Verify decentralization of project orientation and implementation;	
				• Ensure that procurement and	⇒ Ensure efficient communication and

regularly disseminated to all stakeholders;		reimbursement is 100%;	of supervision missions;	financial management is adequate from Year1 to Year 6 and that mitigation measures for procurement and financial risks are in place for timely action; • Use M&E as tool for planning and decision-making for all stakeholders; • Ensure efficient communication and knowledge sharing as a tool for planning and decision-making, innovation and good governance.	knowledge sharing as a tool for planning and decision-making, innovation and good governance.
		• Audit reports are on time and without reserve;			
		• Periodic reports are timely produced;			
		• Project implementation plan executed as planned and in accordance with the PIM and agreed procedures;			
		• M&E System in place and provides regularly robust social, economic, poverty and environmental data;	<i>[Reformulated]</i> Throughout the execution, all activity reports have been validated by the national steering committee and the Bank		
		• By the end of each calendar year during implementation, the project provided and shared socio-economic and environmental data on project results with all project partners	<i>[Dropped]</i>		
		• By midterm review and by end of the project, the project provided and shared with project partners socio-economic and environmental data on the impact of the project.	<i>[Dropped]</i>		

Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
Component E: Assistance to rural primary schools, health care associations and community health centers <i>[new component under CRW]</i> ⇒ Social assistance provided by the project helped targeted social associations restore financial capacities and their abilities to deliver services to rural population	• By the end of the project, 90% of the social associations that have benefitted from the project social assistance are functioning properly	⇒ Measure the efficiency of the social assistance provided by the project under the CRW

Arrangements for results monitoring

Project Outcome Indicators	Baselines		Target Values			Data Collection and Reporting		
	Original	June 2010 ² (At AF Appraisal)	2011	2010	2013	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
• Number of direct project beneficiaries Of which women	n/a	350.000 50%	350.000 50%	350.000 50%	350.000 50%	Quarterly	ADC monthly reports	ADC and PIU
• By the end of the project, at least 60% of the productive projects have generated average annual income per member superior to the daily poverty line	n/a	39%	50%	55%	60%	Quarterly	ADC monthly reports	ADC and PIU
• By the end of the project, 80% of villages supported by the project have adequate access to basic social services (Clinic within 15km, School within 5km and 1 water access for 400 people)	28%	63%	70%	75%	80%	Annual	Beneficiary survey	PIU
• By the end of the project, at least 50% of community-based organizations have implemented improved natural resources management practices	0	50%	50%	50%	50%	Quarterly	ADC monthly reports	ADC and PIU
Intermediate Outcome Indicators								
Component A								
• By the end of the project, at least 75% of the communities that have benefited from a socio-collective or productive investment under the project still have functioning management committees	n/a	55%	65%	75%	75%	Quarterly	ADC monthly reports	ADC and PIU
• By the end of the project at least 200 private service and training providers have benefited from project support for capacity building for the improvement of the quality of their services and the development of their activities.	0	169	180	200	200	Annual	Project annual report	PIU

²Target value at time of additional financing appraisal becomes the revised baseline.

Intermediate Outcome Indicators	Baselines		Target Values			Data Collection and Reporting		
	Original	June 2010 (At AF Appraisal)	2011	2012	2013	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Component B								
<ul style="list-style-type: none"> At least 450 social, cultural and economic investments have been implemented, together with corresponding training and technical and economic support 	0	432	450	450	450	Annual	ANICT Activity report	ANICT
<ul style="list-style-type: none"> By the end of the project, 90% of social investments financed by the project have increasing attendance rate 	n/a	64%	70%	80%	90%	Annual	Project M&E	PIU
Component C								
<ul style="list-style-type: none"> By the end of the project, at least 900 productive investments have been implemented, together with the corresponding technical support, assistance contract or training 	0	621	750	900	900	Monthly	ADC monthly reports	ADC and PIU
<ul style="list-style-type: none"> By the end of the project, 75% of the socio-professional groups that have benefited from a productive investment under the project are still properly functioning and making profits 	n/a	55%	65%	70%	75%	Quarterly	ADC monthly reports	ADC and PIU
Component D								
<ul style="list-style-type: none"> Throughout the execution, the project holds a multi-stakeholder workshop for assessing annual results and planning next year investments and activities 	0	8	10	12	14	Annual	Project annual report	PIU
<ul style="list-style-type: none"> Throughout the execution, all activity reports have been validated by the national steering committee and IDA 	0	7	8	10	12	Annual	Project annual report	PIU
Component E								
<ul style="list-style-type: none"> By the end of the project, 90% of the social associations that have benefitted from the project social assistance are functioning properly 	0%	0	50%	75%	90%	Quarterly	ADC monthly reports	PIU

Annex 2: Operational Risk Assessment Framework

MALI: Additional Financing for Mali Rural Community Development Project

Project Development Objective(s)	
Improve the living conditions of project-supported rural communities in terms of (i) access to basic socio-economic services, and (ii) a sustainable increase in incomes, while promoting improved natural resources management practices.	
PDO Level Results Indicators:	<ol style="list-style-type: none"> 1. Number of direct project beneficiaries (core) 2. By the end of the project, at least 60% of the productive projects have generated average annual income per member superior to the daily poverty line 3. By the end of the project, 80% of villages supported by the project have adequate access to basic social services (Clinic within 15km, School within 5km and 1 water access for 400 people) 4. 5.

Risk Category	Risk Rating	Risk Description	Proposed Mitigation Measures	Timing for Mitigation: Prep/Impl. ³	
1. Project Stakeholder Risks					
1.1 Stakeholder	1	- Good collaboration with the Ministry of Social Development in charge of overall supervision of the project. - Good coordination with other donors within the donor group for decentralization.	N/A	N/A	N/A
2. Operating Environment Risks					
2.1 Country	1	Risk of Macroeconomic derailment in relation to exogenous shocks and to the political context.	Macroeconomic stability remains the bedrock of Mali’s economic and social program. Indeed, the third review of a three-year Extended Credit Facility between IMF and Mali was successfully completed in December 2009, Mali having met all quantitative performance criteria and all structural benchmarks. Going forward, IMF		

³ Please see para. 14 of the guidance note for details on filing in timing for mitigation measures.

			<p>confirmed that the 2010 budget provided an adequate foundation for macroeconomic stability although expected decline in the revenues from the privatization of large state-owned enterprises and projected decline of the mining sector will both be challenging. The country is expected to continue to focus on maintaining a sound macroeconomic framework consistent with the country's poverty reduction objectives thanks to prudent national fiscal policy. It also benefits from the prudent monetary policy of the WAEMU) which Mali belongs to.</p> <p>The country has a good track record of responding rapidly and flexibly to shocks by pursuing prudent macroeconomic policies and implementing a variety of measures that contained the impact of the shocks on the economy and the population (e.g. temporary import tax exemptions on cereals).</p> <p>In times of crises, the Government typically responds with anti-cyclical measures to attenuate their effects on the population. For example, during the 2008 food crisis, the Government provided financial support to rice production through fertilizer and machinery subsidies; released food from village food banks; temporarily banned export of rice, corn, millet and sorghum; removed import taxes on limited quantities of rice, milk powder, and cooking oil imports; and temporarily reduced taxation of petroleum products, particularly diesel.</p> <p>The 2010 budget is implementing measures to contain total expenditures to 24.6 percent of GDP compared with 25.8 percent in 2009 and revenues to increase to 16.9 percent of GDP, slightly more than in 2009. The overall deficit would then decline to 7.7 percent of GDP which would be financed mostly through</p>		
--	--	--	---	--	--

			external grants, concessional loans and receipts from the sale of SOTELMA. The situation will be closely monitored within the context of the IMF's Extended Credit Facility and additional measures could be envisaged in case of unexpected deterioration of the fiscal situation. In addition, it is hoped that the government's efforts to combat fraud and consolidate the tax base, together with investment in staff training and technology, will bolster revenues.		
2.2 Institutional (sector & multi-sector Level)	1	The decentralization process is well advanced in the sector, even though the GoM is willing to delegate responsibilities to local governments but not always with the required financial resources. Small-scale investments designed and implemented by community-based and rural producer organizations are now well accepted by the GoM and appointed staff on the ground.	N/A		
3. Implementing Agency Risks (including FM & PR Risks)					
3.1 Capacity	3	Relevance and sustainability of social and productive investments can be hampered by: - Very weak capacities at the communal level, within rural community-based and producers organizations - Relatively weak capacities of service and training providers - Weak implementation capacity, in fiduciary management, in conducting good procurement processes and in managing contracts.	- Field operators specialized in community development provide direct support to communes and rural organizations; - A strong project team is in place at the central level; - this team has been able to effectively guide field operators and provide relevant assistance to the design and implementation of small-scale investments - The project has developed a large scale training program; the additional financing will strengthen and upscale this program. - An action plan has been agreed on to strengthen capacities in procurement at the decentralized level.		
3.2 Governance	1	Local governments (communes) have been re-elected in 2009 without any particular difficulty; Relationship between communal elected members and rural producer organizations and	N/A		

		community-based associations are excellent			
3.3 Fraud & Corruption	2	<p>All communal investments through ANICT are potentially subject to mismanagement and misprocurement.</p> <p>The GoM, through EU support, has set up an external audit of communal investments.</p> <p>An action plan to strengthen communal capacities has been agreed on with donors using ANICT.</p> <p>The same risk exists for community-based associations and rural producer organizations</p>	<p>Support the implementation of the action plan designed by the external auditor.</p> <p>Through its field operators and regional subsidiaries, the PIU will strengthen its supervision of procurement activities at the communal level.</p> <p>Provide assistance all project implementation to rural producer organizations and community-based associations with an independent procurement agent</p>		
4. Project Risks					
4.1 Design	1	The additional financing will use the current project institutions and operators. Funding will be channeled to communities through the existing financing mechanisms under components A (training and support to social associations) and C (training and support to producer organizations). No changes will be made to implementation arrangements.	- Maintain the current project design, institutional supervision and implementation arrangements		
4.2 Social & Environmental	2	<p>- The use of agricultural inputs is very low in Mali and support to be provided to producer organizations to increase consumption will have a negligible impact on the environment.</p> <p>- The recent mid-term review assessed that the elaboration of community-based investments includes a proper analysis and anticipations of their potential adverse impacts on the environment and provides relevant prevention measures.</p> <p>- The application of the proposed measures on the ground is not always sufficiently rigorous and recommendations have been provided to ensure a more strict compliance of investment implementation to the proposed mitigation actions.</p>	- Supervision measures have been agreed on with the GoM to ensure a closer supervision of the application of mitigation measures as part of small-scale investments project.		
4.3 Program & Donor	1	This project is a stand-alone operation; It uses the joint financing mechanism for local governments (ANICT) but does not depend on	N/A		

		any other co-financing.			
4.4 Delivery Quality	2	The additional financing aims at mitigating the impact of the recent financial crisis on rural communities. The success of productive investments is critical to generate revenues and help communities sustain their social investments.			
4.5 Other (max 2)					

A - Proposed Rating before Concept Review:

Project Team	Risk Rating: Preparation	Risk Rating: Implementation	Date	Comments
Overall Risk	1	2	06/22/2010	

B - Review by IL Risk Team for Concept Review:

Risk Team	Risk Rating: Preparation	Risk Rating: Implementation	Date	Comments
Overall Risk	1	2	06/25/2010	

Final PCN Rating:

PCN Decision Chair	Risk Rating: Preparation	Risk Rating: Implementation	Processing Track	Date	Comments
Overall Risk	1	2	1	06/26/2010	

Annex 3: Financial Management and Procurement

MALI: Additional Financing for Mali Rural Community Development Project

The current Project Implementation Unit (PIU) of the Rural Community Development Project will handle the additional activities. Therefore, the financial management arrangements for the additional financing will be based on the existing arrangements in place under the ongoing IDA project. The overall performance of the Rural Community Development Project in financial management is deemed **Satisfactory**. Staffing has remained adequate and proper books of accounts and supporting documents have been kept in respect of all expenditures. The audit for the year ended December 2009 for the project was submitted on time, and was unqualified. The interim un-audited financial reports for the on-going project have also been submitted on time.

The overall risk for the additional financing (AF) is rated **Moderate**. It is considered that the financial management satisfies the Bank's minimum requirements under OP/BP 10.02, and therefore is adequate to provide, with reasonable assurance, accurate and timely financial management information on the status of the project required by World Bank. However, in order to maintain the continuous security and reliability of information produced by the PIU and the safeguard of the assets and funds, the manual of procedures and the external auditor To R have to be updated with the AF additional operations.

1. Country issues

The inherent risk of the PFM system is rated Substantial at the country level. The Government's Action Plan for improving and modernizing public financial management (PAGAM-GFP) is a component of the larger program on institutional development (Institutional Development Program) that the authorities are implementing in the context of the country's growth and poverty reduction strategy. The 2008 PEMFAR prepared by the World Bank and the European Union, shows that the reform program has yielded progress in PFM but a number of challenges remain, including: (i) strengthening the integration between the budget and the country's poverty reduction strategy towards a multi-year programming framework, (ii) eliminating delays in the consolidation of budget information, and the production of comprehensive and regular in-year annual budget execution reports, and (iii) reinforcing the external audit by increasing the capacity of the Section of Accounts of the Supreme Court.

2. Fiduciary Risks and Mitigation Measures

Risk	Risk Rating	Risk Mitigation Measures/comments	Residual Risk Rating
Inherent Risks:	M		M
Country Poor governance. Risks remain in term of quality and timeliness of in-year budget reports and annual financial statements and effectiveness of external audit and	S	The strengthening of public financial management through the PRSC is expected to enhance the PFM's system to provide timely and reliable information and to make effective the external audit of the annual budget.	S

legislative scrutiny of the annual budget law		But this risk will not impact the project as it will not rely on the national accounting and auditing system	
Entity:	M	The funds will be managed by the PIU with appropriate follow up to prevent every risk of misuse of funds at the communal and rural organizations level since they have low capacity in funds management	M
Project:	M	The AF will be proceed under the existing PACR project and the last supervision mission issued a moderate risk	M
Control Risks:	M		M
Budgeting:	M	The 2010 Budget is approved and monitored through the accounting system. The budgeting arrangements are adequate	M
Accounting: Delays and inadequacies in submitting reliable accounting and reporting data since the project current manual does not cover all accounting routine and related administrative activities for AF activities	M	The project existing manual of procedures must be updated to take into account the new activities under the additional financing.	L
Staffing	L	Accounting function is staffed with adequately experienced and qualified staff	L
Internal Control Limit on risk control and monitoring causing risk on assets safeguard and on management reliabilities since PACR is not endowed with an internal audit unit to ascertain risk management whereas the activities are increasing	M	The manual will be updated to encompass the entire activity of the project including AF The national audit bodies have a periodic oversight through ex-post reviews like those conduct in 2008 and 2009	M
Funds Flow	M	Similarly to the current project, disbursement will be transaction-based. Disbursement as of may 2010 has a satisfactory rate of 66 %	M
Reporting	M	IFR are submitted on time but there's a need to improve the quality of IFR (refer to letter of comments on the IFR ended on March 31, 2010).	M
Auditing: The audit scope might not encompass AF operations	S	The external auditor's ToR must be updated to take into account the activities of the AF	M
Overall Risk:	M		M

H – High

S – Substantial

M – Modest

L – Low

3. Strengths

- The AF activities will be conducted through an existing bank-funded project with an adequate staffing and financial management arrangements
- The recent supervision mission rated the financial management of the project as satisfactory following the improvements made by the project in financial management in addition with the clean up of ineligible expenditures and the related safeguards measures taken by ANICT
- The external auditor opinion on 2009 financial statements was unqualified

4. Weakness

The project financial management is weakened by the defect in quality of IFR and the absence of an internal audit function. Furthermore the identified weakness in FM management and procurement management

5. Implementing Entity

The PIU of the Rural Community Development Project will have the overall coordination of the AF financial management and accounting activities. The PIU coordinator will oversee the financial management aspects of the project including the preparation of the financial statements, providing quarterly Interim Financial Reports, monitoring financial transactions on the project's accounts and making the necessary arrangements for the annual financial audit of the AF.

6. Disbursement arrangements

Disbursement methods: Transaction-based disbursements arrangements remain the same for the AF. All supporting documents will be provided for SOEs for all transactions submitted to Bank prior review. The others will be retained at the PIU and must be made available for periodic review by Bank' missions and external auditors.

Designated Account: The designated account will be located in a commercial bank and managed by the PIU. The currency of the designated account will be the US Dollar and the allocation will cover approximately four months expenditures. The Designated Account will be managed according to the disbursement procedures described in the Administrative, Accounting and Financial Manual and Disbursement Letter.

7. Budgeting arrangements

The budgeting process will be clearly defined in the FM Manual and the budget will be adopted before the beginning of the year and monitor through the accounting software. The project consolidated budget will be submitted to the IDA's objection.

8. Accounting policies and procedures

The additional loan's accounts will follow the same accounting policies than the current project. Project accounts will be maintained on a cash basis, supported with appropriate records and procedures to track commitments and to safeguard assets. Annual financial statements will be

prepared by the PIU. The FM manual will be updated with the operations related to the additional financing

9. Reporting and Monitoring

Interim Un-audited Financial Reports (IFRs) would be prepared on a quarterly basis. The IFR will include sources and uses of funds by project expenditures classification. It will also include a comparison of budgeted and actual project expenditures (commitment and disbursement) to date and for the quarter. The PIU will submit copies of the IFRs to the Bank within 45 days following the end the calendar quarter.

10. Audit arrangements

The Financial Agreement will require the submission of Audited Financial Statements for the PIU to IDA within six months after year-end. The external auditor of PACR will have an additional clause to his ToR to take into account the operations under the additional financing. He will conduct an annual audit of the additional financing statements. A single opinion on the Audited Project Financial Statements in compliance with International Standards on Auditing (ISA) will be required. The external auditors will prepare a Management Letter giving observations and comments, and providing recommendations for improvements in accounting records, systems, controls and compliance with financial covenants in the Financial Agreement.

11. Supervision Plan

Supervision activities will include: (i) on-site mission (once a year) (ii) review the financial management aspects of quarterly IFRs; (iii) review of annual audited financial statements and management letter as well as timely follow up of issues arising; (iv) and participation in project supervision missions, as appropriate. The intensity of supervision will be reassessed upon the evolution of the rating for the overall control risk.

12. Financial Covenants

The Borrower shall maintain a financial management system including records, accounts and preparation of related financial statements in accordance with accounting standards acceptable to the Bank. The manual of procedures must also be updated to take into account AF new activities.

13. Prior review threshold

Works, goods and non-consulting services

	Procurement Method	Threshold for Procurement Method	Prior Review Threshold USD	Comments
1.	ICB and LIB (Goods)	≥500,000	All contracts	
2.	NCB (Goods)	<500,000	Contracts agreed in the procurement plan	
3.	ICB (Works)	≥5,000,000	All contracts	
4.	NCB (Works)	<5,000,000	Contracts agreed in the procurement plan	
5.	ICB (Non-Consultant Services)	≥500,000	All contracts	
6.	NCB (Non-Consultant Services)	<500,000	Contracts agreed in the	

			procurement plan	
7.	Direct Contracting	All	All contracts	
8.	Shopping	≤50,000	Contracts agreed in the procurement plan	

Selection of consultants

	Selection Method	Threshold for Selection Method	Prior Review Threshold	Comments
1.	Competitive Methods (Firms)	≥200,000	All contracts	
2.	Single Source Selection (Firms)	N/A	All contracts	
3.	Competitive Methods (Individual Consultants)	≥100,000	Contracts agreed in the PPM	
4.	Single Source Selection (Individual Consultant)	N/A	All the contracts	
	Contracts for specific assignments such as contracts for the elaboration/update of manual of the project implementation and the manual of procedures, contracts for monitoring and evaluation assignments; contracts for financial assistance assignments; contracts for financial audit; contracts for procurement audit, Contracts for technical audit; contracts for environmental and social issues; contracts for legal assignments	N/A	All	Those contracts are not selection methods; but due to their sensitivity, they will be subject to prior review.