

# **AFRICAN DEVELOPMENT BANK**

## **COMPLETION REPORT**

**SECOND LINE OF CREDIT TO THE BANQUE DE DEVELOPPEMENT DU MALI (BDM)**

## **MALI**

**COUNTRY DEPARTMENT  
WEST REGION**

**OCDW  
APRIL 1990**

## TABLE OF CONTENTS

	<u>Page</u>
1. INTRODUCTION	1
1.1 General Overview of the Economy of Mali	1
1.2 Industrial Sector	2
1.3 The NTF Line of Credit	5
2. BANQUE DE DEVELOPPEMENT DU MALI (BDM)	5
2.1 Institutional Framework	5
2.2 BDM Restructuring	5
2.3 Personnel and Training	12
2.4 Operational Policies	13
2.5 Project Supervision and Monitoring	17
2.6 Operational and Financial Performances	18
2.7 Overall Evaluation	21
3. SUB-PROJECTS: BENEFICIARIES AND PERFORMANCES	21
3.1 Implementation of the Line of Credit	21
3.2 Overview of Sub-Projects	22
3.3 Overall Evaluation Concerning Sub-Projects	23
4. BDM AND ADB'S PERFORMANCE	<b>24</b>
4.1 BDM's Performance	24
4.2 ADB's Performance	24
5. CONCLUSIONS AND RECOMMENDATIONS	24
5.1 Conclusions	24
5.2 Recommendations	25

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This report has been prepared by Mr. Toïdi MOUDACHIROU, ADB Consultant, following his mission to Mali in March 1990. Any questions concerning it can be addressed to the Consultant or the WISI.3 Division Chief, Mr. S. SOW (Ext. 3121).

## LIST OF ANNEXES

ANNEX 1	Map of Mali
ANNEX 2	GDP Trend and Industrial Value Added of Mali
ANNEX 3.1	Organization of BDM
ANNEX 3.2	BDM Staff by Category
ANNEX 3.3	List of Sub-Projects
ANNEX 4.1	Comparative Operating Statements
ANNEX 4.2	Comparative Balance Sheets.

## **PREFACE**

The African Development Bank (ADB) granted to the Mali Development Bank (BDM) a NTF line of credit for the financing of small and medium-scale national enterprises. This line of credit, for an amount of BU.4 5 million granted in December 1985 has been totally committed and served to finance 27 sub-projects. It has been 90.24% disbursed.

An ADB mission visited Mali from 14 to 28 March 1990 to prepare the completion report for the above-mentioned line of credit. It had working sessions with the various BDM managers and visited a few of the sub-projects financed on the line of credit.

The information used for this report is that provided by ADB or obtained during the mission.



**CURRENCY EQUIVALENTS AND ABBREVIATIONS****Currency Equivalents**  
**(2<sup>nd</sup> Quarter)**

1 FUA	CFAF 370.61
1 CFAF	FUA 0.002698254

**Weights and Measures**

1 metric ton (t)	:	2.204 pounds
1 metre (m)	:	3.28 feet
1 kilometre (km)	:	0.62 mile
1 sq. km (km <sup>2</sup> )	:	0.384 sq. miles

**Abbreviations**

ADB	African Development Bank
ADF	African Development Fund
BCEAO	Banque Centrale des Etats de l’Afrique de l’Ouest
BDM	Banque de Développement du Mali
BMCE	Banque Marocaine du Commerce Extérieur
BOAD	Banque Ouest-Africaine de Développement
CCCE	Caisse Centrale de Coopération Economique
CEPI	Centre d’Etudes et de Promotion Industrielle
CMCE	Centre Malien du Commerce Extérieur
DNP	Direction Nationale de la Planification
DNSI	Direction Nationale de la Statistique et de l’Information
EDF	European Development Fund
GDP	Gross Domestic Product
IDA	International Development Agency
IDB	Islamic Development Bank
IMF	International Monetary Fund
KFW	Kreditanstalt Für Wiederaufbau
OPEC	Organization of Petroleum Exporting Countries
SME	Small and Medium-Scale Enterprises
UMOA	Union Monétaire Ouest-Africaine
WB	World Bank

**Fiscal Year**1<sup>st</sup> October – 30 September

**BASIC DATA**

COUNTRY	MALI
TITLE OF PROJECT	NTF Line of Credit
LOAN N°	BDM/CS/MAL/IND/85/003
GUARANTOR	Government of the Republic of Mali
BORROWER AND EXECUTING AGENCY	Banque de Developpement du Mali

<b>I. <u>BASIC DATA</u></b>	<b><u>Projected</u></b>	<b><u>Actual</u></b>
- Amount	BUA 5 million	BUA 5 million
- Interest rate	4% yearly	4% yearly
- Commitment charge on the undisbursed balance	0.75% yearly	0.75% yearly
- Repayment period	25 years	25 years
- Including grace period of :	5 years	5 years

**II. DISBURSEMENT**

Amount disbursed	BUA 4,512,463.64
Undisbursed amount	BUA 487,536.36

**III. KEY EVENTS AND SIGNIFICANT DATES**

Date of appraisal	June 1985
Date of loan approval	13/12/85
Date of signing	30/04/86
Date of loan effectiveness	22/04/87
Deadline for first disbursement :	30/12/86 extended to 31/12/87

## **1. INTRODUCTION**

Mali, which is included in the category of least developed countries, has since 1985 been confronted with a deterioration of its economic situation? characterized in:

- a worrying public finance situation which: regularly between 1985 and 1989 gave rise to budgetary deficits attaining CFAF 60.8 billion (i.e. 9.5% of GDP) in 1989;
- a chronic deficit of the trade balance and the balance of payments. The deficit of the trade balance dropped from CFAF 50 billion in 1985 to CFAF 432.8 billion in 1988 while that of the current balance further worsened from 53 billion in 1985 to 72 billion in 1988;
- a rapid increase of the outstanding external public debt amount from US\$ 1.5 billion in 1985 to US\$ 2.3 billion in 1988.

In the face of this situation, the state was obliged to launch in 1988, a vast medium-term adjustment programme aimed at promoting economic activities, reducing inflationary pressure and attaining a viable balance of payments position.

BDM was established in 1968. Its purpose was to give financial support to any project designed to promote the economic and social development of the Republic of Mali. BDM has for a long time played this role in its capacity as a State Bank which gave it the monopoly of mobilization of resources from the public sector. For the past few years, however, as a result of its internal difficulties and deterioration of the national economic situation, BDM performances have profoundly deteriorated. The Government was obliged to adopt, in December 1987, a plan for adjustment and rehabilitation of the BDM. It was transformed into a limited liability company with a capital of CFAF 3 billion and placed under the management of BMCE as contained in the terms of a contract drawn up with the Government.

### **1.1 General Overview of the Economy of Mali**

Dominated by agriculture, -among the productive sectors, the Malian economy was characterized, during the period 1981-1989 by a steady growth of the Gross Domestic Product, from CFAF 370.8 billion in 1981 to CFAF 612.2 billion in 1989, i.e. an average increase of 8.81% yearly. These favourable economic trends derived from exceptionally clement climatic conditions in 1988 and 1989, resulting in an abundant harvest of cereals and cash crops whose production increased to 25% during the same period.

The Mali public finance situation was a source of concern between 1985 and 1988. The year 1987 in particular was marked by a decrease in earnings which went from 68.4 billion in 1987 to CFAF 61.2 billion in 1988 owing to tax evasion.



The balance of the State consolidated financial operations has shown a structural deficit. This deficit went from CFAF 45.1 billion to CFAF 29.1 billion on the basis of commitments and CFAF 42.1 billion to CFAF 22.4 billion on the basis of disbursements.

Mali's external trade was characterized, between 1985 and 1988 by a chronic deficit of the trade and current balances. The trade balance deficit went from 50 billion in 1985 to 32.8 billion in 1988. The current balance deficit, again worsened during the period from CFAF -53 billion in 1985 to CFAF -72 billion in 1988 owing to the sharp fall in unilateral transfers.

Mali's outstanding external debt increased, from US\$ 1,483 million in 1985 to US\$2,340 million in 1988, i.e. an average growth rate of 16% yearly. This rate, nearly twice higher than the GDP growth rate for the period is the outcome of Mali's policy accelerated indebtedness, in the face of insufficient domestic savings, the negative effects of successive drought and financial difficulties caused by poor management of public resources.

Aware of the country's fragile economic and financial economic situation, the Government of Mali has, since 1986, undertaken structural adjustment efforts. In this context, it has recently, in collaboration with the IMF and the World Bank, put, in place an economic and financial programme for the 1990~1992 period, whose major quantitative macro-economic objectives consist in attaining by 1992, a real sustainable growth rate of approximately 4% to limit the inflation rate to, approximately 3% and bring the current balance of payments deficit to 12.8% of GDP, excluding public transfers, or to 3.9% of GDP including public transfers. This would make it possible to attain a viable balance of payments position by 1992.

## **1.2 Industrial Sector**

### **i) Its Role in the National Economy**

The industrial sector is characterized by the preponderance of agro-industry, the two major manufacturing branches, the food and textile industries are suffering from the adverse effect of 'insufficient raw materials and competition' from imported textile products. Moreover, the industrial sector is under certain institutional constraints. The State policy with regard to public enterprises has led to overstaffing of public enterprises, with the attendant burdening of production costs. Added to this handicap are relatively high transportation costs, given the landlocked position of the country. These factors tend to reduce the competitiveness of Malian products on domestic as well as external markets.

**GDP Trend at 1980 (Factor Cost) Constant Prices**  
(in billions of CFAF)

	1981	1982	1983	1984	1985	1986	1987	1988	1989
Rural Sector	-	-	219.9	233.4	225	273.2	277	296.3	
Industrial Sector	37.7	39	45.5	59.8	70.5	67.5	67.5	73.7	
(Manufacturing Industry)	(11.5)	(14.8)	(17)	(28.5)	(34.3)	(28.4)	(29.7)	(33.5)	
(Other Industries)	(26.2)	(24.2)	(28.5)	(31.3)	(36.2)	(39.1)	(37.8)	(40.2)	
Tertiary Sector	-	-	145.9	170.2	179.9	187.4	226.1	242.2	
Total GDP	370.7	403.6	411.3	463.4	475.4	528.1	570.6	612.2	632.4*

Source: Direction Nationale de la Statistique et de l'Informatique  
Mali 1988 Economic accounts  
Information not available.  
• Forecasts

**Industrial Sector Contribution to GDP**

	1981	1982	1983	1984	1985	1986	1987	1988
Manuf Indus /GDP	31%	3.6%	4.1%	6.1%	7.2%	5.3%	5.2%	5.4%
Other Indus /GDP	7%	6%	1%	6.8%	7.6%	7.5%	6.6%	6.69%
Indus Sector/GDP	10.1%	9.6%	11.1%	12.9%	14.8%	12.8%	11.9%	12%

Despite the lack of reliability of statistics from different sources, it can be said that industry, and particularly manufacturing industries, occupy a relatively modest place in the Malian economy.

The Malian economic accounts estimate the industrial value added as rising from CFAF 37.7 billion in 1981 to CFAF 73.7 billion in 1988. In relation to GDP it varies between 10% and 12% during the period under review. The same accounts estimate that modern industry value-added (manufacturing industry) rose from CFAF 11.5 billion in 1981 to 33.5 billion in 1988. Compared to GDP, the modern industry value-added (manufacturing industry) varies between 3% and 7% during the same period. The trend observed in 1984 and 1985 is partly due to decline of the primary sector following the exceptional drought which occurred in those years.

ii) **Situation of Different Branches of Industry**

The agro-based and food industries branch is the largest, given the number of units and by geographical dispersion. The enterprises of this sub-sector show low rates of capacity utilization, generally speaking and with only very few exceptions. Generally, the problem of supply of raw materials (price: quantity) is acute.

The energy sector mainly comprises a network of connections linking Bamako, Kati and Koulikoro and supplied by the Sélingué dam. The other towns are supplied by small thermal stations whose functioning is very irregular.

The construction material sub-sector is dominated by the Diamou cement factory; the other units function on a smaller scale.

The mineral and non ferrous sub-sector comprises the Bourem natural phosphate crushing unit with its problem of disposal of its production.. and the Kalana gold mine. whose production is expected to step up because of the Sélingué power supply.

The mechanical, electric and electronic branch is highly diversified. The foundries and mechanical workshops are running far below capacity. The value added in most of the mechanical construction enterprises is low and in some cases, there is keen competition from the artisans.

One of the first enterprises of the chemical and paracheimical industry, sub-sector is a complex for manufacturing vinegar, bleach, packaging, plastic ware and soap. Packaging costs raise problems for several enterprises in the industry.

The textiles leather and clothing sector is the largest in terms of employment and value added.

The paper manufacturing industry is dominated by cardboard production.

### iii) Size and Performance of the Industrial Sector

An evaluation of the industrial production policy shows a strong State presence in the industrial sector. In fact, up to 1988, public enterprises represented over 70% of the production of the modern industrial sector. They were dominant in agro-industry and import substitution activities.

Reviewing the results of the past 28 years of industrialization, it is noted that the objectives set by the Malian Government from the onset, i.e. national resource development and meeting essential needs, have only partially been met and there has even been relative failure with regard to creation of stable employment and productivity improvement. The poor performances of enterprises, owing to, their inadequate inception and management conditions have seriously contributed to the country's economic deterioration. Under such circumstances, the State was obliged to undertake, starting from 1988, a programme for the reorganization of the public enterprises sector, with the major aim of reducing the burden the sector represents for the country's economy and public finances and also putting in place a policy to promote the efficiency of public as well as private enterprises. This policy has concerned four major areas:

- Review of economic policy for better resource management and to lay down an appropriate economic incentive system.
- Adopting legal and institutional frameworks suited to the public enterprises sector.
- Rationalization of sector by adopting financial restructuring; divestiture and rehabilitation measures.
- Financial sector reform, particularly BDM restructuring.

### **1.3 The NTF Line of Credit**

The BUA 5 million line of credit was appraised in December 1985 and approved during the same period by the ADB Board of Directors. The loan agreement was signed in April 1986 and the loan became effective in April 1987. It was used to partially or totally finance the foreign exchange costs of 27 small and medium-scale enterprises, of which 17 are already operational, four (4) are being established, four (4) being financed and two (2) have given up the loan. The performances of these sub-projects are analyzed in chapter 3. The line of credit is totally committed and the available balance is BUA 487,536.36.

## **2. BANQUE DE DEVELOPPEMENT DU MALI (BDM)**

### **2.1 Institutional Framework**

BDM was established in 1968. Its objective is to provide financial assistance to any projects to promote economic and social development of the Republic of Mali. It has for a long time played this role by virtue of its status as a State bank which gave it a monopoly in collection of resources from the public sector. It is by far the foremost bank in Mali in terms of its balance sheets, distribution of credit to the economy and distribution of banking services throughout the country, because of its network.

Since 30/6/89, as a result of management difficulties, BDM has become a limited liability company with a capital of CFAF 3 billion, entirely paid in and shared between the Malian State (20%), BCEAO (20%), BOAD (20%), BMCE (16.7%) and Malian private parties (23.3%).

BDM has since been under the common law legislation applicable to limited liability companies as well as the banking laws of the Republic of Mali.

### **2.2 BDM Restructuring**

Since the early 1980s, as a result of certain unfavourable factors which were both of external origin (deterioration of the State budget and the balance of payments, increase of the public external debt outstanding amount and servicing) and internal origin (unsuitable organizational structures, overstaffing, over dimensioned branch network, resource/outlay imbalance, high level of frozen or compromised debts because of laxity in distribution of credit and also public sector financing constraints), BDM's situation greatly deteriorated. Cumulative losses as at 30/09/88 were four (4) times the equity level.

Confronted with this situation, and as part of a public enterprise rehabilitation programme, the Government of Mali, with the financial assistance of investors, in 1987 adopted a vast programme of stabilization and rehabilitation of the bank which consisted in reviewing and putting into operation new institutional, legal organizational and financial frameworks to favour the revival of the bank's activities. This programme, approved in 1987 is hinged on the following:

- reorganization of the bank's capital to allow for majority shareholding by the private sector;

- increase its autonomy in terms of the management of its operations and formulation of its credit policy, through appointment of the Managing Director and of a credit committee to authorize all the loans granted by the bank.
- diversification of the bank's deposits and loan portfolio, so as to reduce the preponderance of the public sector;
- streamlining loan selection procedures and internal audit and risk evaluation systems;
- reduction of the bank's operating costs through 30% minimum cut of the wage bill;
- preparation of the list of the major debtors with a view to signing debt settlement agreements;
- inventory of the property of disestablished State enterprises which are the bank's clients, so that their debts owed to BDM can be taken over by the State;
- preparation of debt recovery proposals in accordance with a schedule and clearly defined measures;
- contacts with potential partners;
- updating of accounting documents.

This BDM rehabilitation programme was envisaged to cover several phases depending on urgency and priorities, and to that end, at the beginning of 1988, the following emergency measures were taken:

- suspension of the bank's Board of Directors and General Management and transfer of their prerogatives to a temporary director whose task was to take all the measures required to ensure the survival of the bank;
- no further ordinary credits, except those financed on resources deriving from bad debt recovery;
- 30% staff reduction;
- negotiation with BCEAO of monthly cash requirements until long-term resources have been obtained.

Towards the end of 1988, a second phase, the BDM financial reorganization process started. It consisted in rectifying the balance sheet by:

- consolidation of the BDM debt balance in BCEAO books and of part of the frozen debts refinanced by the issuing institution;
- an increase in BDM equity;

- rigorous action aimed at recovery of blocked debts from the private sector;
- improving the possibilities of having healthy credits refinanced by BCEAO;
- recourse to concessional external resources.

The adjustment was accompanied by an operation involving the recapitalization and replenishment of its equity to a level compatible with BCEAO regulations, with a 20% reduction of the State's share of capital and the opening of this capital by incorporating new partners; Malian nationals, agencies (BCEAO, BOAD), and technical associates (international banks), the latter being expected to take over the management of the new bank.

The BDM rehabilitation programme was thus approved by donors – IMF, World Bank, ADB, BCEAO, BOAD, who gave their approval in May 1989, for the BDM to be under the management of the Banque marocaine de commerce exterieur (BMCE). This management started on 1 July 1989.

The management contract provided that:

- there be an assets guarantee by maintaining CFAF 13 billion of unremunerated public deposits with BDM;
- Mali take charge of the operating deficits of the bank during the period of management by BMCE;
- France pay CFAF 8 billion in the form of a soft loan, as its contribution to the restructuring of the bank;
- CCCE, finance the share of the State of Mali in the bank's new capital;
- technical assistance for the management of BDM by BMCE be financed with a grant to be sought from financiers ADB, UNDP other than BMCE.

For the two years BDM underwent a complete institutional, organizational and financial overhaul.

The present organization of BDM comprises the Board of Directors, the Management Committee, the General Management and the Operational Departments.

### **2.2.1 The Board of Directors**

BDM is now administered by an 11-member Board of Directors selected from amongst the shareholders and appointed by the General Assembly (no longer designated by Council of Ministers decree). The Malian State, BCEAO, BOAD and BMCE have two Executive Directors each; Malian private individuals are represented by three (3) directors. The Chairman of the Board of Directors is the Minister of Trade and Finance and the Vice-Chairman is one of the representatives of the Malian private parties. Both were appointed by the last Board of Directors' session on 30/06/89. The directors are appointed for a 3-year renewable term.

The Board of Directors has full powers: to act in all circumstances on behalf of the company, within the limits of the company's objectives and 'subject to those expressly attributed by law to the shareholders' assembly. It meets at least twice a year and as often as the company's interest so requires, when convened by its Chairman or one-third of the executive directors. It forms a quorum when at least half of its members are present. Decisions are reached on the basis of the simple majority of votes of members present or represented and the Chairman's vote is decisive in case of deadlocks; decisions concerning the appointment of the Chairman of the Board of Directors, Managing Directors, establishment of branches or offices and shareholding must however be unanimous.

### **2.2.2 Management Committees**

For management purposes, important decisions are taken jointly within a number of committees chaired by the Managing Director of BDM. These are:

#### **i) The Credit Committee**

Concerning credit allocations, decisions are taken by a Credit Committee comprising in addition to the BDM Managing Director (MD), all the Directors and any other entity designated by the Managing Director. It meets periodically, generally convened by the MD as the need arises to debate and approve credit documents.

#### **ii) The Information Committee**

The Information Committee is also made up of all the Directors and meets every month 'to assess the bank's situation and exchange information with a view to reaching conclusions which will enable the Managing Director chart lines of action suited to the situation and development of the bank, in accordance with the general orientations and objectives assigned to BDM.

#### **iii) Recovery Committee**

Besides the Directors, the Recovery Committee comprises the heads of the credit and portfolio divisions. Its objective is to guide the new recovery procedures which are under the responsibility of the Commitments Department. The role of this committee covers all aspects of the bad debt recovery procedure. Among other functions, it decides on the granting of payment periods, provisions to be constituted to cover bad, disputed and irrecoverable debts. The committee meets whenever necessary.

#### **iv) Computer Committee**

Still at the projection stage, the computer committee will chart the bank's computer policy, determine priority development of essential applications and monitor the implementation of the computer plan; depending on the lines of action adopted.

In addition to all these committees, each Department Head meets daily with his collaborators (Division Chiefs, Heads of Services) in order to assess the situation of their service and the 'means required to overcome any obstacles to the smooth running of services. In this context; these services can maintain reciprocal relations to ensure the continued efficiency of work.

### **2.2.3 General Management**

BDM is headed by a Managing Director who steers, coordinates and manages the bank on a day-to-day basis. He functions with the assistance of 8 technical departments which have acquired appropriate structures and are delegated specific powers to that end.

### **2.2.4 Operational Departments**

The new organization chart (Annex 3-1) introduced by the new BDM Management has eight (8) Departments which correspond to the major services of the Bank. Each Department has a specific and detailed organization chart including a description of its function. These are as follows:

#### **i) Personnel Department**

It comprises three (3) divisions: Personnel Management Division, Pay Division, and Social Affairs Division. Its role is:

- to apply the personnel policy laid down by the management for recruitment, transfers, dismissals and promotions;
- ensure discipline and good behaviour with the establishment and the general smooth functioning of the bank;
- formulate, apply and monitor the staff training plan. The Personnel Department has a staff of 37 persons including 19 senior staff, three (3) middle-level staff and 15 line staff.

#### **ii) Organization and Computer Department**

- This Department has two (2) divisions: The Organization and Studies Division and the Computer Division. Its functions are as follows:

study, management and optimal utilization of the means required for the efficient functioning of the bank;

study of organization of services, especially tasks and structures, streamlining processes and links throughout the bank;

study, monitoring and placing of human and material resources required for the smooth functioning of the establishment;

study of planning and projections on the basis of statistics coming either from the bank or from outside;

comment on the evolution of the bank's position and prepare working data for the Management and different bank committees.



The Organization and Computer Department has 21 staff members comprising 16 senior staff members, 3 middle-level staff members and 2 line staff members. However, it seriously lacks statistics required to enable it efficiently play its role as a data bank for the other departments. The Bank's General Management should assist it in that.

iii) **Commitments Departments**

- The Commitments Department has three (3) divisions: the credit, portfolio and branch divisions. Its role is mainly to ensure the application of the bank's policy for collection of deposits, credits and investments. These functions essentially concern the study of credit documents, monitoring and supervision of projects financed by the bank and recovery of arrears.
- The Management has a staff of 21 persons: 17 senior staff, three (3) middle-level staff and one (1) line staff. However, this department's activities relating to monitoring and supervision of sub-projects have slowed down. In fact, its last visits to sub-projects date back to May 1989. These activities need to be revived.

iv) **External Operations Department**

- The External Operations Department has, two (2) divisions: the external goods division and the external relations division. Its primary functions are execution and monitoring of all import and export payments, management of bank's foreign exchange assets and relations with agents and clients for external financial operations and supervision of BDM foreign representative offices.

The Management unit has a staff strength of 13: 10 senior officers, two (2) middle-level staff and one (1) line staff.

v) **Financial Operations Department**

The financial operations department is responsible for:

- effecting and supervising accounting in respect of bank operations;
- ensuring optimal management of the bank's cash flow, in conformity with the monetary regulations in force.

The Department comprises two (2) divisions: the Accounting and Cash division.

It has a staff of 24 persons: 17 senior staff, four (4) middle-level staff and three (3) line staff.

vi) **Inspection and Logistics Department**

This department's functions are:

- to carry out periodical or specific inspections in the bank's services and branches, so as to evaluate its administrative and financial management and compliance with procedures;
- process all claims from clients and correspondents;
- analyze the draft procedure notes so as to remedy weaknesses with regard to security.

It covers three (3) divisions: the inspection division, the audit and control division and the logistics division. The Department has a staff strength of 37 persons – 19 senior staff, three (3) middle-level staff and 15 line staff. Its activities are summed up in inspection reports whose contents are communicated to the management, the supervising department and the unit visited.

vii) **Legal Affairs Department**

The legal affairs department is in charge of all legal matters, disputed cases and fiscal matters concerning the bank; in particular:

- contacts with debtors, lawyers, tribunals and administrations;
- recovery of doubtful or disputed debts;
- control of guarantees and discharge documents.

It has three (3) divisions: the general affairs division, the disputed claims division and the guarantees division. The staff has 11 persons: 10 senior staff and one (1) line staff.

viii) **Management Control and Budget Department**

It has only recently been established. Its role is:

- To commit the bank's general expenses and process them for payment, within the limits of the budgets and in accordance with the procedures laid down;
- Monitor the bank's financial stability and set up control mechanisms to help enhance costs and investments.

The department has two (2) divisions: the management control division and the budget division. The staff has seven (7) persons, all of them being senior staff.

## ix) Regional Offices

The role of regional offices is to represent BDM in the regions. In that regard, they carry out the same activities in the regions as at the headquarters. There are a total of seven (7) branches, including a main branch and an annex at Bamako and five branches in the regions (Sikasso, Koutiala, Segou, Niono and Mopti). Moreover three windows have been opened at San, Tomboctou and Gao and two (2) Representative offices at Paris and Tripoli. The staff of these offices, including the windows and Representative offices, is 136, comprising 88 senior staff and 21 middle level staff.

The BDM organization chart shows imbalance between the senior staff, totaling 197, the middle-level staff (28 in number), and the line staff (56). This situation is due to the successive staff lay-off exercises over the past two years, during which the bank had to select its best-trained personnel. This situation should however imply improved quality of the bank's services.

## 2.3 Personnel and Training

2.3.1 In order to adapt the human resources to the bank's new structure, it became necessary to balance the staff composition. There were thus two phases of staff departures: the first was in December 1987 concerning 308 persons and bringing the numbers from 930 to 622 persons as at 30/9/87, and the second in May 1989 concerning 326 persons, bringing the staff to 296 persons. As at 1 March 1990, the staff strength was 291 persons, i.e. a reduction of over 68% between December 1987 and March 1990.

2.3.2 The present staff comprises 197 management staff and senior staff, i.e. 67.7% of the total, 38 middle-level staff (13%) and 56 line staff (19.2%). Out of the 197 management and senior staff, 88 (i.e. 44.6%); 21 (55.2%) of the 38 middle-level and 27 (48.2%) of the line staff are assigned to the branches. The percentage of high-level supervision, senior/middle managers is 518.4% and that of the lower-level supervisors, middle-level and staff and line staff is 67.8%. These very high percentages are due to the selection criteria applied in laying off staff.

2.3.3 The BDM staff therefore has a good level. More than 90% of this staff has over 10 years' experience. Nonetheless, only 23.3% have university degrees. Work is generally well executed, despite a few staff concerns mainly relating to salary conditions.

2.3.4 As part of the professional improvement of its staff, BDM has set up a 2-year training plan involving:

- training courses for senior managers which are in-house or external (at BMCE). The in-house seminars concern a larger group of head office staff, branch and window managers and continued training courses are organized in-house by the Institut Technique de Banque (banking institute) for the diploma of higher banking studies;
- the seminar topics vary and concern banking operations and practices as well as accounting, balance sheet analyses and project financing.

These courses and seminars are aimed at improving the level of senior staff and increasing their efficiency and performances. However, the objectives would be better attained if account was taken of the real needs expressed by staff, the shortcomings noted in certain services (relating to filing, statistics, project monitoring and supervision). Moreover, the plan would need to be supplemented with a medium-term plan linked with the bank's plan of action and objectives.

## **2.4 Operational Policies**

2.4.1 General Policy: With Mali's entry into UMOA in 1984, BDM adopted a general policy statement complying with UMOA monetary provisions in 1986. It lays down the bank's terms of operation which are not in contradiction with the ADB general policy conditions concerning lines of credit.

### **Objectives of this Policy**

BDM assists all activities to promote Mali's economic development, provided there has been a conclusive evaluation of that activity showing its cost efficiency or at least its stability and that assurances of sound management have been obtained.

It assists individuals as well as enterprises in conformity with the UMOA system of conditions.

Its decisions to grant assistance are reached solely on the basis of economic and financial criteria. The following operations particularly favoured:

- harvest credits for financing the marketing requirements of agricultural operations;
- credits to finance small and medium-scale national enterprises;
- discount of commercial bills for export of national products;
- credits to finance stocks of local products secured.

In addition to these priority operations, BDM carries out all banking activities and takes shares in sure-profit investment operations- which aid economic development. It provides its clients all required advice and assistance to enable them correctly manage their businesses.

### **Investment Policy**

Regarding investments, BDM assists its clients through granting of short, medium and long-term credit and guarantees, with or without the counter guarantees of specialized organizations and equity share.

Generally speaking, the total amount of BDM assistance in favour of an individual or a single company cannot exceed 10% of the bank's equity. Where necessary, it is required to constitute banking consortiums with local banks or even enter into joint ventures with foreign investors for the financing of sizeable projects. It cannot under any circumstances become majority shareholder in a venture in which it has shares.

BDM does not, as a rule, assume direct management responsibilities in ventures it participates in. However, it may indirectly contribute to such management, through its selection of directors, assistants or auditors.

### **Financial Policy**

BDM's financial objectives are:

- maximum collection of national and external resources in order to limit the rediscount rate to a maximum of 30% of credits other than crop harvest credits or State-guaranteed credits;
- apply sound management rules in order to ensure a profitability level such as will guarantee the equity value and make it possible to constitute adequate reserves and provisions;
- set the ceiling for debts of over 'one year at three (3) times the equity amount;
- apply banking techniques such as the provision of adequate guarantees, ensure matching of schedules for loan repayment and those for borrowings, fix remunerative interest rates tied to the maintenance of charges at an optimum level.

### **Exchange Risks**

For every loan contracted by BDM, the exchange risk is borne by the State.

BDM itself covers interest rates risks of its commercial operations.

#### **2.4.2 Specific loan terms and conditions and on lending rates.**

\*

#### **Loans out of BDM equity or from BCEAO Rediscounts**

The operating modalities are in conformity with those laid down by UMOA.

The interest rates are determined in relation with the "normal discount rate" varying between 9.5% and 11% and the preferential' discount rate" which is 7.5% yearly. Apart from those which are particularly favoured by BDM and already indicated earlier, the following operations benefit from the BDM preferential exchange rate:

- financing of short, medium or long-term credits with under 10 years to run and granted to national SME with a total outstanding amount of credits of all sorts not exceeding CFAF 30 million;

- financing of short, medium, and long-term credits with under 10 years maturity whose nominal total does not exceed CFAF 15 million grant to nationals of UMOA countries to finance construction of their first main residence;
- discount of public bills with only 10 years maturity, established by the State or public administrations of UMOA to finance the establishment or improvement of public utilities or infrastructure.

All the other categories of credit (social credits, advances....) etc. have the normal discount rate.

The BDM margin on these credits ranges between 1% and 5%, to which should be added various charges: fixed 1% commitment charge; delay charge of 0.3%.

Self-financing varies between 10% and 50%, depending on the type of project and the duration of the loan (between 1 and 10 years), sometimes with postponements corresponding to the project implementation period.

### **Loans on External Lines of Credit**

For IDA credit lines, the conditions are: rate: 12% (lenders rate of 8.5% + BDM margin of 3.5%); duration: two years to 13 years with a one (1) to three (3) year grace period; personal contribution: 10% for projects under CFAF 50 million and 25% for project exceeding CFAF 50 million.

For the ADB line of credit, the rate is 11% yearly (lenders' rate: 4% + BDM margin of 7%); duration: 10 years with one to two-year grace period; personal contribution: 25%.

For OPEC lines, the rate is 11% yearly (lenders' rate of 1% plus BDM charge of 10%); duration of two (2) to seven (7) years with one to two-year grace period; personal contribution: 15% for projects under CFAF 50 million and 20% for the projects above CFAF 50 million.

For the IDB line – (equity investment), the share taking is remunerated by dividends distributed within the company. The amount cannot exceed 30% of the capital; this limited amount which is itself limited to 2,000,000 dinars cannot be below 100,000 dinars.

For the EDF line, the rate applied to clients is 9% yearly (lenders' rate of 1% plus BDM charge of 8%); the duration is two (2) to seven (7) years with alone to two-year grace period; the collateral is 10 to 20%. This credit is required to finance small projects with a cost not exceeding CFAF 10 million.

For the KFW line intended to finance working capital, the rate is 12% yearly (lenders' rate of 5% + BDM margin of 7%) in the first case and 11% (lenders' rate of 8% + BDM margin of 3%) in the second case. The duration and grace period as well as the personal contribution are such as BDM decides to apply to its clients.

The above operating conditions, mainly concerning loan repayments, should normally afford BDM substantial benefits, including a more balanced financial structure. However, this has not always been the case over the past three years given the bank's management problems.

**2.4.3** The Procedures: Concerning the structure, ever since the appointment of its new management team, BDM has been working towards the introduction of new procedure manuals which would serve as supports to the different activities of the bank, reliable accounting and computer tools, mainly by completely rethinking its accounting and computer plans so that the management can constantly receive reliable information on all the bank's accounts and a daily management chart which is a valuable instrument to guide and control its policy. Though there are still some at the design stage, most of the procedures are already operational.

### **Credit Procedures**

Each credit document received by the bank is studied and transmitted to the credit committee for approval. The documents received at the Head office are studied by the Commitments Departments while those received in the branch offices are processed at their level before being sent to the head office.

A quick study is made of the consumer credit, social and commercial credit documents, generally providing information on the applicant, his credit standing, his activities, his repayment possibilities and the loan conditions.

The investment credit documents are subjected to a more detailed study on all aspects of the project: administrative, legal, technical, economic and financial. The study brings out the strengths (promoter's management capability, his experience, his financial resources...) and (weaknesses of the project as well as the steps to be taken to minimize the risks.

All these pieces of information are contained in a summary report transmitted to the credit committee for decision. It should be pointed out, with regard to the granting of credit, that the General Manager has no delegation of powers. All credits are granted by the credit committee. After approval of the credit by the credit committee, a note is sent by the Commitments Department to the Legal Department for implementation of the conditions (preparation of contracts and other loan instruments, signing of contracts, provision of guarantees...) with a view to putting the credit in place. Once the procedure is finalized, the Commitments Department draws up the repayment schedule and prepares a note for release of the credit.

### **Credit Release Procedures**

With regard to consumer credits and social credits, the whole credit is disbursed in one time.

Investment credits are disbursed by tranches as they are needed, upon the promoter's presentation of documentary evidence and in proportion to the participation of each of the parties; (the bank and the promoter). Steps are taken by the bank to limit credit

misappropriations to the minimum: where the client is new, for example, the bank releases only after full implementation of the self-financing by the promoter. For the procurement of equipment, the supplier is always directly reimbursed on the basis of documentary evidence (cost estimate, program invoices . .). In the case of imports, disbursement is always made through the opening of a letter of credit.

Each new release is conditioned by the results of the preceding control or by tangible evidence shown by the promoter to justify its utilization.

The project will be supervised during implementation.

## **2.5 Project Supervision and Monitoring**

Projects are supervised and monitored by the Commitments Department according to the implementation schedule. Supervision begins from the start of the works. There is no fixed interval as supervision is carried out whenever necessary. The main concern of the supervisor who generally goes to the field is compliance with the implementation schedule, conformity of actual investments with those projected at appraisal; physical inventory of these investments; achievement of self-financing; problems arising from project implementation and solutions to them. Once the project is implemented, it will also be monitored by the same department during its operation. The Commitments Department makes periodic visits to see whether the enterprise is functioning satisfactorily and to detect problems and act promptly. Each time, the project performance will be assessed in order to improve the bank's approach to the proposed projections.

Supervision and monitoring are always borne out by the reports which are transmitted to top management for decision.

Projects located within the country are generally supervised by the agencies which send their reports to the headquarters.

In practice, regarding project supervision and monitoring, the activities of BDM have been suspended for several months because of the management difficulties with which the Institution is confronted and also because of the preparation of the restructuring programme which is being implemented. As a result, the sub-projects (financed by ADB line of credit) were last visited by BDM in May 1989, i.e. nearly a year ago. It would therefore be advisable to reactivate this part of BDM's activities by setting up an assistance and supervision unit to be attached to the Credit Division. This unit will be endowed with human (through staff reorganization) and material resources which will enable it to play its role efficiently.

## **Accounting and auditing**

Bookkeeping is within the province of the Accounts Division of the Financial Operations Department. Accounts were audited and certified by a State auditor up to 1986, from which year BDM attached itself to the services of an external auditing firm. Furthermore, under restructuring, BDM is preparing accounts procedure manuals which should be used as mediums for accounting operations. These procedures deal with both the value entry dates to be applied to receivable accounts and, the details of the trade expenses applicable to each operation, and generally in keeping with the existing banking regulations.



In order to harmonize and homogenize operations, new accounts have been created according to BDM's needs, and others split (transit account, encashment account) in order mainly to avoid the overlapping of the operations of one unit and those of another.

All these steps taken by BDM should help improve the accounting system and the quality of the financial documents.

## 2.6 Operational and Financial Performances

### 2.6.1 Retrospective Analysis of the Operations

#### Trend of BDM Operations (in million CFAF)

	1985		1986		1987		1988		1989	
	Projections	Actuals	Projections	Actuals	Projections	Actuals	Projections	Actuals	Projections	Actuals
Approvals	16,000	3,306	18,450	2,467	19,850	2,135	21,850	1,818	23,850	696
Commitments	15,783	3,120	18,202	2,459	19,467	1,717	21,507	1,973	23,067	1,359
Disbursements	15,655	3,120	17,970	2,459	19,141	1,713	21,165	1,829	22,665	1,215
Commitment Ratio	98.64%	94.37%	98.65%	99.00%	98.00%	80.04%	98.43%	108.50%	96.71%	195.25%
Disbursements Ratio	97.71%	94.37%	97.39%	96.42%	96.42%	79.86%	96.86%	100.60%	95.00%	174.56%

From 1985 – year of project appraisal – to 1989, credit approvals dropped from CFAF 3,306 million to CFAF 696 million, i.e. a 78.94% decrease. Lack of data does not permit a breakdown by economic sector. Over the same period, commitments followed a similar trend, falling from CFAF 3,120 million to CFAF 1,359 million, i.e. a drop of 56.44%. Likewise, disbursements dropped from CFAF 3,120 in 1985 to CFAF 1,215 million in 1989, or a 61% decline over the period. In 1988 and 1989, the volume of commitments and disbursements/ observed in relation to credit approval? was due to the uncommitted and undisbursed credit balances on the previous financial years.

The unfavourable trend thus observed over the period under review was allegedly owing to the management difficulties which compelled BDM to suspend the granting of credits, with the exception of those financed from external resources or resources generated by the recovery of frozen credits.

These very difficulties explain, BDM's poor performances over the same period in relation to actuals and projections.

#### Actuals as Compare! to Projections

Actuals/Projections	1985	1986	1987	1988	1989
Approvals	20.66%	13.37%	10.80%	8.32%	2.91%
Commitments	19.76%	13.50%	8.82%	9.17%	5.89%
Disbursements	19.95%	13.68%	8.94%	8.64%	5.36%

In relation to projections, credit approvals represented only 20.66% (highest rate) in 1985 and 2.91% (lowest rate) in 1989; commitments 19.76% and 5.89%; and disbursements 19.95% and 5.36%.

## 2.6.2

Portfolio Position (in millions of CFAF)					
	1985	1986	1987	1988	1989
(On-going) MLT loans	9.316	10.023	5.132	6.920	11.545
(Matured) ST loans	43.429	50.453	21.445	8.749	6.687
Debts due. claims	7.294	10.035	6.537	8.868	7.077
Debts due. MLT loans	78.29%	100.11%	127.37%	128.15%	61.30%
Debts due/matured loans	16.79%	19.88%	30.48%	101.36%	105.83%

From 1985 to 1989, outstanding medium and long-term debts had a chequered evolution: after a 7.58% increase between 1985 (CFAF 9,316 million) and 1986 (CFAF 10,023 million), they dropped by about half, 48.79%, in 1987, then showed some recovery in 1988 (CFAF 6,920 million) and once again exceeded in 1989 the 1985 level by soaring to CFAF 11,545 million, i.e. an increase of 23.92%. The sharp fall observed in 1987 was due to an average 60% funding of medium and long-term outstanding debts from that year, whereas they were not funded in the previous years.

Short-term debts having increased by 16.17% between 1985 and 1986, dropped steadily from CFAF 21,445 million in 1987 (i.e. a 57.49% decrease compared to 1986) to CFAF 8,749 million in 1989 (a 23.56% decrease compared to the previous year).

The particularly high level of outstanding short-term debts in 1985 and 1986 was not at all due to any growth of the Institution but rather to a certain lack of rigour in the distribution of credits at the time. And the drop by more than a half observed from 1987 was due partly to the funding of these debts and partly to their consolidation by BCEAO.

Debts due, compared to the medium and short-term debts of 78.29% outstanding in 1985, reached an all time high in 1988 (128.15%) and dropped to 61.30% in 1989. These ratios alone are not enough to appreciate the portfolio quality. Account should also be taken of the trend in relation to the matured loans. In the latter case, the ratios of outstanding debts increased by 16.79% in 1985, 19.88% in 1986 and 30.48% in 1987 exceeding 100% as from 1988. In view of these performances, one can conclude in favour of the poor quality of BDM's portfolio in the past five years. This, under the restructuring of the Institution, necessitates the introduction of a stringent recovery programme by conferring on it, in this area, the same prerogatives as the Treasury. This provision, added to the recent rehabilitation of the public sector which is BDM's largest debtor, should contribute to improve the portfolio quality of the Institution in coming years.

### 2.6.3 Financial Performance

The financial analysis is based on the 1985- 1989 accounting documents:

#### Operating Accounts

From 1985 to 1989, revenues, after a slight increase of 7.15% in 1986, dropped steadily from 1987. As at 30/09/89, the drop in relation to 1986, was 91.2 1%. The trend was as a result of the suspension of the bulk of credit activities during the period.

The operating deficit (-CFAF 50,147 million for the operating' income and - CFAF 53,428 million for the net income) observed in 1987, resulted mainly from the provisions made for all unpaid debts. The table below summarizes the trend of operating accounts.

Summarized Operating Accounts (in millions of CFAF)					
	1985	1986	1987	1988	1989
Revenues	7,128	7,638	3,928	1,219	671
Charges	6,276	7,389	54,075	15,716	737
Including provisions	1,223	882	47,024	9,789	
Operating Income	+852	+249	-50,147	-14,497	-66
Net Income	+201	+98	-53,428	+7,996	-78

### Financial Structure

In the past five years, the overall balance sheet, after a 12.34% increase in 1986 (CFAF 89,721 million) compared to 1985 (CFAF 79,862 million), later on showed an irregular trend with a very sharp drop of 43.82% in 1987 (CFAF 50,404 million) and 52.24% in 1988 (CFAF 42,845 million) in relation to 1986, and recovered from 1989 (CFAF 54,402 million). Under assets, the most significant item was short-term debts in the first three years,; total assets of 54.38% in 1985, 56.23% in 1986 and 42.54% in 1987.

During the period, the second most important assets item was the suspense account which was relatively stable over the period except on 30/06/89 when BDM's balance sheets, were closed for restructuring purposes,; the account stood at over CFAF 32 billion, i.e. more than 52% of total assets. The heavy amount of this account as at 30/06/89 was because of the non-reconciliation of the reciprocal accounts and the non-regularization of bank charges calculated late and unrecovered yet. All these pending regularization operations were entered in the suspense account.

Under liabilities, the payable on demand accounts were the most, important item. They represented 50.80% of total liabilities in 1985 and 62% on 30/09/89. In 1986, this payable on demand accounts decreased by nearly 20% owing to the massive withdrawal of the customers because of BDM's difficulties. However, from 1987, these deposits experienced some stability. During the period, medium and long-term debts, after decreasing by 17.66% in 1986 (CFAF 4,308 million) as compared to 1985 (CFAF 5,232 million), rose again from 1987 to attain CFAF 5,740 million in 1988. As at 30/09/89, they decreased to CFAF 1,589 million, representing more than 72% drop in relation to 1988. Similarly, BDM's capital base, after having risen by 12.40% between 1985 (CFAF 9,877 million) and 1986 (CFAF 11,100 million), dropped sharply in 1987 and showed a deficit of CFAF 40,951 million owing to operating losses of CFAF 53,428 million in the same year. This substantial deficit itself stemmed from funding all the unpaid debts of the bank. The deficit was fully absorbed in 1988 by the provisions made under the bank's adjustment programme. During the first two years of the period, medium and long-term debts were fully covered by the equity whereas they were not covered at all in the years that followed: the debt ratio of 97.73% in 1985 soared to 185.98% as at 30/09/89. Likewise, the liquidity ratio, except in 1985, was below 100% throughout the period. These results well confirm the imbalance of BDM's financial structure from 1987, hence the adjustment programme which has been introduced.

**Summary Balance Sheets**  
(in millions of CFAF) '

	1985	1986	1987	1988	1989 (as at 30/6)	1990 (as at 30/9)
<b>ASSETS</b>						
Fixed assets	19,150	22,631	14,218	18,427	21,437	20,987
include medium and long term debts	9,316	10,023	5,132	6,920	11,942	11,545
Current and liquid assets	60,712	67,090	36,186	24,418	40,245	33,415
<b>Total Assets</b>	<b>79,862</b>	<b>89,721</b>	<b>50,404</b>	<b>42,845</b>	<b>61,682</b>	<b>54,402</b>
<b>LIABILITIES</b>						
Short-term callables	60,332	70,219	81,772	63,924	51,601	44,870
Time deposit accounts	4,421	4,094	4,558	6,198	8,182	4,610
Medium and long-term debts	5,232	4,308	5,025	5,740	1,625	1,589
Equity	9,877	11,100	-40,951	-33,017	274	3,333
<b>Total Liabilities</b>	<b>79,862</b>	<b>89,721</b>	<b>40,401</b>	<b>42,845</b>	<b>61,682</b>	<b>54,402</b>
Liquidity ratio (%)	100.62	95.54	44.25	38.19	77.99	74.47
Debt ratio (%)	97.73	75.69				185.98

## 2.7 Overall Evaluation

From 1985 to 1989, the projected incomes and actual incomes showed the following trends (in millions of CFAF):

	1985		1986		1987		1988		1989	
	Projections	Actuals	Projections	Actuals	Projections	Actuals	Projections	Actuals	Projections	Actuals
Total Assets	92,208	79,862	74,293	89,721	76,180	50,404	78,708	42,845	81,780	54,402
Proceeds	6,420	7,128	6,680	7,638	6,970	3,928	7,260	1,219	7,590	671
Operating Income	250	852	280	249	300	-50,147	380	-14,447	400	-66

In 1985 and 1986, actuals exceeded estimates. However, between 1987 and 1989, estimates were far from being attained. The implementation ratios of assets varied from 66% to 54%, and those of the proceeds from 56% to 9%. As for the operating income, it was negative over the last three years. These data well indicate BDM's worsening financial position during the period under review.

## 3. SUB-PROJECTS: BENEFICIARIES AND PERFORMANCES

### 3.1 Implementation of the Line of Credit

The amount of the line of credit granted to BDM was BUA 5 million. It was used to finance 27 sub-projects, 17 of which are operational. The list of the sub-projects are given in Annex 3.2. Most of the sub-projects that have gone into production have been operating for less than two years. The utilized amount of the line of credit totaled BUA 4,512 million. The balance was BUA 0.487 million.

### 3.2 Overview of Sub-Projects

The 27 sub-projects financed by the line of credit are broken down as follows into the various economic sectors:

- Services : 17 sub-projects
- Industry : 7 sub-projects
- Agro-industry : 2 sub-projects
- Agriculture : 1 sub-project

3.2.1 As can be observed, the services sector predominates by the number of sub-projects. They are:

- six (6) transport sub-projects to address a major concern, the opening up of the country, and thus ensure regular supply of the productive machinery. These transport sub-projects supply the factories with raw materials or hydrocarbon, or provide the building materials required for the implementation of road works. Therefore, the sub-projects contribute to the economic development of the country. The total amount for financing these projects is about CFAF 740 million, or 37% of the amount of the line of credit;
- a cold room sub-project for the preservation of local export commodities (fruits). The amount financed is CFAF 140.7 million;
- three (3) tourism sub-projects financed for CFAF 125 million. By developing tourist sites, these sub-projects contribute to the development of tourism in the country. The foreign exchange earned contributes to improve the balance of payments. In addition to these sub-projects, there is another one (CFAF 70 million) on the sanitation of Bamako town and which therefore seeks to boost the tourist image of the capital.

3.2.2 The industrial sector comes second with seven (7) sub-projects: These are either import substitution, or export producer goods sub-projects. They are therefore aimed at developing local resources.

3.2.3 Agro-Industry: Two (2) sub-projects (gum arabic and groundnut paste) are financed in this sector for an amount of about CFAF 92.5 million. The product of the first sub-project is intended for export and, that of the second, for local consumption. Both sub-projects develop two local raw materials.

3.2.4 Agriculture: Only one sub-project, a livestock farm, is financed in this sector for an amount of CFAF 53 million.

/Generally, the sub-projects financed meet ADB objectives.

Of the 27 sub-projects, 17 are located in the capital and 10 in the interior. The number of jobs created exceeds 250. These measures help partially solve the problems of out-migration and unemployment.

Of the 17 sub-projects which have gone into operation, nine (9) are functioning quite smoothly, without any major problem. Some are experiencing working capital problems which arise from both BDM and the promoters themselves. Indeed, for auditing purposes, BDM has had to suspend the credit disbursement of certain sub-projects. Others have credit overrun difficulties and so are unable to fully self-finance their share of the working capital. BDM should find a quick solution to this problem so that the implementation or production of these sub-projects can start.

The 10 non-operational sub-projects have been suspended for the same problems mentioned above. As a matter of fact, it is difficult for a sub-project whose implementation has almost been completed (Sigoniko Commercial Complex) to start off owing to lack of working capital. Three others which are being implemented have credit overruns. Two sub-projects, including one financed from its own resources, have given up the loan. Four are awaiting the disbursement of their credits suspended by BDM.

### 3.3 Overall Evaluation Concerning Sub-Projects

The problems common to all the sub-projects stem from lack of working capital and repayment difficulties. 13 of the 17 operational sub-projects are in an arrears situation. As at 1<sup>st</sup> March 1990, unpaid debts amounted to CFAF 185.9 million out of a total overdue amount of CFAF 322.1 million, i.e. an unpaid debt ratio of 57.7%. For certain sub-projects, these are merely technical debts due, which should be regularized as soon as possible. For others, on the contrary, the problems pointed out earlier explain the situation. Furthermore, there is inadequate supervision of all the sub-projects by BDM. The last supervision by BDM dates back to May 1989. BDM should take the necessary action to improve the management conditions of the sub-projects it finances by setting up in particular an assistance and supervision unit.

In view of the problems encountered by the sub-projects, the following measures could be taken:

- sub-projects which have working capital problems may approach BDM for supplementary credit to finance their needs. If necessary, they can apply to local commercial banks with BDM's assistance. A quick solution of these problems will enable some sub-projects currently suspended to go into production; it will also help improve the performance of other already operational sub-projects. In addition, BDM should urgently disburse credits which are currently suspended, so that the implementation of certain sub-projects can be started;
- BDM should increase the supervision interval of the sub-projects.

#### 4. BDM AND ADB's PERFORMANCE

##### 4.1 BDM's Performance

The period of less than three (3) years taken by BDM to implement the line of credit was relatively short, these internal difficulties notwithstanding. BDM financed from the line of credit only the foreign exchange costs of the sub-projects which fall within the various sectors of the economy and generally, develop local resources. The amount committed per sub-project is in general less than BUA 1 million. BDM fulfilled the specific lending conditions mainly by attaching itself to the services of an external auditing firm since 1986.

However, the project was implemented under difficult conditions, hence BDM's poor performance in the years that followed the provision of the loan. Therefore, the introduction, by the Government, of a restructuring programme with a more realistic administrative management, an organization and staff strength compatible with the level of operations, a more rational accounting and financial management, helped solve most of the problems with which the Institution was confronted. Likewise, the sound measures taken decision-making structure or procedures already operational or underway, should guarantee the chances of success of BDM's rehabilitation programme. Nevertheless, from the organizational standpoint, the programme would benefit the setting up of assistance and supervision unit in the Commitments Department in order to better monitor financed sub-projects and limit the problems with which they could be confronted. Since the Commitments Department is in charge of operations, BDM should also entrust it with statistics so as to better monitor its own activities. The training programme should take into consideration short and medium-term staff requirements. All these measures added to those already taken, should help improve BDM's performance in the coming years.

##### 4.2 ADB's Performance

The line of credit was correctly identified and appraised on time by ADB. The loan was approved and signed in less than six months. In addition, the sub-projects were satisfactorily approved by ADB.

However, ADB has been unable to supervise the project since the loan was put in place because project start-off coincided with BDM's restructuring programme on which the Bank had focused all its attention.

#### 5. CONCLUSIONS AND RECOMMENDATIONS

##### \$1 Conclusions

The line of credit was implemented under difficult conditions, which have accounted for BDM's poor performance since the loan was put in place.

Of the 27 sub-projects financed by the line of credit, nine (9) are functioning quite satisfactorily. The others are beset by a number of problems, The production potential of financed sub-projects is therefore under-exploited for the moment. Consequently, the development objectives set by the line of credit have not yet been fully achieved.

However, measures taken by the Malian Government to reorganize and restructure BDM should help enhance its performance in coming years. A certain number of recommendations therefore appear necessary.

## 5.2 Recommendations

In view of the foregoing, the mission recommends:

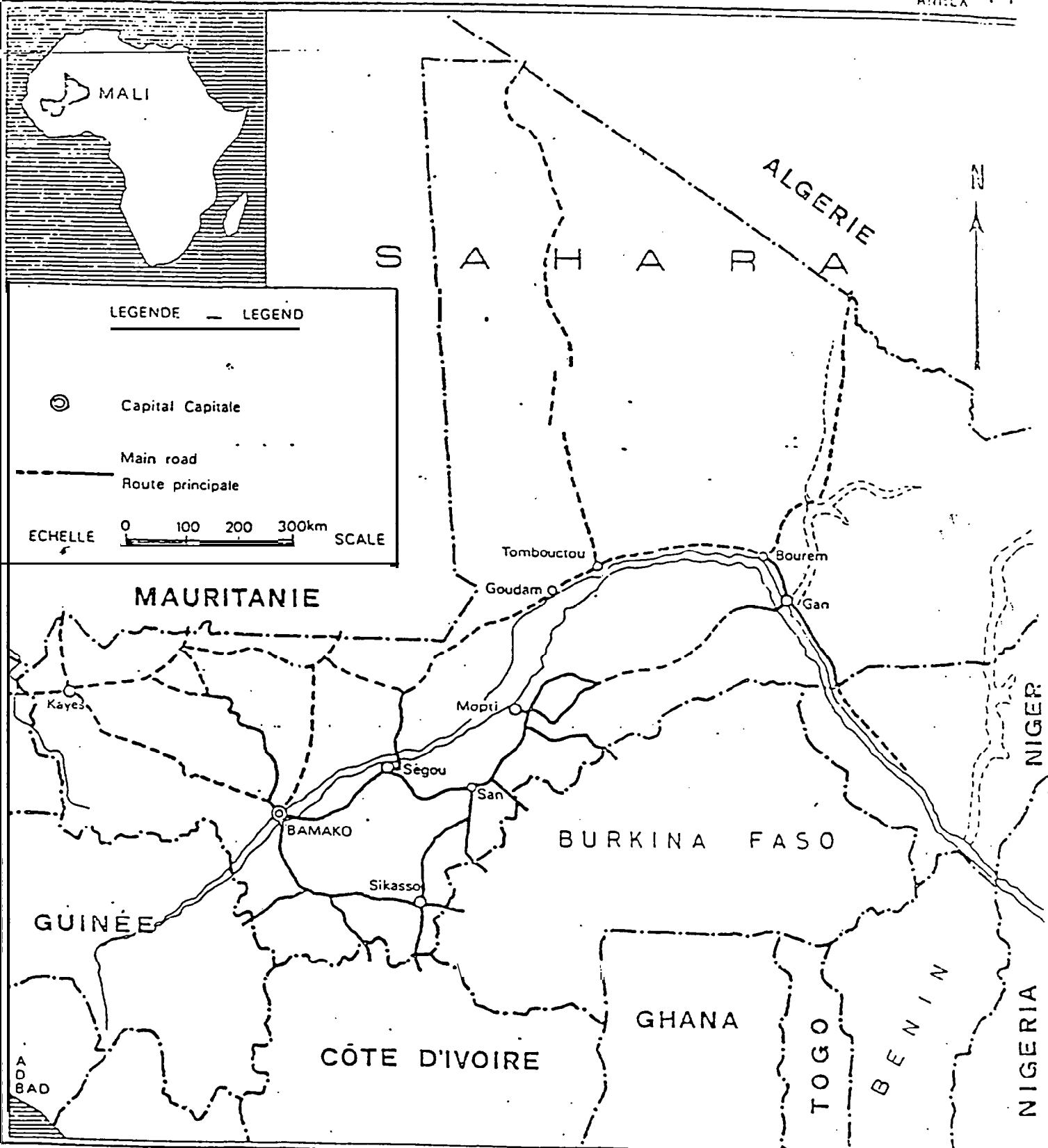
- With regard to the working capital problem which the sub-projects are facing, BDM could intervene directly or indirectly by helping the sub-projects obtain from local commercial banks the credits they require to start off production or to enhance their return.

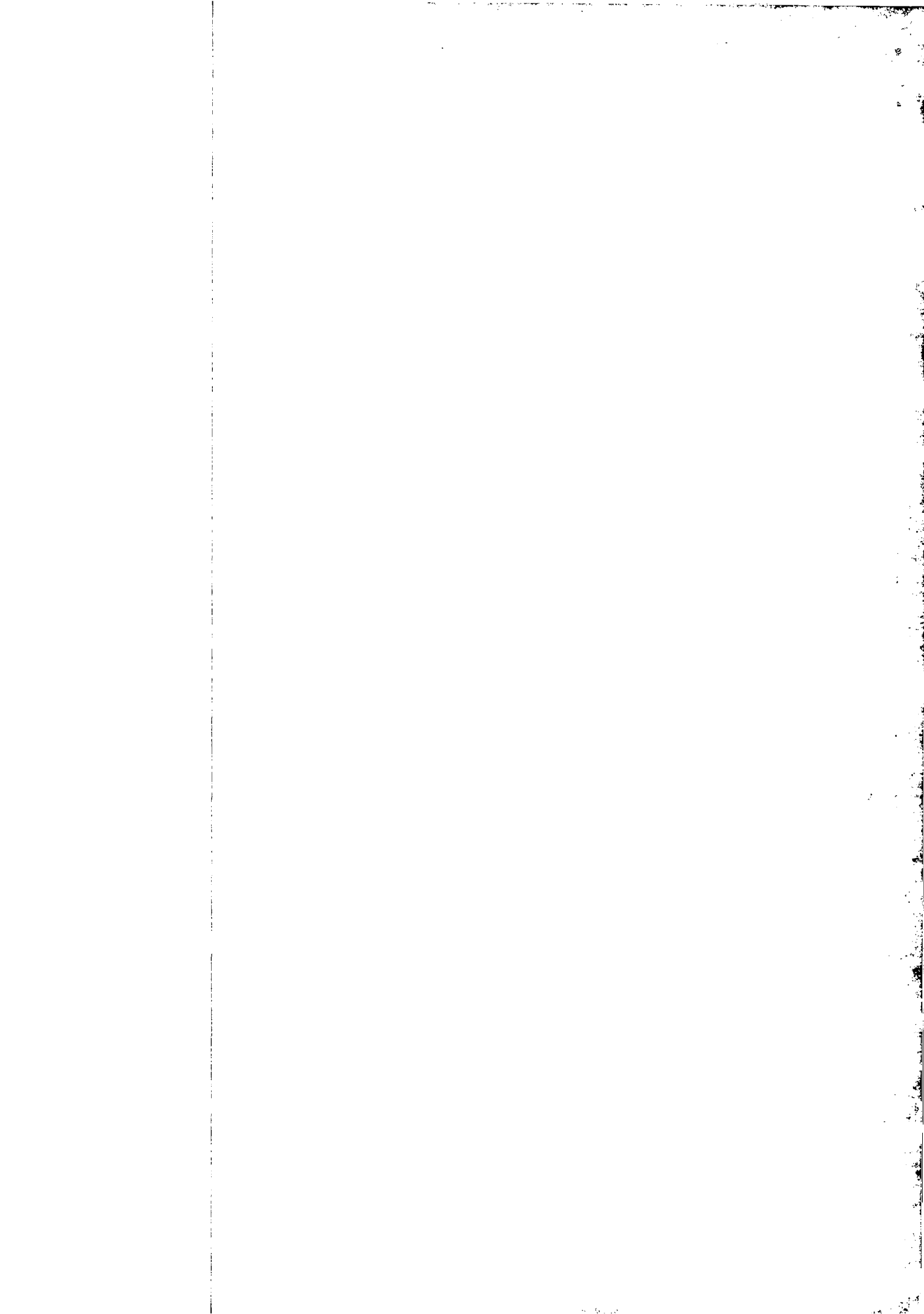




# MALI

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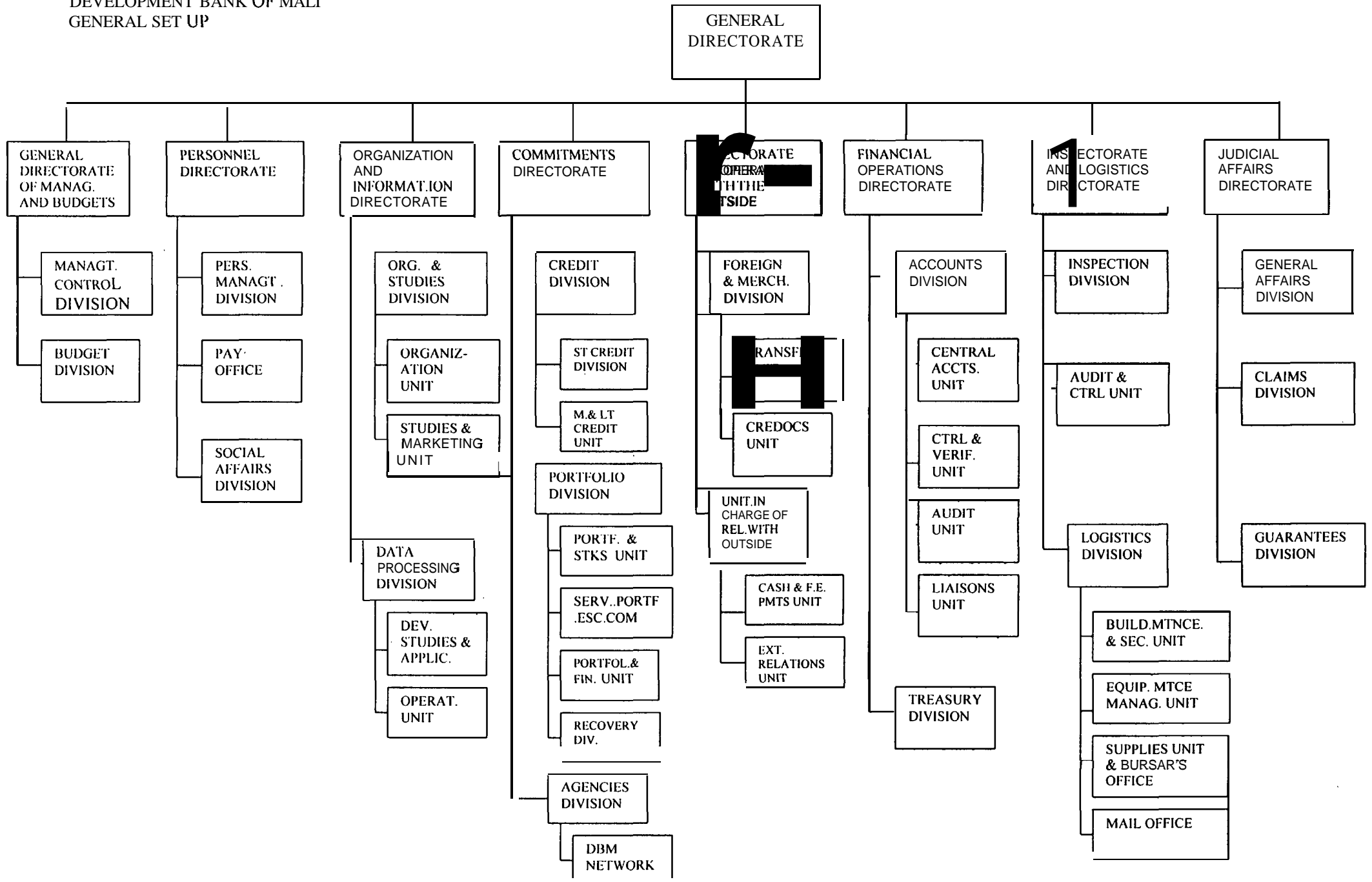
**MALI**  
**LINE OF CREDIT TO BDM**  
**GDP trend and industrial value added of Mali**  
**(in millions of CFAF)**

<b><u>Years</u></b>	<b><u>Gross domestic product</u></b>	<b><u>Industrial value added</u></b>
1981	370,789.5	11,834.0
1982	403,632.0	14,823.0
1983	411,315.7	17,089.5
1984	463,463.8	28,553.6
1985	475,421.4	34,355.5
1986	528,179.0	28,430.0
1987	570,677.0	29,756.0
1988	612,197.0	33,558.0
1989	632,400.0*	34,800.0*
1990	652,200.0*	37,800.0*

Source: National Directorate of Statistics and Computer.

\* Projection of the National Directorate of Planning.



DEVELOPMENT BANK OF MALI  
GENERAL SET UP

## MALI

## LINE OF CREDIT TO BDM

## Staffing Trend

Classification	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	
	31/12	31/12	31/12	31/12	30/09	30/09	30/09	30/09	30/09	30/09	30/09
Management staff						(	(	(	50	48	25
Senior officers						(	318	315	202	201	173
Middle-Level managerial staff							223	221	127	127	38
Line staff		-					406	394	205	204	58
<b>TOTAL</b>	<b>823</b>	<b>-856</b>	<b>896</b>	<b>920</b>	<b>933</b>	<b>937</b>	<b>947</b>	<b>930</b>	<b>584</b>	<b>580</b>	<b>294</b>

This staff excludes technical assistants

(-) Not available information

MALI  
LINE OF CREDIT TO BDM

Amount: UA 5 million  
List of Sub-projects

No	PROJECT TITLE	APPROVED AMOUNT IN UA	AMOUNT IN CFAF IN THOUSANDS
1	<b>Boulangerie Moderne</b> de Djikonmi <b>Fouolah</b> ( <b>Modern Bakery</b> )	150 900	59 427
2	<b>Ferme d'élevage de Sénou</b> (Livestock Farm)	135 307	53 286
3	<b>Fabrique de Mousse de Ségou</b> (Foam Factory)	128 232	50 500
4	<b>Transport d'hydroc. Moussa Ly</b> ( <b>Hydrocarbon transportation</b> )	482 459	190000
5	<b>Chambre froide et bascule électronique</b> (Cold store and <b>electronic scale</b> )	357 403	140751
6	<b>Société Commerciale Africaine</b> (SCOAF)	304 710	120 000
7	<b>Transport d'hydrocarbures liquides</b> de Mr. <b>Gassimi</b> (Liquid <b>hydrocarbon transportation</b> )	304 710	120 000
8	Clinique <b>d'accouchement</b> (Midwifery)	45 706	18000
9	<b>Fabrique de glace alimentaire Nioro</b> (Edible Ice Factory)	91 413	36 000
10	<b>Laboratoire</b> de photos en <b>couleur</b> ( <b>Colour Photo Laboratory</b> )	131 792	51 116
11	Fabrique de <b>glace à Ségou</b> (ICC Factory)	102 325	39 687
12	<b>Unité</b> de production de capitaine <b>fumé</b> (Smoked Fish <b>Prouduction</b> )	86 760	33 650
13	<b>Hôtel de Kita</b> (Hotel)	137 831	53 458
14	<b>SOTRAG</b>	116 806	46 000
15	Exploitation de <b>matériaux</b> de construction ( <b>Use of Building Materials</b> )	291 721	113 145
16	<b>Complexe</b> de Sogoniko (Sogoniko Complex)	162 175	62 900
17	<b>Fabriques de parfums</b> et produits <b>cosmétiques</b> ( <b>Perfume and Cosmetics Factory</b> )	88 285	34 243
18	<b>Projet d'assainissement</b> (Sewerage Project)	180481	70 000
19	Transformation de <b>Gome arabique</b> (Gum Arabic Processing)	158402	60 000
20	Cabinet <b>dentaire niambéle</b> (Dental Practice)	111 996	42 422
21	Transport <b>Amary</b> Daou	396 000	150 000
22	Production <b>Pâte d'arachide</b> (Groundnut Butter <b>Prouduction</b> )	85 540	32 400
23	Cabinet <b>Médical Diallo</b>	75 600	28 636
24	<b>Campement hôtel</b> de Sanga (Hotel)	116 611	44 170
25	Cabinet <b>médical "Ticoule coulibaly"</b> (Medical Practice)	52 800	20 000
26	SAPROVET	639311	249 444
27	<b>Hôtel Kayes</b> (Hotel)	64720	26 705
		5 000 000	



## DEVELOPMENT BANK OF MALI

## COMPARED GENERAL OPERATING ACCOUNT

(in million CFAF)

INCOME	1985	1986	1987	1988	1989 30-6	1989
Interests	5 494.5	5 930.8	2 967.9	663	374.6	598
Commissions	1 220.4	1 279.7	717.7	381.1	115.1	46
Other Incomes	413.5	427.4	242.8	174.8	135.4	26
Recovered reserve agios					5 693.6	
<b>CHARGES</b>						
Personal Expenses	1 025.5	1 128.0	1 267.2	1 056.5	1 008.7	131
Duties and Taxes	172.6	150.1	136.2	120.4	97.2	13
Works Supplies, Ext. Furniture	394	454.9	446.2	410	308.5	40
Transportation and Travels	84.9	110.6	84.5	63.1	41.5	10
Other management expenses	305	352.7	333.8	326.1	404.3	57
Financial charges	2 707.3	3 921.1	4 395.7	3 637.3	2 376.0	426
Allocations for Amortization	362.8	389.3	387.2	313.3	221.4	56
Allocations for provisions	1 223.7	882.3	47 028.8	9 789.4	190.9	
Allocations for charges					40.4	
<b>TOTAL CHARGES</b>	6 275.8	7 389.0	54 075.6	15 716.1	4 688.9	737
Operating Result	852.6	248.9	-50 147.2	-14497.2	1629.8	-11
Profit and Loss	-467.8	-74.7	-3211.6	-22502.2	-1590.4	-
Tax on profits	-183.6	-76.3	-69.1	-9.1	-47.4	-
Net Result	201.2	97.9	-53427.9	7995	-8	77

**MALI**  
**LINE OF CREDIT TO BDM**

**BALANCE SHEET**  
(in million CFAF)

ASSETS	1985	1986	1987	1981	1989 30-06	1989
Fixed assets	2 540	2 573	2 548	2 639	2 42:	2
Loans and advances to the State	1 148	1 277	1 180	80:	80:	
MLT outstanding debts	931.6	10 023	5 132	6 920	1194:	11.5
Inpaid debts	7 184	10 035	6 537	8 861	7 07:	7
LT outstanding debts	43 429	50 453	21 445	8 749	6 56:	6
Foreign correspondents	2 016	2 805	2 452	920	49:	12
Available stocks	201.6	2 805	2 452	920	49:	12
Suspense account	11 124	9 812	10 383	12 127	32 26:	11
<b>TOTAL ASSET</b>	<b>79 862</b>	<b>89 721</b>	<b>50 404</b>	<b>42 84:</b>	<b>61 68:</b>	<b>54.4</b>
<b>LIABILITIES</b>						
Capital	2 500	2 500	2 500	2 500		3
Reserves	3 583	3 499	3 690	3 690		-
Provisions	279	301	1 688	1 620	28:	4
Allocations	331.4	4 501	4 501	4 50		-
Guarantee Funds	-	-	-	-		-
Discontinuing debt	730	555	531	53		-
ALT Borrowings	3 271	3 675	4 494	5 209	1 62:	1.58
MLT discount	231	77				-
CEAO refinancing	13 480	32 156	37 277	14 080	8 317	-
Forward Accounts	4 421	4 094	4 558	6 191	8 18:	4.6
Foreign correspondents	768	986	1 090	589	690	1.29
Payable on demand	40 575	32 506	33 918	36 07:	27.17	33.7
Suspense accounts and others	5 489	4 571	9 487	13 177	15 40:	9.82
Result of the financial year	2011	98	-53428	7990	-0	-
Previous results	-	201	98	-53330		-
<b>LIABILITIES</b>	<b>79 862</b>	<b>89 721</b>	<b>50 404</b>	<b>42 84:</b>	<b>61 68:</b>	<b>54.4</b>