

**AFRICAN DEVELOPMENT BANK GROUP
MALI FIELD OFFICE**



MALI

PORTFOLIO PERFORMANCE REVIEW REPORT

COUNTRY REGIONAL DEPARTMENT WEST II (ORWB)

MARCH 2009

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This report was prepared following a portfolio review mission to Mali headed by Mr. Franck Perrault, Director, ORWB, from 23 February to 6 March 2009. The mission team included Mr. Moulay Lahcen Ennahli, Resident Representative, MLFO; Mr. Mamadou Samba Ba, Senior Country Programme Officer, MLFO; Mr. Hamaciré Dicko, Macroeconomist MLFO; Mr. Abdoulaye Tandina, Infrastructure Specialist, MLFO; Mr. Abdoulaye Djiro, Agronomist, MLFO; Mr. Ali Cissé, Social Development Specialist, MLFO; Mrs. Sow Koudeidiatou Issabré, Financial Analyst MLFO; Mrs. Diawara Souwèye Maïga, Procurements Assistant, MLFO; Mr. Amadou Konaté, Information Technology Assistant, MLFO; Mr. Daouda Zouré, Economist, ORWB; and Mr. Keba Ba, Financial Analyst, OWAS. Questions on this report should be referred to Mr. Franck Perrault, Director, ORWB (Ext. 2036) and Mr. Moulay Lahcen Ennahli, Resident Representative, MLFO (Ext. 6031).

ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
AIDS	Acquired immunodeficiency syndrome
APD	Preliminary drafts
BD	Bidding documents
BNDA	National Agricultural Development Bank
BCEAO	Central Bank of West African States
CFAF	Franc of the African Financial Community
DGDP	General Directorate of Public Debt
DGMP	General Directorate of Public Procurements
DHS	Demographic and Health Survey
GBS	General Budget Support
GDP	Gross Domestic Product
GPRSF	Growth and Poverty Reduction Strategic Framework
JCAS	Joint Country Assistance Strategy
PEA	Project Executing Agency
PIU	Project Implementation Unit
PRSP	Poverty Reduction Strategy Paper
PTF	Technical and Financial Partners
RBCSP	Results-Based Country Strategy Paper
SBS	Sectoral Budget Support
SDRs	Special Drawing Rights
ODHD	Sustainable Human Development Observatory
TOFE	Table of Government Financial Operations
UA	ADB unit of account

CURRENCY EQUIVALENTS

(March 2009)

Currency unit: CFAF

UA 1 = SDR 1

UA 1 = USD 1.46736

UA 1 = EUR 1.16052

UA 1 = CFAF 761.251

USD 1 = CFAF 518.790

EUR 1 = CFAF 655.957

FISCAL YEAR

1 January - 31 December

DEFINITIONS

<u>Disbursement rate</u>	:	Total disbursement/total portfolio commitments.
<u>Annual average disbursement rate</u>	:	Disbursement rate/average age calculated from the date of effectiveness.
<u>Rating of implementation status</u>	:	Rating based on actual performance with respect to fulfilment of conditions, procurement of goods and services, financial management and progress of activities and output.
<u>Rating of Development Objective</u>	:	Rating based on sustainability and envisaged project outcomes.
<u>Problem project (PP)</u>	:	Project whose implementation status (IS) or development objectives (DO) rating is less than 1.5.
<u>Potential problem project (PPP)</u>	:	Project whose IS and OD ratings are not less than 1.5, but which has at least two warning signals. PPP is an operation that is considered as having recorded progress with regard to its implementation, but with a strong probability of experiencing future implementation problems.
<u>Risky project (RP)</u>	:	Risky projects comprise problem projects (PP) and potential problem projects (PPP).
<u>Risky commitment (RC)</u>	:	The total value of loans and grants for operations considered to be risky.
<u>Age</u>	:	Time that has elapsed from project approval to date.
<u>Relative age</u>	:	Current age/Duration initially envisaged.
<u>Effectiveness</u>	:	Time that has elapsed from the date of signature to loan effectiveness.
<u>Duration</u>	:	Interval between project approval and initial closure.
<u>Duration of extension</u>	:	Interval between project approval and the Revised closure date

I. Introduction

1.1 This report summarizes the main results of the evaluation of the performance of the Bank's portfolio in Mali carried out at the end of the portfolio review mission conducted from 23 February to 6 March 2009. It seeks to inform the Board of Directors on progress made regarding the implementation and management of the Bank Group's operations in Mali since the last review in 2005, and to make recommendations to be submitted to the Government of Mali and the Bank to improve its quality.

1.2 Since it launched its activities in Mali in 1974, the Bank Group has approved 82 operations, 29 of which are ongoing and 53 completed. On 1 March 2009, the total amount of net commitments was UA 757.10 million and the cumulative amount of disbursements stood at UA 532.19 million, representing a 70% cumulative disbursement rate.

1.3 The review covered 19 (nineteen) active portfolio operations. It used the information provided by project executing agencies, appraisal reports, supervision reports, project audit reports, information from the Bank's SAP system and information provided by Project Officers at the Bank. It also took into account the results of the agricultural sector portfolio improvement mission carried out from 25 January to 12 February 2009.

1.4 Besides this introduction, the report comprises 4 (four) parts: (i) overview of the active portfolio; (ii) evaluation of portfolio management capacity and aid coordination; (iii) potential problems and lessons from portfolio and RBCSP management; and (iv) conclusions and recommendations.

II. Overview of the Active Portfolio

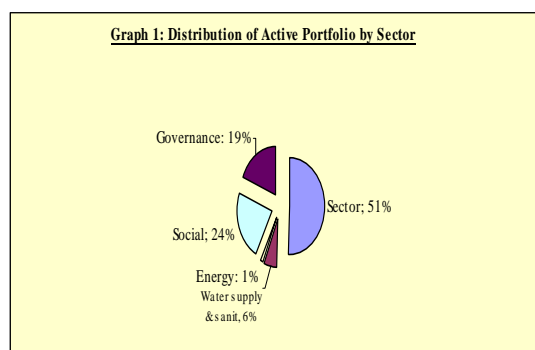
A. Main Characteristics of Ongoing Projects

2.1 The Bank's ongoing operations portfolio in Mali comprises 19 (nineteen) operations divided into 6 (six) sectors: (i) 10 (ten) projects in the rural sector; (ii) 2 (two) operations in the drinking water supply and sanitation sector; (iii) 1 (one) study on rural electrification; (iv) 4 (four) projects in the social sector; and (v) 2 (two) projects in the good governance/decentralization sector. On 1 March 2009, the amount of net commitments of the active portfolio was UA 223.31 million and disbursements amounted to UA 92.39 million, representing a 41% disbursement rate. This situation does not include the drinking water supply and sanitation project in the regions of Ségou, Gao and Koulikoro worth UA 22 million, whose conditions precedent to the first disbursement are being fulfilled. The main characteristics of the Bank's portfolio in Mali are presented in the following table:

Table 1
Active Bank Portfolio as at 1 March 2009 (amounts in UA million)

Sector	Number of operations	Net amount	Distribution by sector	Cumulative disbursements	% disbursed
Rural sector	10	112.92	51%	49.37	44%
Drinking water and sanitation	2	12.97	6%	5.56	43%
Energy	1	1.13	1%	0.99	88%
Social	4	53.29	24%	21.3	40%
Multisector	2	43	19%	15.15	35%
TOTAL	19	223.31	100%	92.39	41%

2.2 The allocation of portfolio resources by sector shows the predominance of the rural sector (51%), followed by the social sector (24%), the multisector (19%), the drinking water supply and sanitation sector (6%) and the energy sector (1%). The portfolio profile is in line with Government's priorities outlined in the Growth and Poverty Reduction Strategic Framework for the period 2007-2011 and the Bank's Results-Based Country Strategy Paper (RBCSP 2008-2011).



2.3 The portfolio also includes 9 (nine) multinational operations, of which 6 (six) in the rural sector (NERICA Project, Cotton-Textile Project, Tsetse Flies Project, Aquatic Plants Project, ABN Silting Control Programme, Sustainable Ruminant Livestock Management Project) and 3 (three) projects in the transport sector (Bamako-Kankan-Kourimalé Road Development Project, Bamako-Dakar Road Development and Transport Facilitation Programme, WAEMU-Ghana Road Programme I). The Bamako-Kankan-Kourimalé Road Project will be closed in 2009. On 1 March 2009, the amount of net commitments of the active multinational operations portfolio for Mali was UA 110.72 million, while the amount of disbursements was UA 25.78 million, representing a 23.28% disbursement rate. This low disbursement rate is attributable to: (i) delays in the award of contracts and the start up of implementation of transport sector projects; (ii) weak capacity of the Tsetse Flies and Aquatic Plants project executing agencies; (iii) the launching of new operations (Cotton-Textile Project and Sustainable Ruminant Livestock Management Project) both of which were effective in 2008. These difficulties are compounded by delays in the disbursement of the revolving fund and direct payments due to the dual processing of multinational project files at the Mali Field Office and at the Headquarters in Tunis, the monitoring of projects in 8 (eight) countries by a single Project Officer (the case of the Aquatic Plants Project) and the very limited decision-making power of the Bank's field office over multinational projects.

2.4 Cross-cutting themes: The Bank Group's operations in Mali fall under the country's socio-economic development policy reference document, in particular the Growth and Poverty Reduction Strategic Framework (GPRSF) for the period 2007-2011. Specifically, they help reinforce the impact of Bank Group's activities on issues relating to: (i) poverty reduction, (ii) gender, (iii) environmental protection, (iv) regional integration, etc.

2.4.1 Poverty reduction: with per capita income of approximately USD 322 and a 47.4% poverty rate¹, Mali is classified among low income countries. The Government's objective is to promote redistributive growth (7% per annum) and poverty reduction by reviving productive sectors and consolidating public sector reforms over the period 2006-2011. In Mali, agricultural sector operations, which account for 51% of portfolio resources, help to improve production, agricultural productivity and food security. The Bank's social sector operations in Mali (Community Development Project, Education IV Project, Health IV Project) contribute to improving the living conditions of the populations by increasing household incomes, training human resources and providing access to basic social services (education, health and drinking water supply). Furthermore, the PADDER Project is expected to help boost regional economic development and alleviate poverty in the region, thus reducing inequalities and the very imbalanced income distribution in the country (the Gini coefficient is 0.366² in Mali).

2.4.2 Gender issues: The design and implementation of most of the Bank's portfolio projects in Mali takes gender into account. The Bank's projects contain components that focus on productivity and production support, literacy education, micro-credit, and social services. These activities guarantee access to factors of production for a greater number of women and strengthen their self-empowerment. However, problems are still encountered in the distribution of micro-credits to women due to the poor organization of micro-credit structures. Recently, the Bank initiated a study on a strategy to improve local finance in Mali. Social sector projects (HIV/AIDS, Health IV, Education IV and PADEC) help to improve the living conditions of Malian woman through their action on the ground.

2.4.3 Environment: Most projects, especially those in the agricultural, road and sanitation sectors, have an environmental and social management plan (ESMP). It is worth noting that the Bank's portfolio in Mali comprises 2 (two) multinational projects (the ABN Silting Control Programme, the Plotophyte Control Project) which contribute to protecting the environment through dune fixation along the Niger River and cleaning the course of the said river invaded by harmful hyacinths and other plants. The Bamako City Sanitation Master Plan Study led to investment projects for managing the capital's solid and liquid wastes.

2.4.4 Regional integration: Mali is a landlocked country which shares common boundaries with 7 (seven) countries. The Bank's active portfolio in Mali comprises 9 (nine) multinational operations worth UA 110.72 million, which help strengthen regional integration. Such is the case with the 3 (three) road projects that will facilitate trade between Mali and neighbouring countries (Guinea, Senegal, Burkina Faso and Ghana) and diversify

¹ CT CSLP, DNSI, ODHD/LCP (2007), "Trends and Determinants of Poverty in Mali (2001-2006)", conducted by the World Bank and support from the Belgian Poverty Reduction Partnership, *Volume 2*, September.

² CT CSLP, DNSI, ODHD/LCP (2007), "Trends and Determinants of Poverty in Mali (2001-2006)", conducted with the World Bank and support from the Belgian Poverty Reduction Partnership, *Volume 2*, September.

ports supplying the country. This is also true of agricultural projects (NERICA, Cotton-Textile, Tsetse Flies, and Sustainable Ruminant Livestock Management) which helped enhance agricultural research and experience-sharing between Mali and neighbouring countries. Management of water, natural resources and the environment is carried out mainly within a regional framework around the Niger River through the ABN Silting Control Programme and Aquatic Plants Project.

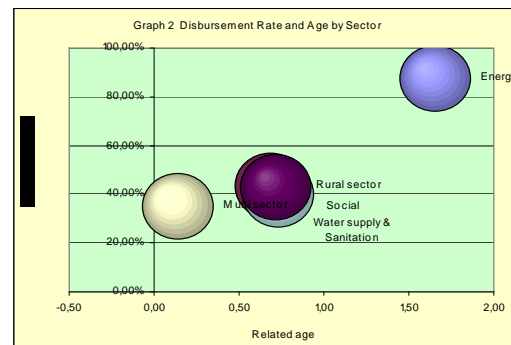
B. Overall Portfolio Performance Evaluation

2.5 The overall performance of the portfolio improved in 2008. On the whole, it is considered satisfactory with an aggregate rating of 2.22 on a scale of 3 for 15 ongoing operations supervised. The analysis by sector confirms this assessment. The overall performance ratings are respectively 2.49 for the social sector, 2.41 for the water supply and sanitation sector, 2.04 for the agricultural sector, and 1.96 for the energy sector.

2.6 The average disbursement rate rose slightly to 41% on 1 March 2009, against 40% during the last review in October 2005. On the same date, the annual average disbursement rate was 13%. The disbursement rate by sector is presented in Table 1 above. The low disbursement rate of the governance/decentralization sector (35%) is attributable to the recent launching of the new Decentralization and Regional Economic Development Support Project (PADDER). This situation is expected to improve significantly with the effective implementation of the PADDER activities in 2009.

2.7 The average age of the portfolio from the time of its approval improved from 5.5 years during the last review in 2005 to 4.5 years during the current review. The average period of effectiveness is 16.8 months. The average age by sector is 5.98 years for the rural sector, 5.44 years for energy, 5.12 years for the water supply and sanitation sector, 5.10 years for the social sector, and 1.10 years for the governance/decentralization sector. The high average age in the rural sector can be explained by the very high age of some agricultural projects, namely PRODECA (9.4 years), Daye Hamadja Project (8.3 years), PAFISEM (7.7 years) and PADER Mopti (7.4 years) which reduce the portfolio performance. The average period of extensions of operations is 2.3 years, and the average period of extensions by sector is as follows: 2.73 years for the rural sector, 2.59 years for the energy sector, 1.94 years for the water supply and sanitation sector and 1.75 for the social sector.

The graph opposite presents the analysis of the disbursement rate and the age of the portfolio analyzed above. The expected closure of PRODECA and PAFISEM Projects, Djenné Study, Daye Hamadja-Koriomé Project, Health IV Project, and the Rural Electrification Study in 2009 will significantly improve the average disbursement /average age ratio of the portfolio in 2010.



2.8 Problem or potential problem projects: The active portfolio is relatively sound and contains no problem projects. However, it has 3 (three) potential problem projects (PPP), that is, 15.78% of risky projects. The PPPs of the portfolio include PRODECA, the Daye Hamadja-Koriomé Project, and the Education IV Project. The reasons why these projects are considered as potentially problematic include: (i) old age (PRODECA, Daye Hamadja-Koriomé); (ii) effectiveness delays (PRODECA, Daye Hamadja-Koriomé); (iii) the risk that the project will not attain its development objectives (Education IV). The major problems of each of these projects are presented in Annex 2.

2.9 Main general problems: The main problems that hamper the proper implementation of projects in Mali are: (i) delays in procurement at government department level; (ii) delays in the processing of files by the Bank and frequent change of some project officers; (iii) the appreciation of the CFAF against the UA; (iv) weak capacity, inadequate quality control of files prepared by projects and lack of initiatives by some project executing agencies; (v) insufficient rigour in the technical monitoring of projects by the supervisory ministries; (vi) delays in submitting audit reports; (vii) non-systematization of project mid-term review; (viii) many conditions precedent to effectiveness of loan agreements; (ix) poor preparation of some projects, particularly those comprising infrastructure design plans, notably preliminary sketches and bidding documents; (x) inadequacies of some contractors and service providers; (xi) insufficient decision-making powers and human and financial resources of the Mali Field Office.

2.10 The improvement of overall portfolio performance is due to the fact that most projects are at full development. This has a positive effect on the disbursement rate, improves the understanding of rules and procedures by many project executing agencies, assistance to these agencies by the field office, joint monitoring by the field office and the Government, and the quality of dialogue with the latter. However, it should be noted that multi-sector operations (PADDER, budget support), the Kayes Sud Livestock Production Development Project whose activities were launched recently, as well as the Bamako Sanitation Master Plan were not rated in 2008. Table 2 presents the portfolio performance as at 1 March 2008.

Table 2
Portfolio Performance Rating as at 1 March 2008

Projet	Montant approuvé	Total décaissé	% décaissé	Durée	Nombre extension	Age (années)	Age relatif	Evaluation générale	Risque
ETUDE ELECTRIFICATION RURALE	1,13	0,99	88,25	2,77	3	5,4	1,6	1,95	
ENERGIE	1,13	0,99	88%	2,77		5,44		1,95	
DEVELOPPEMENT RURAL REGION MOPTI	15,27	8,68	56,86	8,23	0	7,4	0,8	1,96	
DEVELOPPEMENT RURAL DES PLAINES DAYE-HAM	7,84	2,72	34,75	6,16	2	8,3	0,7	2,1	PPP
II ^e LIGNE DE CREDIT A LA BND	15,00	14,16	94,39	4,05	2	6,2	1,2	1,78	
PROJET D'APPUI A LA FILIERE SEMENCIERE	5,67	3,87	68,23	6,55	2	7,7	0,9	2,52	
ETUDE DEVELOPPEMENT CERCLE DJENNE	1,06	1,03	96,91	3,12	3	4,8	1,3	2,55	
PROJET INTENSIFICATION BAGUINEDA	14,92	3,50	23,46	6,09	0	3,3	0,3	3	
APPUI AU DEVELOPPEMENT DE L'ELEVAGE AU NORD	13,72	4,75	34,64	7,31	0	6,5	0,6	2,12	
DVPT PRODUCTIONS ANIMALES KAYES SUD	15,00	0,21	1,40	7,71	0	1,9	0,1	0	
PROJET DE DEVELOPPEMENT RURAL D'ANSONGO	9,44	8,58	90,95	6,18	5	9,4	1,3	1,53	PPP
APPUI AU DEVELOP. PECHE CONTINENTALE	15,00	1,86	12,40	8,24	0	4,4	0,3	2,79	
SECTEUR RURAL	112,92	49,36	43,71%	6,36		5,98	0,7	2,03	
APPUI A LA DECENTRALISATION (PADDER)	10,00	0,13	1%	5,27	0	1,4	0,1	0	
PROGRAMME D'APPUI A LA STRATEGIE POUR LA CROISSANCE	33,00	15,02	45,53	2,76	0	0,4	0,1	0	
MULTI SECTEUR	43,00	15,15	35%	3,33		1,10		0	
APPUI AU DEVELOPPEMENT COMMUNAUTAIRE	15,00	3,02	20,14	6,67	0	2,8	0,3	2,73	
APPUI PROGR. DEV. EDUC-PRODEC II (ED IV)	15,00	3,38	23%	7,27	0	5,4	0,5	2,27	PPP
PROJET D'APPUI AU PROG.DEV.SS (SANTE IV)	15,00	13,55	90,35	6,11	3	7,3	0,8	2,61	
PROJET D'APPUI A LUTTE CONTRE VIH/SIDA	8,29	1,35	16,31	5,32	0	4,5	0,6	2,57	
SOCIAL	53,29	21,30	40%	4,66		5,10		2,49	
PROGRAMME AEP EN MILIEU RURAL	12,00	4,99	41,58	5,04	1	5,2	0,7	2,41	
SCHEMA DIRECTEUR ASSAINISSEMENT BAMAKO	0,97	0,58	59,54	2,77	2	4,9	0,7	0	
EAU & ASSAINISSEMENT	12,97	5,57	43%	4,29		5,12		2,41	
TOTAL/MOYENNE	223,31	92,39	41%	4,28		4,5		2,22	

C. Portfolio Performance Comparison

2.11 With an aggregate rating of 2.22, this review shows an improvement in the portfolio performance compared with the results of previous reviews: 1.90 from 1995 to 2000; 2.04 for the period 2002-2004 and 2.11 in 2005.

Table 3
Comparison of Mali's Portfolio Performance Indicators in 2008

	Performance indicators	Portfolio result trends		Internal comparison		External comparison	
		2005	2008	Mali 2008	PPER 2007 ADF	Bank operations in Mali (2008)	World Bank operations in Mali (2008)
Implementation and impact	Average period of effectiveness (month)	9	16.8	16.8	10	16.8	NA
	Disbursement rate (%)	40.8	41	41	18	41	49
	Average size of projects (in UA million) EAR (% commitments)	9.4	11.75	11.75	25	11.75	30.74
	Problem projects (% of ongoing projects)						
	Average project age (in years)		14.46	14.46	39	14.46	21.4
	Use of country systems (%)	0	0	0	7	0	27.27
	Number of projects co-financed	5.5	4.5	4.5	4.2	4.5	4.2
		n.s	21	21		21	31
Harmonization and alignment		0	0	0	n.s	0	n.s
	Number of parallel PEAs	17	17	17	7.8*	17	0

Source: PPER 2007, ADB Institutional database, Review of portfolio performance of projects financed by the World Bank in Mali, April 2009.

* Average number of PEAs per country.

2.12 On 31 January 2009³, the World Bank's portfolio in Mali comprised 11 (eleven) investment operations for total commitments of USD 521.3 million (about UA 338.45 million). The World Bank is also implementing one budget support operation for a total commitment of USD 42 million (approximately UA 27.27 million). Its disbursement rate in Mali is 49% - which is higher than the Bank's rate of 41%. The World Bank's portfolio is younger than the Bank's with an average project age of 4.2 years and 4.5 years, respectively. In contrast, the Bank's portfolio in Mali is relatively healthier than the World Bank's, in terms of problem projects and risky commitments. Table 3 above presents the Bank portfolio performance indicator trends from 2005 to 2008. It also provides a comparison between the World Bank's performance indicators and those of the ADB in Mali.

³ Review of the performance of project portfolio financed by the World Bank in Mali, April 2009.

D. Operations Requiring Special Attention

2.13 This review helped identify a number of projects with specific problems. These are potential problem projects (PRODECA, Daye Hamadja-Koriomé, and Education IV) and PAFISEM and DWS1 projects. The specific problems of each of these projects are presented in Annex 2.

III. Evaluation of Portfolio Management Capacity and Aid Coordination

3.1 Government Performance: The Ministry of Economy and Finance (General Directorate of Public Debt) monitors the management of the entire portfolio and coordinates Bank missions in Mali, in close collaboration with the technical ministries in charge of project supervision. Government's performance with regard to project implementation and monitoring, as well as aid coordination is deemed satisfactory. However, there is need to strengthen government's institutional and human capacity in monitoring/evaluation and results-based management. Project supervision missions by supervisory ministries should be carried out more regularly, with more rigour and greater focus on results. Furthermore, Government should correct bottlenecks and delays in contracting, as well as bureaucracy surrounding the signing of contracts. The recent adoption of the new code governing the award, execution and settlement of public procurements as well as delegation of authority will certainly improve the public procurement and contract signature system.

3.2 Bank Performance: The management of Bank portfolio in Mali benefits from the presence of the field office (MLFO) which participates in all the stages of the project cycle, from project design to the preparation of completion reports. MLFO contributes to the improvement of the performance of the portfolio of the Bank in Mali by:

3.2.1 Providing assistance to PEAs upstream for the preparation of procurement and disbursement files: the office ensures the permanent supervision of PEAs; e-mails are exchanged on prepared files to improve the quality of documents before they are transmitted to the sector departments in Tunis; ad hoc meetings are organized with PEAs to discuss specific issues relating to project implementation in order to seek appropriate solutions thereto. Furthermore, the office plans to closely monitor potential problem projects through monthly meetings in 2009.

3.2.2 The establishment of a special process for processing revolving fund requests: Project executing agencies prepare draft requests in advance to take into account the time needed to process them at the Office. Requests for disbursement which are complete and well prepared by project executing agencies (PEAs) can be processed in less than 10 (ten) days. The new file processing process has helped streamline ineligible expenditure and ensure sound financial management of projects.

3.2.3 Follow-up of file processing: The office serves as an interface between the Government and different Bank departments. Files are monitored on both sides and the office intervenes whenever the time taken to process a file at the Bank exceeds the set deadline. Where there is no task manager at Headquarters, the office requests an authorization from the sector department concerned to process the file locally in conjunction with the Division Manager concerned and to communicate the Bank's opinion to the Government. It should be noted that the office has set standard deadlines for the processing

of files: revolving fund (10 days); request for direct payment (5 days); BD (5 days); appraisal report (7 days); progress report (10 days) and other files (5 days).

3.2.4 Half-yearly portfolio monitoring: A two-day half-yearly review is organized jointly by the General Directorate of Public Debt and the office. Each PEA presents the project implementation status, outcomes and impact obtained, procurement and disbursement plans, problems encountered and solutions proposed. The review leads to a report on the update of procurement and disbursement plans and design of a matrix of actions to improve portfolio performance. These half-yearly reviews encourage PEA managers to adopt the results-based management method.

3.2.5 Assistance to Government: The office regularly assists the country in studying problems facing project implementation, in particular those related to project design, omissions of some project activities with regard to costs or procurements, modification of methods of procurement, revision of lists of goods and services, etc. To that end, the office consults the sector departments concerned (ORPF and GECL) to ease the processing of files and decision-making at the Headquarters.

3.3 However, the current modus operandi of decentralization requires that files be reviewed at the office and the Headquarters in Tunis. This increases the time taken to process files. In contrast, the time limit for processing disbursement requests has greatly improved because MLFO handles the initial processing of requests and inputs the information in SAP. To improve the performance of the portfolio in Mali, the Bank should, *inter alia*: (i) decentralize decision-making as much possible and authorize the field office (MLFO) to communicate the Bank's opinions to the Government; (ii) upgrade the capacity and resources of the field office; (iii) if possible, refocus future areas of Bank intervention by sharing tasks with other technical and financial partners.

3.4 Aid coordination: The Bank is present in aid coordination, implementation of the Paris Declaration and dialogue between technical and financial partners (TFPs) and Mali on various issues related to macroeconomic, sector reforms and budget support. MLFO regularly participates in monthly TFP meetings and discussions of the 13 (thirteen) TFP sectoral and thematic groups. The Bank has been designated as the lead donor in the "Energy" sector. The Bank is among the TFPs that signed the Budget Support Framework Arrangement with the Government. The office participates in deliberations on Mali's Joint Country Assistance Strategy (JCAS) formulated jointly by TFPs to support the implementation of the GPRSF. Furthermore, the office participates in the "Limelette" process which groups together the World Bank, the European Commission and the Bank, and contributed actively to the development of the common ADB-EU-World Bank Limelette matrix in Mali. Within the framework of policy dialogue between the Government and TFP, the Bank participates regularly in periodic meetings of sectoral thematic groups and the Government-TFP Joint Committee.

3.5 Co-financed projects: During the period under review, there was no project co-financed by the Bank and other partners. However, the Bani Basin and Sélingué Irrigation Development Programme already evaluated by the Bank and being jointly appraised by other partners, as well as the Markala Sugar Project in the preparatory phase will be co-financed.

IV. Potential Problems and Lessons for Portfolio and RBCSP Management

4.1 Poor project design, many conditions precedent to loan effectiveness, numerous contracts/agreements for each operation, bottlenecks at government department level in processing procurement files and use of parallel management units for each project are the main obstacles and sources of possible problems.

4.2 This portfolio review drew a number of lessons, namely:

4.2.1 Future projects would stand to gain if they are well designed and focused on a limited number of specific objectives and activities, within a reduced geographic area. That would maximize and prolong their impact.

4.2.2 The easing of loan conditions, as far as possible, and the organization of information, education and communication campaigns before, during and after project implementation helps to avoid time overrun. MLFO will reinforce dialogue with the Government to quickly fulfil loan conditions for new projects as was the case with the DWSS II Project and the Decentralization and Regional Economic Development Project.

4.2.3 It is necessary to limit the number of operations by focusing on a small number of major programmes. This is the purport of the new Bani Basin and Sélingué Irrigation Development Programme (PDI-BS) which will be presented to the Bank Board of Directors in May 2009. The cost of this programme (UA 243.8 million) surpasses all ADF contributions to ongoing projects in the agricultural sector by UA 100 million.

4.2.4 The number of small-scale contracts/agreements should be limited and merged, as far as possible, to avoid making several small payments which increase the Bank's transaction costs. These are the kinds of difficulties facing agricultural projects and the PADEC and HIV/AIDS projects.

4.2.5 Government should further reduce the amount of time spent in government departments to process public procurement documents by reducing and simplifying the procurement process (which requires six to seven signatures, depending on the amount), although the new public procurement decree has introduced major innovations such as setting the maximum period of 29 working days for the approval of contracts and the possibility given to unsuccessful bidders, at the time of awarding the contract, to challenge the decision before an independent body.

4.2.6 In future, the Bank should, in keeping with the principles of the Paris Declaration on Aid Effectiveness, reduce parallel management units and strengthen the capacity of national structures in project design, management and monitoring. For instance, there are more than ten executing agencies in the Ministry of Agriculture. These agencies are expected to disappear with the completion of projects, thereby bringing to the fore the issue of capitalizing and internalizing achievements.

4.3 The Bank's assistance strategy in Mali for the period 2008-2011 hinges on 2 (two) pillars: (i) improving the private sector environment; and (ii) promoting rural development. Operations whose funding is still pending under the ADF XI (Markala Sugar Project, Bani Basin and Sélingué Irrigation Development Programme, supplementary loan on Road Program I, ICT Institute project, etc.) should take into account the main lessons from this

portfolio review. The next RBCSP will also take the lessons from this portfolio review into consideration.

V. Conclusions and Recommendations

5.1 The performance of the Bank's portfolio in Mali is considered satisfactory with an aggregate rating of 2.22, compared to 2.11 during the last review in 2005. However, the review identified a number of projects which are facing difficulties. Consequently, it is necessary to take the following corrective measures:

5.2. For the Government

1. Reduce the time spent on the processing and signing of procurement files in administrative and financial departments of sectoral supervisory ministries and the General Directorate of Public Procurements, by setting strict timeframes for each stage of the process.
2. Set up a monitoring and evaluation (M&E) system which would allow sectoral supervisory ministries to undertake regular project inspection missions and involve the General Directorate of Public Debt, as well as other relevant administrative and technical structures in the implementation of projects.
3. Improve the quality of documents produced by project executing agencies, and adhere to provisional project expenditure schedules.
4. Adhere to deadlines for submitting progress and audit reports, procurement and disbursement plans, and monitor the implementation of the recommendations contained in such reports.
5. Subject the payment of consultancy firms to the proper control of works, and suspend their contracts, if need be.

5.3 For the Bank

1. Monitor projects regularly through supervision missions, and systematize mid-term project review missions.
2. Reduce the time used in processing files and institute reasonable strict deadlines for notices of non-objection, especially with regard to procurement and disbursement files.
3. Introduce a method of processing procurement files in the SAP system, such as the one for disbursement files.
4. Reduce, as far as possible, the frequent change of project officers.

5. Organize periodic training workshops on project monitoring and evaluation, financial and records management, procurement rules and procedures, fund disbursement for officials of executing agencies and supervisory ministries, and equally plan missions for meetings between projects and various departments of the Bank to clear some pending files.
6. Further improve the upstream quality of basic information and data used to design projects.
7. Ease, as far as possible, conditions precedent to loan effectiveness.
8. Delegate portfolio management to the Mali field office (MLFO), and increase its resources such as to allow it to meet the processing needs of its portfolio and other requirements regarding monitoring and supervision, in keeping with the Bank's decentralization policy.

5.4 For the Government and the Bank

1. Increase the annual average disbursement rate from 13% to 14% for project executing agencies in 2009.
 2. Increase the portfolio disbursement rate from 41% to 55% at the close of 2009.
 3. Reduce the Bank's response time to a maximum 3 (three) weeks.
 4. Close all aged projects, no later than the end of 2009, and mobilize unspent restructured and closed loan balances in the form of a quick-disbursing loan (budget support) in response to the financial crisis, in accordance with the recent decision of the Board of Directors of the Bank. The operations concerned are: PRODECA, Daye Hamadja-Koriomé Plains Development Project, and Good Governance Support Project.
- 5.5. The Boards are requested to examine the conclusions of the comprehensive review of Mali's portfolio, and to adopt the above-mentioned recommendations.

Portfolio of Ongoing Bank Operations in Mali (1 March 2009)

Project	Date approbation	Effective-ness date	Initial closure date	Revised closure date	Durat,	Number of extension s	Project age (years)	Duration of effective, (years)	Actual age (effectiveness)	Relate d age	Amount approved	Total disbursed	% disbursed
RURAL ELECTRIFICATION STUDY	2003-09-24	2004-08-09	2006-06-30	2009-01-30	2,77	3	5,4	0,9	4,6	1,6	1,13 UAC	0,99 UAC	88,25
ENERGY SECTOR					2,77		5,44	0,88	4,56	1,6	1,13 UAC	0,99 UAC	88%
MOPTI REGION RURAL DEVELOPMENT PROJECT (PADER)	2001-10-10	2002-09-17	2009-12-31	2009-12-31	8,23	0	7,4	0,9	6,5	0,8	15,27 UAC	8,68 UAC	56,86
DAYE-HAMADJA PLAINS RURAL DEVELOPMENT PROJECT	2000-11-03	2004-12-20	2006-12-31	2009-06-30	6,16	2	8,3	4,1	4,2	0,7	7,84 UAC	2,72 UAC	34,75
BNDA CREDIT LINE	2002-12-12	2004-02-24	2006-12-31	2010-07-31	4,05	2	6,2	1,2	5,0	1,2	15,00 UAC	14,16 UAC	94,39
SEED SUBSECTOR SUPPORT PROJECT (PAFISEM)	2001-06-14	2002-12-16	2007-12-31	2009-12-30	6,55	2	7,7	1,5	6,2	0,9	5,67 UAC	3,87 UAC	68,23
DJENNÉ CIRCLE DEVELOPMENT STUDY	2004-05-19	2005-01-31	2007-06-30	2009-07-31	3,12	3	4,8	0,7	4,1	1,3	1,06 UAC	1,03 UAC	96,91
BAGUINÉDA INTENSIFICATION PROJECT	2005-11-30	2007-07-24	2011-12-31	2011-12-31	6,09	0	3,3	1,6	1,6	0,3	14,92 UAC	3,50 UAC	23,46
LIVESTOCK DEVELOPMENT SUPPORT PROJECT IN THE NORTH	2002-09-11	2004-08-20	2009-12-31	2009-12-31	7,31	0	6,5	1,9	4,5	0,6	13,72 UAC	4,75 UAC	34,64
KAYES SUD LIVESTOCK PRODUCTION DEVELOPMENT PROJECT	2007-04-18	2008-06-25	2014-12-31	2014-12-31	7,71	0	1,9	1,2	0,7	0,1	15,00 UAC	0,21 UAC	1,40
ANSONGO RURAL DEVELOPMENT PROJECT (PRODECA)	1999-10-27	2001-02-15	2005-12-31	2009-06-30	6,18	5	9,4	1,3	8,0	1,3	9,44 UAC	8,58 UAC	90,95
INLAND FISHING DEVELOPMENT SUPPORT PROJECT	2004-10-06	2006-05-19	2012-12-31	2012-12-31	8,24	0	4,4	1,6	2,8	0,3	15,00 UAC	1,86 UAC	12,40
RURAL SECTOR					6,36		5,98	1,62	4,36	0,7	112,92 UAC	49,36 UAC	43,71%
DECENTRALIZATION SUPPORT PROJECT (PADDER)	2007-09-26	2008-08-06	2012-12-31	2012-12-31	5,27	0	1,4	0,9	0,6	0,1	5,00 UAC	0,00 UAC	0,00
	2007-09-26	2008-08-06	2012-12-31	2012-12-31	5,27	0	1,4	0,9	0,6	0,1	5,00 UAC	0,13 UAC	2,59
					0,00						10,00 UAC	0,13 UAC	1%
GROWTH STRATEGY SUPPORT PROGRAMME	2008-09-24	2008-12-17	2011-06-30	2011-06-30	2,76	0	0,4	0,2	0,2	0,1	33,00 UAC	15,02 UAC	45,53
											33,00 UAC	15,02 UAC	46%
MULTISECTOR					3,33		1,10	0,65	0,45	0,1	43,00 UAC	15,15 UAC	35%
COMMUNITY DEVELOPMENT SUPPORT PROJECT	2006-05-03	2007-05-11	2012-12-31	2012-12-31	6,67	0	2,8	1,0	1,8	0,3	15,00 UAC	3,02 UAC	20,14
					0,00						15,00 UAC	3,02 UAC	20%
EDUC-PRODEC IV PROGR. DEV. SUPPORT PROJECT (ED. IV)	2003-09-24	2005-08-02	2010-12-31	2010-12-31	7,27	0	5,4	1,9	3,6	0,5	12,00 UAC	2,47 UAC	20,59
	2003-09-24	2005-08-02	2010-12-31	2010-12-31	7,27	0	5,4	1,9	3,6	0,5	3,00 UAC	0,91 UAC	30,24
					0,00						15,00 UAC	3,38 UAC	23%
HEALTH DEVELOPMENT PROGRAMME SUPPORT PROJECT (SA)	2001-11-21	2004-07-04	2007-12-31	2009-09-30	6,11	3	7,3	2,6	4,7	0,8	15,00 UAC	13,55 UAC	90,35
HIV/AIDS CONTROL SUPPORT PROJECT	2004-09-08	2005-11-10	2009-12-31	2009-12-31	5,32	0	4,5	1,2	3,3	0,6	8,29 UAC	1,35 UAC	16,31
											23,29 UAC	14,90 UAC	64%
SOCIAL					4,66		5,10	1,71	3,39	0,7	53,29 UAC	21,30 UAC	40%
RURAL DWS PROGRAMME	2003-12-17	2005-07-25	2008-12-31	2010-08-31	5,04	1	5,2	1,6	3,6	0,7	9,80 UAC	4,45 UAC	45,40
	2003-12-17	2005-07-25	2008-12-31	2010-08-31	5,04	0	5,2	1,6	3,6	0,7	2,20 UAC	0,54 UAC	24,55
BAMAKO SANITATION MASTER PLAN	2004-03-24	2007-03-28	2006-12-31	2009-06-30	2,77	2	4,9	3,0	1,9	0,7	0,97 UAC	0,58 UAC	59,54
											12,97 UAC	5,57 UAC	43%
WATER SUPPLY AND SANITATION SECTOR					4,29		5,12	2,07	3,04	0,71	12,97 UAC	5,57 UAC	43%
total:average					4,28		4,5	1,4	3,2	1	223,31 UAC	92,37 UAC	41%

Plan to Improve the Country's Portfolio

Operations/Projects	Main problems	Measures to be taken	Body in charge	Expiry date	Status of implementation of measures
GENERAL PROBLEMS					
1. Project quality at entry	1.1 Poor preparation of some projects, particularly those containing infrastructure requiring working design.	1.1.1 Further improve the quality of basic information and data used in the design of projects upstream.	Bank/ Government	Permanent	MLFO increasingly involved in preparation missions and provides quality information to ensure better preparation of new projects.
2. Prior fulfilment of conditions precedent to effectiveness of loan agreement	2.1 Large number of conditions precedent to effectiveness of loan agreements.	2.1.1 Ease, as far as possible, conditions precedent to effectiveness of loan agreements.	Bank	Permanent	Reduction of average period of effectiveness from 16.8 to 9 months with effect from 2008.
		2.1.2 Take measures to fulfil in advance conditions precedent to effectiveness and initial disbursement of first tranche of loans.	Government	Permanent	
3. Award of contracts, disbursement and financial management	3.1 Long periods for the processing of procurement files in administrative and financial services of sectoral supervisory ministries and the General Directorate of Public Procurements	3.1.1 Reduce the periods for processing and signing procurement files in the administrative and financial services of the sectoral supervisory ministries and the General Directorate of Public Procurements.	Government	Immediate	Reform of public procurement and adoption of a new Procurement Code.
	3.2. Slow processing of files by the Bank.	3.2.1 Reduce deadlines for processing files and introduce reasonable deadlines for non-objection opinions.	Bank	Immediate	MLFO has introduced deadlines for processing files: BD (5 days), appraisal report (7 days), direct payment request (5 days), working capital (10 days), project progress report (10 days) and other files (5 days)
	3.3 Delay in submitting audit reports.	3.3.1 Adhere to deadlines for submitting audit reports.	Government	Permanent	In 2008, 15 projects out of the 24 concerned transmitted their 2007 audit reports to the Bank, representing a 62.5 % submission rate
4. Project management	4.1 Weak capacity, insufficient control of the quality of files prepared and lack of initiatives by some project executing agencies.	4.1.1 Organize periodic training workshops on project monitoring-evaluation, financial and accounting management, procurement rules and procedures, and disbursement for officials in charge of PEAs and supervisory ministries.	Government/ Bank	End of 2009	MLFO, in collaboration with the Government, plans to organize a training session on new Bank rules for PEAs and

Operations/Projects	Main problems	Measures to be taken	Body in charge	Expiry date	Status of implementation of measures
		4.1.2 Improve the quality of documents provided by project executing agencies, and adhere to provisional project expenditure schedules.	Government	Permanent	supervisory ministries before the end of the year.
	4.2 Poor performance of some contractors and service providers.	4.2.1 Subject the payment of control firms to the proper execution of works and to suspend their contracts, if necessary.	Government	Permanent	Measures to be implemented from 2009
5. Monitoring/ evaluation	5.1 Insufficient rigour in the technical monitoring of projects by supervisory ministries.	5.1.1 Set up a monitoring and evaluation (M&E) system which would lead to the regular supervision of projects by sectoral supervisory ministries, and the involvement of all the administrative and technical structures concerned in the implementation of operations.	Government	In 2009	MLFO will work in collaboration with the General Directorate of Public Procurements to put in place monitoring/evaluation.
	5.2 Non-systematization of mid-term review of projects.	5.2.1 Ensure a regular monitoring of projects through supervision missions and systematize the mid-term review of projects.	Bank	Immediate	MLFO organizes half-yearly monitoring of projects with the Government and plans to attain a 1.62 supervision rate in 2009.
6. Delegation of powers	6.1 Inadequate decision-making powers and human and financial resources of the Mali field office for monitoring all MLFO activities.	6.1.1 Delegate portfolio management to the Mali field office (MLFO), and provide it with adequate resources to satisfy the processing needs of its portfolio and monitoring and supervision requirements, in keeping with the Bank's decentralization policy.	Bank	2009	Rich experience in processing files with OSAN by appointing the Agronomist of MLFO as project officer and processing of all disbursement and procurement files by MLFO.
			Bank	2009	
SPECIFIC PROBLEMS					
1. PRODECA	1.1 Stoppage of agricultural development works since 30 September 2005 due to the contractor's poor performance.	1.1.1 Take necessary measures to replace the contractor and finance the completion of development works.	Government	Before May 2009	Measures underway
		1.1.2 Close the project and mobilize the unspent restructured loan balance in the form of a quick-disbursing loan (budget support) as a response to the financial crisis, in accordance with the recent decision of the Board.	Bank/ Government	July 2009	

<p>2 Daye Hamadja-Koriomé Plains Development Project</p>	<p>2.1 Increase in the cost of construction materials and inadequate resources to finance the 4 (four) lots of development works due to the appreciation of the CFA F against the Unit of Account.</p>	<p>2.1.1 Close the project and mobilize the unspent balance of funds allocated as a response to the financial crisis.</p>	<p>Government/Bank</p>	<p>30 June 2009</p>	<p>Measures underway.</p>
<p>3. Mali – Setting up of Sustainable Freed Zones (Tsetse Fly Project)</p>	<p>3.1 Low disbursement rate (less than 5%).</p>	<p>3.1.1 Speed up the preparation and processing of project files. 3.1.2 Ensure the regular monitoring of project activities through supervision, monthly monitoring meetings of the field office, and quarterly activity monitoring meetings by the supervisory ministry and the General Directorate of Public Debt.</p>	<p>Government/Bank Government/Bank</p>	<p>Immediate In 2009</p>	<p>A 5% to 10% disbursement rate is set for 2009. Two project supervision missions and monthly monitoring meetings programmed by MLFO.</p>
	<p>3.2 Poor management performance.</p>	<p>3.2.1 Set performance objectives for the new project coordinator and supplement the management team. 3.2.2 Appoint a project task manager</p>	<p>Government/ Bank Bank</p>	<p>Immediate Immediate</p>	<p>The performance objectives of the new coordinator are set; measures are in progress to supplement the project team. OSAN is informed and will take measures.</p>
	<p>3.3 Inappropriate procurement method.</p>	<p>3.3.1 Change the method of procurement of sterile tsetse flies.</p>	<p>Government/Bank</p>	<p>Immediate</p>	<p>The Project's proposal awaited</p>
<p>4. PAFISEM</p>	<p>4.1 Delay in the establishment of the R2 seed network and the non-operationalization of the agreement relating to the setting up and management of the national improved seeds safety stock.</p>	<p>4.1.1 Design an implementation schedule for residual activities. 4.1.2 Prepare and transmit the draft bid solicitation document for final project evaluation.</p>	<p>Government Government</p>	<p>Immediate No later than 31 March 2009</p>	<p>In progress In progress</p>
	<p>4.2 Delay in the processing of files at the Bank.</p>	<p>4.2.1 Speed up the processing of files pending at the Bank. 4.2.2 Ensure close monitoring of ongoing and future contracts. Future contracts must be signed no later than 30 June for works, 31 August for services and 30 September for goods. All contracts signed after these dates will not be financed by the Bank.</p>	<p>Bank Government/Bank</p>	<p>Immediate Permanent</p>	<p>Most pending files processed during the agricultural review mission from 25 January to 12 February 2009.</p>

5. Aquatic Project	Plants	5.1 disbursement rate (1.6% in 2008)	5.1.1 Ensure close monitoring of the project to increase the disbursement rate.	Government/Bank	2009	Increase in the disbursement rate from 1.6% to 10%.
		5.2 The methods of procurement for execution of the main activity, namely the removal of harmful aquatic plants, are not in conformity with those stipulated in the single tender loan agreement.	5.2.1 Execute works to remove harmful aquatic plants according to the procurement method specified in the loan agreement: direct negotiation.	Government/Bank	Immediate	The Project's proposal awaited
6. 1 Project		6.1 Stoppage of works in Kidal owing to the events that occurred on 23 May 2006 and 31 March 2008.	6.1.1 Take measures to resume work.	Government	Immediate	The Government has reassured that work will be resumed in the Kidal area.
			6.1.2 Amend contracts to extend deadlines for contractors whose contracts were suspended in Kidal.	Government	30 April 2009	
			6.1.3 Inform the ADB on the development of the situation.	Government	30 July 2009	
		6.2 Poor performance by Sahel Construction company.	6.2.1 Monitor this company very closely to ensure that it completes the remaining works (8 wells)	Government	30 April 2009	The project has taken the necessary measures.
7. Education IV Project		7.1 Delay in the recruitment of consultancy firms for the construction of classrooms.	7.1.1 Speed up the procurement process for recruitment of consultancy firms.	Government/Bank	Permanent	Effort made to make up for lost time and the project does not face any particular difficulties.