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**BANK GROUP 2015-2019 COUNTRY STRATEGY PAPER FOR
MALI**

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ACRONYMS AND ABBREVIATIONS

| | |
|-----------|---|
| AFD | French Development Agency |
| ADF | African Development Fund |
| AfDB | African Development Bank |
| ANRC | African Natural Resources Centre |
| BMS | Malian Solidarity Bank |
| CIF | Climate Investment Funds |
| CPIA | Country Policy and Institutional Assessment |
| CPPR | Country Portfolio Performance Review |
| CSP | Country Strategy Paper |
| ECF | Extended Credit Facility |
| ECOWAS | Economic Community of West African States |
| ELIM | Light Household Living Standards Survey |
| EU | European Union |
| GEF | Global Environment Fund |
| GDP | Gross Domestic Product |
| GPHC | General Population and Housing Census |
| GPRSP | Growth and Poverty Reduction Strategy Paper |
| HDI | Human Development Index |
| ICT | Information and Communication Technology |
| IMF | International Monetary Fund |
| MDG | Millennium Development Goals |
| MLFO | AfDB Field Office in Mali |
| PAGAM/PFM | Government Action Plan for the Improvement and Modernization of Public Finance Management |
| PAP | Priority Action Plan |
| PEFA | Public Expenditure and Financial Accountability |
| PEMFAR | Public Expenditure Management and Financial Accountability Review |
| PPIP | Portfolio Performance Improvement Plan |
| PPP | Public-Private Partnership |
| PRED | Sustainable Recovery Plan |
| PRODEC | Ten-Year Education Development Programme |
| PRODEFPE | Ten-Year Programme for the Development of Vocational Training for Employment |
| PRODESS | Social and Health Development Programme |
| PROSEA | Drinking Water and Sanitation Sector Programme |
| RISP | Regional Integration Strategy Paper |
| SCAP | Common Country Strategy for Development Assistance |
| SHA | Aid Harmonization Secretariat |
| SREP | Scaling-Up Renewable Energy Programme in Low-Income Countries |
| TFP | Technical and Financial Partner |
| TMSS | Transition Management Support Strategy |
| TSP | Transport Sector Programme |
| UA | Unit of Account |
| UAM | Million Units of Account |
| WAEMU | West African Economic and Monetary Union |
| WB | World Bank |

EXECUTIVE SUMMARY

This report proposes a Bank Group operations strategy for Mali covering the 2015-2019 period.

1. Country Context

Political and Security Context

In recent years, Mali has experienced the most serious crisis in its history with a coup d'état in March 2012 and the occupation of the North for almost a year by rebel and jihadist groups. Efforts by the international community led to the retreat of the putschists and the formation of a Transitional Government. They also helped to stop the advance of the jihadist groups towards the South of the country in January 2013 and to ensure the smooth conduct of the Presidential elections in July - August 2013 as well as the legislative elections in November- December 2013. The Inter-Malian Negotiations under the aegis of Algeria with the assistance of the International Community led to the signature on 15 May of the Agreement on Peace and Reconciliation in Mali, subsequently ratified by the Government and all the rebel groups on 20 June 2015. The Agreement aims to create the conditions for fair and lasting peace in Mali, thereby contributing to sub-regional stability as well as to international security. Despite the signing of this agreement, the country's security situation remains fragile.

Economic and Social Context

Following zero growth in 2012, the economic recovery began in 2013 (1.7% real GDP growth rate) and was consolidated in 2014 (7.2%) due to increased cereal production, thanks to heavy rainfall. The projected real GDP growth rate for 2015 is 5%. The medium-term economic outlook is promising with respective growth rates of 5.5% and 5.6% in 2016 and 2017. However, the social indicators, which were already at worrisome levels, have deteriorated. The poverty rate rose in 2012 (42.7%) and 2013 (47.1%) compared to 41.7% in 2011, the year before the crisis. The country's economic growth has not been inclusive despite overall positive macroeconomic performance before the crisis. Similarly, the start of the transition towards green growth remains a challenge, given the country's vulnerability to climate change.

Government's Strategic Options

The 2012-2017 Growth and Poverty Reduction Strategy Paper (GPRSP) remains the country's sole medium-term reference framework for economic and social policy. It is based on three strategic pillars: (i) promotion of accelerated, sustainable and pro-poor growth that will create jobs and income-generating activities; (ii) strengthening the long-term foundations for development and equitable access to high quality social services; and (iii) institutional development and governance. As a result of the crisis, the Government prepared a Sustainable Recovery Plan (PRED) for the 2013-2014 period, which served as the basis for the International Donor Conference in Brussels on 15 May 2013 that mobilized EUR 3.28 billion. Following the election of the new authorities, a Government Action Programme (GAP) was prepared for the 2013-2018 period based on the GPRSP's strategic pillars, with a view to implementing the President's manifesto during his 2013-2018 term of office.

2. Bank's Strategy for the 2015 - 2019 Period

Rationale for Intervention, Strategic Pillars and Expected Outcomes

The analyses of the country context and of the factors of fragility and vulnerability indicate the need for synergy in order to overcome constraints, boost inclusive growth and support the country in its transition towards green growth. Therefore, the Bank's new strategy for Mali (2015-2019)

focuses on two pillars: (i) enhancing governance for inclusive growth; and (ii) infrastructure development to support economic recovery. These pillars are in keeping with the Bank's 2013-2022 Strategy and the 2012-2017 GPRSP, and take into account the lessons learned from implementation of the Bank's previous strategy in Mali. They group together those areas where the Bank's support is likely to have a positive impact, given Mali's present situation.

Resource Mobilization

This strategy will be mainly financed by the ADF-13 and ADF-14 country performance-based allocation. The country performance-based allocation for Mali under ADF-13 is UA 54.82 million for the 2014-2016 period and the balance for 2015 and 2016 is UA 28 million. Furthermore, since February 2015, Mali has been eligible for supplemental resources (Pillar I) under the Transition Support Facility to the tune of UA 60 million. These available resources can be supplemented by: (i) TSF (Pillar III) supplemental resources; (ii) resources of the regional operations envelope; (iii) private sector window resources; and (iv) other trust funds.

3. *Country Dialogue Issues*

Dialogue issues will focus on: (i) management and mitigation of the country's fragility factors; (ii) the issue of inclusive growth; (iii) environmental protection and promotion of the green economy; (iv) gender mainstreaming in the implementation of national policies and strategies; and (v) improvement of the country's portfolio performance.

4. *Monitoring and Evaluation*

The CSP monitoring-evaluation mechanism will be based on the 2012-2017 Results-Measurement Framework and on the Bank's reviews.

5. *Risks and Mitigation Measures*

The CSP's smooth implementation could be affected by the following risks: (i) the security risk related to the country's situation of fragility, which will be mitigated by the presence of security and defence forces, and implementation of the Peace and Reconciliation Agreement; (ii) the political and institutional risk linked to the management of the North Mali issue and good public resource governance, which will be mitigated through policy dialogue with the Government, MLFO's involvement in various monitoring, policy and financial support initiatives of technical and financial partners; (iii) the macroeconomic risk related to the country's vulnerability to exogenous shocks, in particular, gold and cotton price fluctuations, which will be mitigated by TFP support to government efforts to strengthen macro-economic resilience, and; (iv) climate risk resulting in the degradation of land, ecosystems and worsening of food insecurity, which could be mitigated by strengthening resilience and disseminating best sustainable land management practices.

6. *Conclusion and Recommendation*

The 2015-2019 CSP will be executed against a backdrop of significant institutional change in Mali with the implementation of the Peace and Reconciliation Agreement based on the deepening of decentralization and increased empowerment of territorial communities. In this context, the Bank will be able to effectively play its role through: (i) its support to the process of transferring resources to territorial communities; and (ii) its contribution to opening up the country and greater inclusiveness. Therefore, the following two operational pillars are recommended for the 2015-2019 CSP: (i) enhancing governance for inclusive growth; and (ii) infrastructure development to support economic recovery.

I. INTRODUCTION

1.1 This report proposes the Bank Group's operational strategy for Mali over the 2015-2019 period. Following two decades of what was considered to be exemplary stability, Mali experienced a serious multidimensional crisis in March 2012 that revealed the depth of the country's fragility and vulnerability. As a result, the Bank and the Government agreed to prepare a Transition Management Support Strategy (TMSS) for the 2013-2014 period. In 2014, a comprehensive qualitative study of the factors and risks of fragility impeding the country's development was carried out and Mali was classified in the AfDB/World Bank harmonized list of countries in transition. To adapt the Bank's intervention in the country in line with the Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019) and the Transition Support Facility (TSF) adopted in June 2014, an Addendum to the Transition Management Support Strategy was prepared and the Board of Directors approved it in February 2015. As a result of this Addendum, Mali became eligible for Pillar I of the Transition Support Facility and an extension of the TMSS until June 2015. In addition, the Combined Completion Report on the 2013-2014 Transition Management Support Strategy Paper extended to June 2015 and the Country Portfolio Performance Review (CPPPR) was presented to the Committee on Operations and Development Effectiveness (CODE) on 3 July 2015.

1.2 This CSP is in keeping with this context. It takes into account the country's fragility factors to help it to achieve greater inclusion in the implementation of its national development strategies. It will support the restoration of the rule of law, national reconciliation and the country's economic recovery. It also incorporates the country's new directions agreed upon by the signatory parties to the Peace and Reconciliation Agreement, especially the deepening of decentralization as a major option for governance. The CSP is aligned on the country's strategy documents, namely the Growth and Poverty Reduction Strategy Paper (GPRSP) for the 2012-2017 period and the Government Action Programme (GAP) for the 2013-2018 period. It draws on the Bank's 2013-2022 Ten-Year Strategy and its 2011-2015 Regional Integration Strategy Paper (RISP) for West Africa, among others.

1.3 As its main programming instrument for Mali for the 2015-2019 period, the CSP provides the Bank with an opportunity to strengthen its short- and medium-term cooperation with the country and support its reconstruction process. Apart from this introduction, this report analyses the country context (Section II), presents the strategic directions for the Bank's intervention (Section III), identifies country dialogue issues (Section IV), presents the strategy's monitoring/evaluation system (Section V) and analyses the risks and mitigation measures (Section VI). Section VII concludes the report and presents the recommendations submitted for the Board's approval.

II. COUNTRY CONTEXT

2.1 Political, Economic and Social Context

Political and Security Context

2.1.1 In the wake of the 2012 crisis, the coup d'état of 22 March 2012 and the 9-month occupation of the North by rebel and jihadist groups, efforts by the international community led to the retreat of the putschists and the formation of a transitional government¹ in April 2012. Implementation of the roadmap² led to the re-conquest of the northern regions and the smooth

¹ Following the announced retreat of the putschists, the resignation of President Ahmed Toumani Touré and confirmation of the vacancy of power by the Constitutional Court, the President of the National Assembly (Mr. Dioncounda Traoré) was mandated, in accordance with the country's Constitution, to lead a transition period.

² Crisis exit roadmap adopted by the National Assembly on 29 January 2013.

conduct of the presidential (July-August 2013) and legislative elections (November-December 2013), returning the country to constitutional order.

2.1.2 When the advance of the armed islamist groups towards the centre of the country was stopped in January 2013 as a result of the intervention of French forces (Serval) backed by Chadian ECOWAS troops, the international community established³ in April 2013, an international force (United Nations Integrated Multidimensional Stabilization Mission in Mali - MINUSMA) whose mandate was renewed for one year in June 2015⁴. The mission of the UN forces (11,240 military personnel and 1,440 police) is to support the cease-fire, the implementation of the Peace and Reconciliation Agreement, security, stabilization, the protection of civilians, the promotion and defence of human rights, humanitarian aid and projects in favour of stabilization. In August 2014, the Serval force gave way to Operation Barkhane, which has a regional mandate and targets countries exposed to the influence of terrorist groups (Niger, Burkina Faso, Mauritania and Chad).

2.1.3 All these actions have resulted in the relative stabilization of the country, although the situation remains fragile. The national peace and reconciliation process still faces challenges. Negotiations between the Government and armed groups under Algeria's mediation led to the signing of a Peace and Reconciliation Agreement in Bamako on 15 May 2015, subsequently ratified on 29 June 2015. The goal of the agreement is to create the conditions for fair and lasting peace in Mali. However, sporadic attacks continue to maintain a climate of insecurity nationwide (as demonstrated by the Bamako attack and recent incidents in Mopti, Ségou and Sikasso regions in the South of the country).

2.1.4 To facilitate the implementation of this peace agreement, the stakeholders requested the Bank, the World Bank and the Islamic Development Bank to conduct a Joint Evaluation Mission in Northern Mali (MIEC/North Mali). The Bank contributed to the preparation of the concept note for this evaluation. Furthermore, it plans to draft thematic notes and conduct perception surveys in the North, as well as participate in preparing the needs assessment report to ensure rapid recovery, poverty reduction and development in the area. Through this exercise, the Bank is also contributing to the preparation of the Specific Development Strategy for the Northern Regions. This strategy will be based on the above-mentioned needs assessment.

Economic Context

Recent Economic Developments

2.1.5 Growth was zero in 2012 as a result of the crisis that the country experienced. The economy began to recover in 2013 with a real GDP growth rate of 1.7%. In 2014, growth was consolidated at 7.2% due to an almost 15% increase in agricultural production as a result of heavy rainfall. Inflation remained fairly high in 2012 with rising consumer prices linked to the effects of the crisis. In contrast, inflation was very low in 2013 and 2014 at -0.6% and 0.9%, respectively. These low rates are mainly due to the drop in the prices of imported products (food products and oil) and the successful 2013/2014 crop year. The current account deficit (including grants) widened in 2014 to 7.3% of GDP compared to 3.4% of GDP in 2013 following a drop in gold prices and an increase in imports with the start of the economic recovery. This deficit was partly financed by net capital inflows, mainly external aid and foreign

Box II - 1: Structure of the Economy

The structure of GDP has remained fairly stable since the 1990s. The Malian economy is mainly based on the primary sector (average annual growth of 4.9% between 2000 and 2013). GDP fluctuations are more significant year-on-year due mainly to: (i) dependency on mostly rain-fed agriculture; (ii) low export diversification (principally gold and cotton); (iii) climate variability; and (iv) the country's heavy dependency on foreign aid.

³ Security Council Resolution of 25 April 2013.

⁴ Resolution 2227 of 29 June 2015.

direct investment. The overall balance of payments deficit (CFAF 174 billion, i.e. USD 353 million), was financed through BCEAO foreign exchange reserves.

2.1.6 In general, Mali faces a major challenge of non-inclusive economic growth. The sound macroeconomic performance posted in recent years has not translated into a significant reduction of poverty in the country. Inequalities have deepened between the different segments of the population (urban and rural areas, wide gender disparities) and between the different regions (northern and southern regions, large and small towns and villages). Disparities also continue to persist in several areas, including access to land and employment.

Table 1
Macroeconomic Indicators

| | 2012 | 2013 | 2014(e) | 2015(p) | 2016(p) |
|---------------------------------|------|------|---------|---------|---------|
| GDP growth | 0.0 | 1.7 | 7.2 | 5.0 | 5.5 |
| Real GDP growth rate per capita | -4.2 | -1.3 | 2.8 | 2.4 | 1.9 |
| Inflation | 5.3 | -0.6 | 0.9 | 1.7 | 2.3 |
| Budgetary balance (% GDP) | -1.2 | -2.9 | -2.9 | -5.0 | -3.0 |
| Current account (% GDP) | -3.0 | -3.4 | -7.3 | -5.5 | -5.6 |

Source: National administration data; estimates (e) and projections (p).

2.1.7 Regarding the financial sector, Mali's financial and banking system has, for the most part, remained stable and sound despite the impacts of the 2012 crisis. In 2014, the branches of commercial banks, closed in 2012 in Timbuktu and Gao regions, resumed their activities. Commercial banks also resumed their activities in the North. Branches of commercial banks are operating normally and the BCEAO branch in Mopti has re-opened. The banks have benefited from the BCEAO's policy of low-cost re-financing aimed at increasing credit to the economy by about 10% in 2013 and during the first half of 2014, on the one hand, and at growing their assets from bonds issued by other WAEMU countries, on the other. The monetary authorities also reduced the medium-to-long term Uses to Stable Resources Ratio (USRR) from 75% to 50% to encourage banks to engage in long-term financing of large investment projects.

2.1.8 With regard to budget management, the Government successfully consolidated the budget indicators in 2012 (budgetary deficit⁵ of 1.2% of GDP compared to 3.8% in 2011, and a primary budgetary balance limited to -0.7% of GDP compared to -1.1% in 2011). However, budget execution resulted in the accumulation of domestic arrears of about CFAF 29.8 billion as at end December 2012. The drive to regulate budget expenditure was pursued in 2013, thus limiting the overall budget deficit to 3.2% of GDP. Clearing the domestic arrears was a concern for the authorities in 2014 (CFAF 65 billion was paid in 2014, compared to CFAF 30 billion in 2013, of the CFAF 167 billion identified by an external audit), the aim being to align the 2014 budgetary policy with the economic recovery already begun. The authorities were able to maintain the primary balance almost at par with an overall budgetary deficit of 3.9% of GDP in 2014.

2.1.9 2014 was also marked by the failure to conclude the first and second IMF Reviews under the Extended Credit Facility (ECF) and the suspension of budget support operations by the technical and financial partners because the government had made off-budget expenditure. This was for a presidential aircraft (USD 40 million) and a supplies contract awarded by the Ministry of Defence (USD 138 million) with a Government guarantee equivalent to USD 200 million. The Government has had to adopt two supplementary budget laws during 2014 to comply with the community commitments of WAEMU and those of the IMF under the ECF. Consequently, most disbursements made on partners' budget support operations were postponed until 2015.

⁵ Budgetary deficit on a cash basis, including grants.

Medium-Term Prospects

2.1.10 The medium-term macroeconomic prospects are promising with respective growth rates of 5.5% and 5.6% in 2016 and 2017. This consolidation of the economic recovery has been due to the performance of the gold and agriculture sectors, and the revival of tertiary sector activities. However, there are risks that could undermine this positive outlook, including: (i) political instability with possible social unrest; (ii) the precarious security conditions nationwide; and (iii) exogenous shocks such as climate variability, the volatility of gold and cotton prices and fluctuations in the Euro/dollar exchange rate.

2.1.11 The 2015 budget confirms the return to an overall budget deficit corresponding to 5% of GDP, with a view to supporting the economic recovery. In this regard, fiscal revenue is expected to rise by 0.5% of GDP with a tax increase on oil products, telecommunications, financial transactions, alcohol and tobacco as well as implementation of the reform of the tax departments. Budget expenditure is also expected to increase by 0.4% of GDP due to: (i) an increase in the wage bill following an agreement with the trade unions, (ii) military spending with the adoption of a Framework Act on Military Programming; and (iii) expenditure relating to the implementation of the Peace and Reconciliation Agreement. The 2015 budget authorizes very limited use of domestic financing and endeavours to reduce domestic arrears. Consequently, private sector cash flows should be bolstered and the financial stability of the banking system maintained.

Governance Status

2.1.12 The authorities have engaged in a process to improve governance which deteriorated following the 2012 crisis, as did Mali's performance assessment. The country's CPIA score fell to 3.6 in 2014 compared to 4.2 in 2011, and the governance score to 3.9 from 4.1 in 2011.

Corruption

2.1.13 Results in the fight against corruption are slow in being felt in Mali. The perception of corruption remains high even though the country's ranking improved from 127th position in 2013 to 115th in 2014 and a score of 30 according to Transparency International's Corruption Perceptions Index (CPI). The fight against corruption occupies a key position in the authorities' political discourse. To succeed, 2014 was declared 'the anti-corruption year' and a Law on the prevention and repression of illicit enrichment was adopted in 2014, with a provision requiring the mandatory annual declaration of assets by the country's highest authorities.

Public Finance Reforms, Public Procurement and Fiduciary Risk

2.1.14 Overall, the public finance management system was satisfactory⁶. The progress made under the Government Action Plan for the Improvement and Modernization of Public Finance Management (PAGAM-PFM) for the 2011-2015 period was weakened by the 2012 crisis. Progress has been made in the area of public procurement through the implementation of the Bank's roadmap for the use of the national public procurement system. Discrepancies with the Bank's fiduciary obligations are minor and summarized in an overall action plan, and were the subject of a Letter of Agreement signed between the Government and the Bank on 17 July 2014. This overall action plan will now be mentioned in an annex to the Project Loan and Grant Agreements, and should be incorporated in the implementation of the Bank's strategy over the 2015-2019 period. Consequently, subject to the inclusion of the recommended amendments, Mali's national procedures will henceforth be used for national competitive bidding for goods and works for operations financed by the Bank in Mali. The persisting fiduciary risks are at the level

⁶ According to the most recent PEFA assessments for Mali in 2010. A PEFA assessment is planned for 2015

of: (i) internal control (insufficient resources to implement the National Internal Control Strategy); (ii) external control (insufficient physical, financial and human resources of the Audit Section of the Supreme Court); and (iii) the state of corruption in the country.

Social Context

Social and Poverty Indicators

2.1.15 The already fragile social situation has deteriorated as a result of the crisis even though, for twelve years, the poverty rate has declined overall (from 55.6% in 2001 to 41.7% in 2011). Two thirds of this reduction of poverty between 2001 and 2011 was due to economic growth and one third to the reduction of inequalities. According to poverty assessment surveys, poverty remains a concern. The poverty rate has increased since the year of the crisis (42.7% in 2012 and 47.1% in 2013, according to estimates of the Modular and Permanent Household Survey, EMOP 2013). However, a 0.2% drop was recorded in 2014, thanks to the recovery of economic activities and the relative return to normalcy. Thus, the poverty rate was estimated at 46.9% in 2014. Economic growth (at an average of 5% between 2001 and 2011) undoubtedly contributed to a slight fall in the poverty rate but was not high enough to significantly reduce the number of poor people (between 2001 and 2010, this number rose from 5.7 million to 6.4 million). Poverty in Mali remains a largely rural phenomenon (90% of poor people live in rural areas).

2.1.16 Mali has a low Human Development Index score (0.407) and is ranked 176th out of 187 countries according to the UNDP 2014 Human Development Report. The progress made towards achieving the Millennium Development Goals (MDG) was stymied by the crisis. It is unlikely that Mali will achieve the development targets set in the Millennium Goals by 2015, including a two-thirds reduction in the child mortality rate (MDG 4) and a two-thirds reduction in maternal mortality (MDG 5). In contrast, Mali is on track to halt and reverse the spread of HIV-AIDS and combat malaria and other diseases (MDG 6) provided efforts currently being made are maintained. On the humanitarian front, there is still significant food insecurity (1.9 million affected people). The situation is exacerbated by population displacements in a country that has 143,500 refugees in neighbouring countries and 86,000 internally displaced people⁷. The nutritional status of children below five years of age, pregnant and breastfeeding women has been worsened by: (i) population displacements in the country's northern regions; (ii) the interruption of health care supply in most health centres following the departure of health workers, and the deterioration of health facilities; (iii) disruption of the supply chain for nutritional inputs and other basic medicines; and (iv) limited access of humanitarian partners to the Northern regions. Humanitarian requirements for 2015 are estimated at USD 377 million.

Gender and Women's Situation

2.1.17 While Mali has ratified the main regional and international instruments relating to women's rights, has a National Gender Policy since 2010 and is the second African country to implement gender-sensitive budgeting, the country is ranked 143rd out of 187 countries in terms of gender equality⁸ (141st out of 186 in 2012 and 135th out of 169 countries in 2010). There are no specific texts on gender-based violence and there is social pressure on the victims of acts of violence. Furthermore, almost 85% of 15 to 49 year old women are victims of female genital mutilation. Also, the level of female representation in positions of responsibility remains low (below 20% at all levels including higher education and scientific research, except among the members of the Constitutional Court where parity has been reached with a woman as President). Similarly, the proportion of women in institutions and decision-making bodies in Mali remains low (7 women mayors out of 703 and 418 municipal councillors out of 10,505; 14 deputies in the

⁷ Mali: Strategic Response Plan, 2014-2016, p.3

⁸ UNDP 2014 Human Development Report

National Assembly following the legislative elections in November and December 2013 and 6 Ministers out of 29 in the current Government). Moreover, as a result of the occupation of the Northern regions by armed islamist groups in 2012, the situation of women, in particular those of the North, has seriously deteriorated in these zones (kidnappings, rape, forced marriages, clothing restrictions, prohibition of mixed gatherings, etc.).

Youth and Women's Employment

2.1.18 Young people, who account for the majority of the population, are faced with problems of training and professional integration. The estimated unemployment rate in Mali is 10.8%⁹. The 15-39 age group is much more seriously affected than the 40 to 54 age group (7.6 to 15.4% for the former compared with 6.9% for the latter). Unemployment among 15-24 year olds is between 10% and 11%. The average unemployment period is five years and the large majority (81.5%) of unemployed are first-time jobseekers. The unemployment rate is higher among women (58.8%) than men, and five times higher in Bamako than in rural areas. There are several contributory factors to young people's precarious situation: (i) lack of inclusive economic growth because of the inability to create jobs compatible with the structure of the economy; (ii) a mismatch between labour supply and demand (low professional qualifications of young people); (iii) a business environment that is not conducive to the establishment and sustainability of small- and medium-sized enterprises, which are more likely to create local jobs; and (iv) the financing constraints of an economy more focused on commercial activities. Youth unemployment is even more pronounced in the Northern regions which have less infrastructure and where the academic year has been invalidated for four years. As part of implementation of Government's 2013-2018 Action Programme, provision has been made to set up young graduates in agriculture, stockbreeding, tourism and the environment in order to create 200,000 new jobs by 2018, including 100,000 in the rural development sector.

Spatial Inclusiveness

2.1.19 Mali is affected by insufficient spatial inclusiveness. The zones that are vulnerable to recurrent situations of food insecurity are located in the Northern regions (Gao, Timbuktu and Kidal), Mopti region and in certain localities of Ségou, Koulikoro and Kayes regions (Mali's Western Sahel; 166 municipalities have been identified in these regions as the country's most vulnerable). Food inequality exists between the regions, and within the regions themselves (Sikasso, Koulikoro, Mopti, Kidal and Kayes regions are the most unequal in terms of food spending, whereas Bamako, Timbuktu and Gao are less so). There are also disparities in the training of human capital and in access to health services between the regions. Thus: (i) Bamako District has the highest school enrolment rate in the country (90.4%); and (ii) within a radius of 5 km, the same Bamako District stands out as the far better off among geographic entities (with a proportion of 94%), followed by Kayes and Ségou (55%), Sikasso and Timbuktu (51%), Mopti (50%), Koulikoro (47%), Kidal (45%) and Gao (42%).

⁹ Permanent Modular Household Survey (EMOP) 2013/2014

2.1.20 Mali's environment and natural resources are steadily deteriorating. The environmental situation is characterized by desert encroachment in the North, and the degradation of natural resources (land, water and forests, etc.), compounded by the effects of climate change. High population growth (3.6%) exerts strong pressure on arable land and forest resources. The areas used for rain-fed crops is expanding to the detriment of the natural ecosystems. Agriculture is not practiced sustainably. The priority given to the exploitation of non-renewable natural resources, in particular to gold mines, could increase the related environmental risks. Growing climatic variability has negative impacts on agricultural production and creates growth volatility, thereby undermining Mali's sustainable and inclusive development.

2.2 Strategic Options

The Country's Strategic Framework

2.2.1 The 2012-2017 Growth and Poverty Reduction Strategy Paper (GPRSP) has become the reference framework for national economic and social policies. The GPRSP brings together all sector policies and strategies, and identifies the financing requirements as well as the resources required to meet them. Its medium- to long-term goal is to 'make Mali an emerging country and an agricultural force endowed with a good quality of life for its people, men and women.' It is focused on three strategic pillars: (i) promotion of accelerated, sustainable, pro-poor growth that creates jobs and income-generating activities; (ii) strengthening of the long-term bases of development and equitable access to quality social services; and (iii) institutional development and governance. As a result of the crisis, the Government prepared a Sustainable Recovery Plan (PRED) for the 2013-2014 period, which served as the basis for the International Donor Conference in Brussels on 15 May 2013 that mobilized EUR 3.285 billion. Following the election of the new authorities, a Government Action Programme (GAP) was prepared for the 2013-2018 period to implement the President's manifesto.

2.2.2 At sector level, several policies, strategies and programmes are being implemented including: (i) the Agricultural Framework Law adopted in December 2005 and the Agricultural Development Policy (ADP) adopted in 2013; (ii) the Transport Sector Programme; (iii) the Drinking Water and Sanitation Sector Programme adopted in 2005; (iv) the Government Action Plan for Public Finance Management Improvement and Modernization, 2011-15; (v) the 2015-21 Public Administration Reform Programme; (vi) the Ten-Year Programme for the Development of Vocational Training For Employment, 2012-21; (vii) the Renewable Energy Development Strategy approved in 2006; (viii) the Accelerated Development Programme for the Northern Regions of Mali; (ix) the National Irrigation Development Strategy (NIDS) with the National Proximity Irrigation Programme, 2012-21; and (x) the 2015-2021 Agricultural Sector Investment Programme.

Weaknesses and Challenges

The Precarious Security Situation

2.2.3 Major security challenges continue to affect Mali's political and institutional stability as well as its socio-economic prosperity. The main security challenges are closely linked to the management of the Sahelian space where the weak representation of central government authority has paved the way for the proliferation and prosperity of illegal activities and organized crime. Moreover, even though the separatist claims of some Northern communities have now been assuaged by the signing of the Peace Agreement, terrorist activities are creating a climate of insecurity fuelled by support from certain local groups that profit from the cash generated by such criminal activities (light weapons, petrol, drugs, cigarettes, food products and stolen cars in

particular). This security problem in the North constitutes one of the main obstacles to the implementation of political and socio-economic reforms. It is described in detail in Annex 5 on the assessment of fragility in Mali.

Erosion of Social Cohesion

2.2.4 The crisis has accelerated the disintegration of the socio-political climate and inter-community trust, thus causing inter-and intra-community tensions. Widespread violence and serious violations of human rights have traumatized the population. Therefore, the normal and usual community and interethnic interactions in Mali have been affected. There is a real risk of a resurgence of community violence because of the prevailing climate of insecurity.

Weakness of Institutional Capacity

2.2.5 The crisis has contributed to the erosion of the country's already weak institutional capacity especially in the Northern regions where the restoration of administrative authorities and the State's technical services has taken time to materialize. Moreover, the administration is up against weak human capacity in general.

Weaknesses in Governance

2.2.6. Weaknesses in governance are among the major challenges facing the implementation of reforms in Mali. The crisis has severely dented the considerable progress in economic governance and public finance management recorded in recent years. Furthermore, persistent corruption remains a major impediment to any improvement of governance in Mali.

Difficulties in Implementing Decentralization

2.2.6 In 1992, the Government of Mali opted for a Public Management Reform Policy based on decentralization. This policy choice to devolve competencies and resources to regional and local authorities was based on several reasons, including the need to: (i) deepen the ongoing democratic process; and (ii) adopt a different approach to local development problems, rebuild the State and promote peace and security. Decentralization became a reality in 1999 following the organization of municipal elections. However, the establishment of regional and local authorities was not driven by a territorial development logic. They were based more on political rationality than economic considerations – which raises the issue of their viability. Similarly, the transfer of resources (which was to have accompanied the transfer of competencies) is not effective. Consequently: (i) the lack of human resources is weakening the operational capacity of these authorities with regard to the design, implementation and monitoring of local development programmes, and affects public asset management as well as accountability; and (ii) the local and authorities do not have sufficient financial autonomy because of their weak fiscal potential and low yields of taxes and duties transferred.

Landlocked Situation and Low Density of Modern Infrastructure

2.2.7 Completely landlocked, with a surface area of 1.24 million km², Mali is dependent on its neighbours in the sub-region for trade. The capital is 1,000 km from the nearest port and this raises transaction costs. Transport infrastructure is poorly diversified. The river is navigable during the rainy season and the railway is dilapidated. The road network is weak with an estimated density of 4.6 km/100 km² compared with 6.2 km/100 km² in Ghana and 5.1 km/100 km² in Côte d'Ivoire. Lastly, most of the production areas are remote. Furthermore, in terms of energy, Mali faces power supply problems (quantity and quality of supply), with an access rate of 32%¹⁰. The financial stability of the power utility (EDM SA) depends on central government subsidies (about 1% of GDP in 2013 and in 2014).

¹⁰ Compilation of statistics by the Mining -Energy Sector PSU, 2013

Weak Private Sector Development

2.2.8 The Malian private sector is characterized by its lack of development. It was affected by the 2012 crisis following insecurity, changes in production capacity and accumulation of domestic arrears. Over 80% of private sector activities are informal. The sector accounts for 11% of GDP and is not very competitive for the following reasons: (i) weak entrepreneurship linked to the dominance of trading activities; (ii) a high level of corruption; (iii) an unfavourable business environment; (iv) lack of supervision of enterprises; (v) a banking industry that does not foster the emergence of SME/SMI; and (vi) lack of skilled labour. Energy infrastructure is weak¹¹ and is about 40% responsible for the lack of competitiveness of Malian enterprises. Lastly, the sector is constrained by limited access to financial services (the rate of access to financial services, including those of microfinance institutions, is about 20%).

Rapid Population Growth

2.2.9 Mali has one of Africa's highest population growth rates. According to the most recent general population and housing census (2009), Mali's population is estimated at 14.52 million, 50.4% of whom are women. The population growth rate is very high (an average of 3.6%) with a high fertility rate of 6.7 children per woman and early entry into reproductive life. The population is young (almost 65% are under-25s) and mainly rural (70%). This wipes out the country's development efforts and partly explains the low HDI score (0.407).

Strengths and Opportunities

Strong Agricultural Potential

2.2.10 Agriculture represents Mali's main source of wealth. It provides a living for about 80% of the workforce and contributes about 40% to GDP. The country has real agricultural development potential: (i) the existence of significant arable land (43.7 million hectares, only 14% of which are farmed); (ii) potential in land suitable for irrigated development is estimated at 2.2 million hectares, only 18% of which is developed; (iii) the existence of considerable market demand at national level; and (iv) regional economic integration, which provides export opportunities on favourable terms. There is real political will to turn the country into an agricultural power. Hence, the acceleration of irrigation schemes, improvement of the water management system, establishment of prerequisites for private investment development and promotion of public-private partnerships in agro-industry could constitute a new source of growth. Efforts are being pursued by the Government in the agricultural sector and include: (A) the establishment of the National Agricultural Support Fund (FNAA); (B) creation of rural development and peri-urban hubs ("agri-hubs"); (C) development of 62,000 ha of rice fields, 30,000 ha of fodder crop areas, and allocation of 98,500 ha to the Niger Basin Authority; (D) implementation of new agricultural sector reforms (especially the agricultural land tenure law and policy); and (E) promotion of a new type of agricultural entrepreneur.

Availability of Mineral and Energy Resources

2.2.11 Mali is Africa's third largest gold producer after South Africa and Ghana, with average annual production of 50 tonnes of gold. In addition, Mali's sub-soil contains significant deposits of phosphates, rock salt, bauxite, manganese and iron. It also contains large quantities of different varieties of precious stones and fossil materials: (i) garnets, corundum and metamorphic minerals; (ii) pegmatite minerals; (iii) wood; and (iv) deposits of quartz and carbonates. In the area of oil and gas, five sedimentary basins have been discovered. Lastly, there is also significant potential in terms of renewable energy (solar, hydro- and wind). The country will have to explore the opportunities for tapping these resources in order to increase their contribution to the economy.

¹¹ (Infrastructure index score of 2.96 according to the 2013 Africa Competitiveness Report)

2.2.12 Mali's geographical position places it at the heart of West Africa and provides it with opportunities in terms of sub-regional trade. Therefore, Mali could capitalize more on its proximity to its neighbours through its membership of WAEMU and ECOWAS, especially on certain niches for agricultural, livestock and service products (trading, hotels, transport, etc.). The implementation of regional-type infrastructure projects (roads, railways, trade facilitation, electricity interconnection and ICT) is consistent with the regional integration strategy.

2.3 Aid Coordination/Harmonization and Bank's Positioning

Bank's Positioning in Mali

2.3.1 The Bank is particularly active in aid coordination and harmonization. It was the leader of the Collective Group of TFPs in Mali and member of the Troika for the 2010-2012 period and has led the Economy and Finance Thematic Group since 2013 (comprising two statistical and private sector sub-groups, of which it was the leader until end 2014). In this context, it coordinated the seventh and eighth Joint Budget Reviews (in 2013 and 2014). It is also leader of the Transport Group as well as an active member of the agricultural and rural economy, justice and anti-corruption, decentralization and institutional development, health, education and gender thematic groups. The Bank is also acknowledged to be: (i) effective in the road sector; (ii) capable of creating economic and financial management synergies; (iii) important in policy dialogue; and (iv) effective in project co-financing.

Box II - 2: Consultation among Partners

The TFPs have coordination mechanisms structured at three levels: (i) an overall level headed by a Troika comprising the incoming leader, the incumbent leader and the outgoing leader, with the exceptional participation of MINUSMA; (ii) a sector level (thematic groups) led by a TFP coordinator; and (iii) a sub-sector level led by a TFP sub-group coordinator. As part of the monitoring of the International Donors Conference, AfDB has played a coordination role in the quarterly monitoring of financial commitments in its capacity as leader of the Economy and Finance Group.

Results and Lessons Learned from the Transition Management Support Strategy

2.3.2 The Bank achieved all the objectives of the Strategy and approved ten (10) operations for the 2013-2014 period, extended to June 2015, for UA 213.39 million. The two (2) operations planned but not implemented are: (i) the Socioeconomic Infrastructure Reconstruction Programme for the main urban centres in the Northern regions abandoned due to insecurity in said regions; and (ii) the Bamako-Zantiebougou – Boundiali - San Pedro road, a regional operation postponed because of non-availability of regional funds. This project will be included under this strategy.

Box II - 3: CSP Preparation – A Consultative Process

Thematic sessions were held on the key sectors in Mali (infrastructure, rural development, food security, social development, mines and energy) with cross-cutting sessions on gender, factors of the economy's fragility, the issue of employment and private sector development. The central government services, civil society, private sector and TFP thematic leaders all participated in these discussions.

A policy session was held on the Bank's strategic directions over the 2015-2019 period under the chair of the Minister of Economy and Finance, with the participation of eight other ministers: the Minister of Industry and Investment Promotion, the Minister of Mines, the Minister of Women's Advancement, Children and Family Affairs, the Minister of Energy, the Minister of Employment and Vocational Training, the Minister of Sanitation, Environment and Water, and the Minister of Rural Development. The Audit Section of the Supreme Court, the Malian private sector and TFPs also participated in the session. The Government and the Bank agreed to retain two pillars for the 2015-2019 CSP: (i) Enhancing Governance for Inclusive Growth; and (ii) Infrastructure Development to Support Economic Recovery.

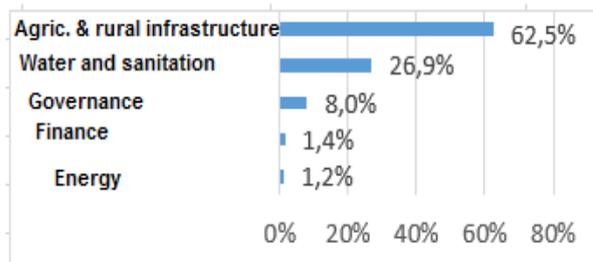
2.3.3 The Bank's operations during the TMSS helped to mitigate the impact of the crisis and build the resilience of the population through humanitarian aid of one million USD for the populations of Northern Mali and the financing of three (3) projects in the area of food security and nutritional resilience. The operations also helped to consolidate the foundations of economic recovery laid by the government through two (2) budget support operations and one (1) institutional support operation aimed at rebuilding the capacity of structures of the Ministry of Economy and Finance in the North. These different interventions have greatly strengthened the Bank's role in the country.

2.3.4 The Bank will capitalize on experience gained from implementing the 2013-2014 TMSS, extended to June 2015. The following lessons are reflected in the design of the 2015-2019 CSP: (i) focus the Bank's interventions on strengthening inclusiveness and mainstreaming factors of fragility; (ii) adopt flexibility in the use of instruments and implementation of operations in a fragile country like Mali; (iii) define a results measurement framework prioritizing the use of the outcome indicators from the national development policy reference framework, with more realistic targets; and (iii) pursue and increase the Bank's participation in the coordination of TFPs.

2.3.5 In terms of portfolio management, the main lessons learned are: (i) the need for the Government to assume greater ownership of projects and collaborate closely with all stakeholders; (ii) improve project quality at entry and build the Bank's monitoring/evaluation capacity; (iii) continue to build the capacity of project procurement organs, while prioritizing the application of national rules to the extent possible; (iv) the need to have an efficient monitoring/evaluation system at the level of the project implementation organs at project oversight ministries and at the Ministry of Economy and Finance; (v) the annual organization of fiduciary and project management clinics for all projects; and (vi) the importance for the Government to encourage joint missions of partners in order to avoid a plethora of missions.

Performance of the Bank's Active Portfolio in Mali

2.3.6 As at 1 September 2015, the Bank's active portfolio in Mali comprised seventeen (17) operations for a total approved amount of UA 305.4 million. The overall disbursement rate is 25%. The portfolio in Mali is very young with an average age of 2.7 years and 59% of ongoing operations approved in 2013 and 2014. The sector distribution shows a strategic bias towards rural infrastructure, whose primary role is to mitigate the impact of the crisis and build the resilience of the vulnerable segments of the population. Current investments in this sector stand at UA 190.7 million (62.5% of the total approved amount). The portfolio includes two (2) private sector operations (UA 17.6 million) and two (2) regional projects (UA 46.4 million). Annex 2 presents the key data on the Bank's portfolio in Mali as at 1 September 2015.



2.3.7 The portfolio's performance is deemed satisfactory overall since, of the nine (9) projects whose performance was rated in 2014 and 2015, none is considered to be at risk. The average age of 2.9 years compared with the cumulative disbursement rate of 25.3% provides an indication of the need to accelerate the implementation pace. The annual disbursement rate stood at 15.8% in 2014, compared to the 20% targeted. The main underlying reasons for this state of affairs are bureaucratic burden, weakness of coordination team and lack of knowledge of bank rules and procedures. Frequent changes of people in charge at the Ministry of finance level and the lack of a result culture also hamper disbursement rates. Only one operation is considered as ageing after 8 years of implementation and is expected to be closed on 30 September 2015. Fifty-three per cent (53%) of operations in Mali are managed by experts based in the field. With regard to the

start-up time required for approved projects, the portfolio contains five projects that have not yet started (average delay = 11 months), the oldest of which is an operation approved in July 2013.

2.3.8 A portfolio performance review was organized in April 2015 and a Portfolio Performance Improvement Plan finalized for implementation between May 2015 and June 2016. This Plan (see Annex 3) presents the major challenges facing the portfolio and the recommended measures to address them. The main challenges identified are: (i) the Government's weak involvement in the technical preparation of new operations, pre-start-up support and monitoring/evaluation of projects during implementation; (ii) the strict application of financial rules for the use of funds; (iii) the slowness of the administration's internal process in connection with signing contracts already validated from the technical and financial standpoints, and for no objective reasons; and (iv) insufficient mainstreaming of the gender issue. These difficulties can be resolved in Mali's present context. The proposed measures range from straightforward actions to monitor and report malfunctions to knowledge building measures requiring deep and gradual behavioural changes. The flagship measures proposed include an assessment of the capacity of the Financial and Equipment Directorates (DFM) as well as the Planning and Statistics Units (PSU) of partner ministries to determine their capacity building requirements. Capacity building for these key organs should lead to stronger project ownership.

Box II - 4: MLFO's Portfolio Management Role

The Bank's Field Office in Mali directly manages 53% of the projects in the country's portfolio, a sound performance compared with the 50% which was the institutional average in 2014. The Office has eleven experts, seven of whom are responsible for agriculture, governance, private sector and water/sanitation. The other experts are responsible for economic, programme-based and financial issues as well as procurement. They systematically participate in supervision missions initiated by the Office or headquarters. Drawing on this pool of skills, the Office is able to permanently ensure project supervision and actively participate in building the capacity of the national coordination teams. In terms of performance, 61% of direct disbursement requests are processed in less than 14 calendar days and non-objection notices are delivered by e-mail within 10 days on average.

III. BANK GROUP'S STRATEGY FOR MALI

3.1. Rationale for Bank's Involvement

3.1.1. The strategy proposed in this document is based on the fragility assessment conducted in 2014. It is proposed with a view to supporting the country towards exiting the crisis and achieving more inclusive growth. It adopts a selective approach based on the Bank's comparative advantages and complementarity with other development partners.

The Need to Support the Implementation of the Peace and Reconciliation Agreement

3.1.2. The crisis has increased the weakness of central government institutions and capacity in terms of their ability to provide the population with essential services. It has caused a deterioration in living conditions, the economy's overall performance, infrastructure, governance, the business climate and the performance of the Bank's portfolio. This has had an impact on the political front and weakened political actors. In addition, issues of security, national reconciliation and social cohesion have become major concerns at the forefront of social and political life.

3.1.3. The Bank will support the implementation of the Peace and Reconciliation Agreement. This will entail assisting the country in its crisis exit transition: (i) by continuing to build the capacity of government services, in particular the economic and financial services, especially in the Northern regions; and (ii) by supporting the decentralization process in complementarity with other TFPs mainly through financial devolution/decentralization and restoration of basic social services to enhance public service delivery in the North.

The Need to Promote more Inclusive and Greener Growth

3.1.4. Mali's growth has been too low to significantly reduce poverty despite sound macroeconomic performance posted in recent years. Moreover, economic growth has not reduced the inequalities among the different segments of the population (urban and rural areas, wide gender disparities) and at the spatial level (Northern and Southern regions, cities, medium-sized towns and village). Disparities persist in several areas (access to land, employment, etc.). Furthermore, growth has been confined to certain sectors of activity (mining, telecommunications and trading) without producing any lasting spin-off on the development-driving sectors (agriculture, energy and transport). This growth has particularly benefited large - often foreign - companies to the detriment of small national private sector enterprises, which have been unable to enhance their expertise and create productive jobs. Lastly, growth has not been green and the natural environment is steadily deteriorating due to recurring droughts and demographic pressure on arable land. Environmental risks are constantly growing with the exploitation of natural resources that could undermine Mali's aspirations to achieve sustainable and inclusive development.

3.1.5. This Bank's strategy for Mali will help the country achieve inclusive and green growth through its priority areas of intervention, namely governance and infrastructure. Under the Peace Agreement, it will contribute to the socio-economic re-integration of vulnerable communities in the North (vocational training, strengthening the social health system, employment).

The Need for Complementarity with the other TFPs: Selectivity

3.1.6. All the above underscores the scale of the challenges and the need for close coordination and effective synergy within the TFP community in Mali to lift the constraints and help the country to address the challenges (Annex 10). For the Bank, it will be necessary to continue to seek the maximum impact for its intervention, in view of the areas in which it enjoys comparative advantages in the country (rural development, infrastructure and governance) and available resources over the 2015-2019 period.

3.1.7. Consequently, the Bank's strategy for Mali over the 2015-2019 period will focus on two pillars in areas where the Bank's support is likely to have the greatest positive impact, namely: (i) enhancing governance for inclusive growth and (ii) infrastructure development to support economic recovery. Particular attention will be paid to reducing factors of fragility, gender and food security. It will be necessary to consolidate the achievements of the 2013-2014 TMSS by strengthening the stability of central government and contributing to the economic recovery.

3.2. Strategic Pillars of Bank's Intervention

Pillar 1: Enhancing Governance for Inclusive Growth

3.2.1 Under this pillar, the Bank will pursue two specific objectives: (i) strengthen economic governance; and (ii) improve the business environment and support the development of enterprises with high growth potential.

3.2.2 With regard to governance, the Bank's interventions will mainly focus on strengthening public finance management. It will be necessary to: (i) support the deepening of decentralization through mechanisms for transferring resources to local authorities and securing local public finances and budget execution at the level of local communities, including those in the North; and (ii) support the improvement of transparency, accountability and budget control, with a view to combatting financial crime.

3.2.3 The Bank will also pursue its operations to improve the business climate in Mali. At national level, it will be necessary to put a conducive and attractive policy in place as well as a judicial, legal and regulatory framework that will improve the investment and business climate. In this regard, the Bank will continue to establish one-stop-shops for business start-up activities in the regions to contribute to the development of the local private sector, which is necessary to consolidate the decentralization and social cohesion process. The Bank will also continue to support firms with high growth potential (agro-industrial projects and income-generating and job-creating anchor projects) and will support the emergence of small- and medium-sized enterprises capable of creating jobs, especially for young people and women. Furthermore, the Bank will pay particular attention to SMEs in the Northern regions. Lastly, the Bank is considering providing support to the Government to implement reforms on cadastral, land tenure-related issues and natural resource management. It will contact the African Legal Support Facility (ALSF) with regard to improving natural resource management. The Government has also invited the Bank to participate in a meeting on Mali's mining sector (October). Concrete actions will be defined and taken into account in the wake of the meeting, with the support of the Bank's African Natural Resources Support Centre (ANRC).

3.2.4 The pillar will be implemented through projects and programme-based operations targeting specific reforms, policy dialogue in coordination with other development partners and economic and sector work. The ADF and private sector windows, co-financing as well as private sector support and development funds will also contribute.

Pillar 2: Infrastructure Development to Support Economic Recovery

3.2.5 This pillar aims to improve the quality and sustainability of economic growth through the rehabilitation and promotion of sustainable, environmentally-friendly infrastructure. In line with the Bank's Climate Change Action Plan and the National Climate Change Management Policy, a special effort will be made to build climate-resilient infrastructure and promote a low-carbon path to development (particularly through renewable energy resources). The Bank will continue to fund transport infrastructure, support energy infrastructure and follow-up on its engagement in the water and sanitation sector in order to achieve the objective of sustained and inclusive growth.

3.2.6 With regard to road infrastructure, this pillar will contribute to the promotion of regional integration by supporting the country to implement its internal (development of domestic trade by providing producers with access to local markets) and external (regional integration) opening-up policy. Construction of the Bamako-Zantiebougou-Boundiali-San Pedro road and the Douentza-Gao-Kidal-Algerian Border road (both co-financed) will enable the country to: (i) access San Pedro Port more easily and to open up the agro-silvo-pastoral areas in the South; and (ii) also to open up the North to the rest of the country, with a view to developing economic activities between the North and South, thus strengthening spatial inclusion. Construction of the Douentza-Gao-Kidal-Algerian Border road will also contribute to the promotion and development of economic and commercial exchanges between Mali and the Maghreb through Algeria.

3.2.7 Therefore, this pillar will contribute to the implementation of the Peace and Reconciliation Agreement (consolidation of peace and security) through the socioeconomic development of the Northern regions. In fact, the proposed road is a section of the Trans-Saharan Highway and represents the Bank's contribution to the Accelerated Development Programme for the Northern Regions (PDA/RN) prepared by the Government in October 2013.

3.2.8 In the sanitation sub-sector, the Bank has financed the Bamako Sanitation Master Plan with a view to containing the negative impacts of the volume of water (144,000 m³/day) that will be supplied to the city's drinking water networks by the Kabala Drinking Water Supply Project, co-financed by the Bank and six (6) other donors. The ongoing study will allow for the design of

a sanitation project for Bamako by end 2015. The said project will put an appropriate system in place to fully resolve Bamako’s wastewater and storm water drainage problems (no adequate mechanism exists for now).

3.2.9 With regard to energy, the Bank plans to support the emergence of a viable and sustainable energy sector from the environmental protection standpoint. The Bank has obtained SREP funds for Mali (the SREP Board has already approved USD 25 million; the International Finance Corporation is already a stakeholder as is SCATEC, a private sponsor). This will enable the Bank (OPSD) to construct the first solar power plant with a capacity of 33 megawatts.

3.2.10 **Private Sector Operations:** as part of implementation of the 2015-2019 CSP, the Bank will also support the private sector through transport infrastructure (road, railway and airport), energy and agro-food sub-sector operations. The Bank already has experience in the design and implementation of private sector operations (e.g. Markala Sugar Project, Project to Diversify the Activities of *Moulin Moderne du Mali* (3M) and the SCATEC Energy Project). Opportunities exist and ongoing dialogue with the Malian private sector will help to identify promising projects.

3.2.11 **Regional Integration:** the Bank will support Mali's efforts to access vast, more closely integrated markets, given its landlocked situation. The 2015-2019 CSP will provide Mali with support through the implementation of regional transport and energy sector projects. This strategy will also back economic reforms (in particular, budgetary and trade facilitation reforms) planned within the WAEMU context to strengthen regional integration.

Areas of Special Interest

3.2.12 Based on its analysis of Mali's present context, the Bank has identified three specific concerns that should form part and parcel of implementation of the two pillars of the 2015-2019 strategy, namely: (i) the country's fragility factors; (ii) gender; and (iii) food security.

Fragility Factors

3.2.13 Bank operations in Mali will be guided by the different analyses on fragile States and will particularly draw on the “New Deal”. Taking into account the results of the Mali Fragility Assessment (Annex 6), these concern: (i) economic exclusion; (ii) fragmentation of society; (iii) limited confidence in central government; and (iv) persistent security risks. Therefore, the Bank’s operations will be programmed and implemented to mitigate these factors. In this regard: (i) Bank support for the enhancement of governance and improvement of transparency aims to inspire greater trust in central government and enhance the effectiveness of public services; (ii) its intervention to improve budgetary mechanisms addresses the need expressed by the population for greater empowerment of the local communities and is consistent with the implementation of the Peace Agreement; (iii) its support for the Douentza-Gao-Kidal-Algerian Border road complements operations by other partners (EU and IDB) and aims to contribute to the implementation of the Accelerated Development Programme for the Northern Regions as well as of the Peace Agreement; and (iv) its support to the business environment will help to create jobs and develop the local private sector.

Box III - 1: New Deal Principles

Five key objectives underpin the New Deal for Peacebuilding and Statebuilding: (i) Legitimate politics (foster inclusive political settlements and conflict resolution that will contribute to inclusion); (ii) Security (establish and strengthen people’s security); (iii) Justice: address injustices and increase people’s access to justice); (iv) Economic Foundations: generate employment and improve livelihoods; and (v) Revenue and Services: manage revenue and build capacity for accountable and fair service delivery.

3.2.14 Mitigation of fragility factors can only be addressed within the context of active synergy between the government, technical and financial partners, and other development actors. Hence: (i) the United Nations and bilateral partners like the European Union and France work directly on security matters; (ii) Germany and Belgium support institutional capacity building and the decentralisation process; (iii) the World Bank works on social safety nets with special focus on the North; and (iv) bilateral partners like the Netherlands work with international NGOs and the United Nations on humanitarian issues.

3.2.15 The Bank will identify the operations in the context of building national capacity through mobilization of TSF Pillar 3 resources to achieve better results in implementing projects and guaranteeing the sustainability of the investments made.

Gender

3.2.16 The CSP implementation will strengthen the gender dimension through the two pillars and all areas of intervention. The objective is to reduce gender-based inequalities by improving women's legal status and right to ownership, especially of land, and by strengthening their economic empowerment. Under Pillar 1, the Bank, through its budget and institution building operations, will support gender-focused governance especially the strengthening of gender-sensitive budgeting and initiatives for the development of women's entrepreneurship. Women's economic empowerment will be enhanced under Pillar 2 by facilitating their access to financial resources and infrastructure. The economic empowerment of women has become increasingly important in recent operations.

Food Security

3.2.17 Mali faces persisting food insecurity, especially so in the North where the situation is difficult (disruption of the usual food supply chain due to residual insecurity and the return of displaced people and refugees). In 2014, assessments using the standard vulnerability analytical framework identified 2,836,592 people under food stress and almost 1,534,261 people, i.e. 9% of the population, in the critical and emergency phase. For its part, the Bank acts in a structural manner, through the implementation of several projects in the rural development sector. Since this sector plays a primordial role in the country, the Bank and the government have made considerable effort to improve the implementation rate of ongoing operations. Based on this improvement, the advisability of continuing with Bank support in this area will be assessed during the mid-term review of the current strategy.

Economic and Sector Work

3.2.18 This CSP draws heavily from the diagnostic study of fragility factors. For the 2015-2019 period, the sector work themes that could contribute to knowledge building and improvement of the design of Bank operations are: (i) the private sector profile in collaboration with OPSD Department; and (iii) a transport sector study in collaboration with OITC Department. Importance will also be attached to vocational training and employment (study on vocational training and informal jobs) with OSHD Department.

3.3. Key Deliverables and Targets

Pillar 1: Enhancing Governance for Inclusive Growth

Deliverable 1: Improve Economic Governance

3.3.1 The Bank will contribute to the mainstreaming of social and economic inclusion in public finance management through its support for implementation of the Reform Plan stemming

from PEFA 2015. The objective will be to improve the quality of public services. Action will focus on: (i) support for migration to results-based budget management (transposition of the six WAEMU Directives on the harmonization of public finance management systems) and the generalization of programme budgets; (ii) continuing modernization of the public procurement legal and institutional framework; and (iii) establishment of a land registry in Bamako and support to land tenure reform in Mali.

Deliverable 2: Contribute to Private Sector Development and the Creation of Jobs in Particular for Young People and Women

3.3.2 The Bank will contribute to the creation of jobs for young people and women through its support to business environment reforms and provision of adequate funding for private sector development. This will be done through a number of ongoing agricultural projects as part of its support to local initiatives (establishment of economic interest groups, small-scale livestock breeding, fish farming, agro-food and agricultural mechanization) and agriculture sector enterprises. Possible Bank operations under the private sector window in favour of anchor projects focused on national production processing and enhancement would help to create sustainable employment. The justification for supporting reforms targeting private sector development lies in the sector's strong job creation capacity.

Pillar 2: Infrastructure Development to Support Economic Recovery

Deliverable 3: Improve the Movement of People and Goods

3.3.3 The Bank's transport sector operations will focus on road transport with the dual objective of contributing to opening up the hinterland and improving the fluidity of cross-border traffic towards maritime outlets. This will entail reinforcing transport network interconnections between Mali, San Pedro and Abidjan to ensure the continuum of the transport chain across the major West African road corridors, decongest the Dakar-Bamako axis and develop income-generating activities in Sikasso region. Thus, the cotton producing areas in the Centre (Fana) and the South (Sikasso-Bougouni) will secure a direct outlet to San Pedro Port in Côte d'Ivoire, thanks to the Zantiebougou-Kolondiéba-Côte d'Ivoire Border road.

Deliverable 4: Contribute to the Sanitation of Bamako

3.3.4 Bank intervention in the sanitation sector should result in the creation of the following infrastructure: (i) domestic and other wastewater disposal networks; and (ii) wastewater purification plants that will treat it to a level allowing for re-use. It will also help to control the danger of water-borne diseases for the population.

Deliverable 5: Improve Access to High Quality, Low-Cost Energy

3.3.5 In the energy sector, Bank intervention will aim to strengthen the regional integration of power markets and increase the energy access rate¹² by prioritizing areas identified jointly with the Government. In this regard, the Bank has made plans for: (i) a 225 kV electricity interconnection between Guinea and Mali; (ii) the Mali-Burkina-Ghana electricity interconnection; and (iii) the promotion and development of renewable energy as part of the Scaling-Up Renewable Energy Programme (SREP). The Bank will support the establishment of a legal, regulatory and institutional framework that is conducive to the promotion of investments in renewable energy.

¹² Mali's national electricity access rate was 34.89% in 2014

3.4. Resource Mobilization and Implementation Instruments

3.4.1 The activities of the 2015-2019 CSP for Mali will cover the final years of ADF-13 and the ADF-14 cycle. The estimated indicative amount of resources for financing the 2015-2019 CSP is UA 310 million, on the assumption that the resources available for ADF-14 under the country allocation and the TSF envelope will be similar to those for ADF-13. The country performance-based allocation for Mali under ADF-13 is UA 54.82 million for the 2014-2016 period and the balance for 2015 and 2016 is UA 28 million. Mali also benefits from supplemental resources (Pillar I) under the Transition Support Facility (TSF) to the tune of UA 60 million to be used in 2015 and 2016. These available resources could be supplemented by those of the private sector window, Pillar 3 of the TSF, the regional operations envelope and other trust funds. Lastly, the Bank will explore possibilities of co-financing with other donors, in particular the European Union (roads), the World Bank (energy) and France (sanitation).

3.4.2 Three instruments will be used: (i) budget support; (ii) investment projects/programmes; and (iii) economic and sector work. The Bank's indicative lending programme for Mali for the 2015-2017 period (Annex 1) provides fuller details on the proposed operations and sources of financing.

IV. COUNTRY DIALOGUE ISSUES

4.1.1 Dialogue with the Government will focus on: (i) management and mitigation of the country's fragility factors (building institutional capacity, improving financial governance, infrastructure maintenance and managing factors that led the country into crisis); (ii) inclusive growth (pro-poor macroeconomic policies, policies in favour of youths and women in disadvantaged areas); (iii) private sector development (SME/SMI development) particularly with a view to improving the youth employment situation; (iv) green growth (environmental protection, climate change adaptation strategy, promotion of the green economy and renewable energy resources); (v) gender mainstreaming in national policies and strategies; and (v) improvement of the country's portfolio performance. During policy dialogue on demographic issues, the Bank will join other partners like the World Bank, which currently intervene directly in that domain. The Bank involves civil society in the specific issues relating to economic management, public finance, private sector development and youth employment

V. MONITORING AND EVALUATION

5.1.1. The CSP monitoring and evaluation mechanism will be based on the Results Measurement Framework (Annex 5) and the 2012-2017 GPRSP institutional monitoring mechanism. CSP monitoring will be carried out through project supervision missions, portfolio performance reviews, the CSP mid-term review planned in 2017 and the CSP completion report.

VI. RISKS AND MITIGATION MEASURES

6.1.1 The CSP's implementation will be exposed to the following risks:

- Security risk: resurgence of the conflict in the North and spreading of insecurity throughout the country. This risk will be mitigated by the presence of security and defence forces (Malian, French and MINUSMA) as well as the implementation of the Peace and Reconciliation Agreement;
- Political risk: the population's great expectations vis-à-vis the new authorities, against the backdrop of hopes raised during the presidential elections and by the implementation of the Peace Agreement. Policy dialogue with the Government, the Office's involvement in the different monitoring frameworks, policy and

- financial support from TFPs will help to mitigate this risk.
- Macroeconomic risk: Mali's vulnerability to exogenous shocks linked to gold and cotton price fluctuations. This risk will be mitigated by TFP support and Government's effort to build macroeconomic resilience.
 - Climate risk: increased climate variability (droughts or floods) that result in the degradation of land, ecosystems and infrastructure, the volatility of rainfall which, when not adequate, can create or aggravate the cereal deficit, thus worsening the country's food insecurity. This risk could be mitigated by building adaptation capacity and disseminating best practices for sustainable land management.

VII. CONCLUSION AND RECOMMENDATION

7.1.1 Following the signing of the Peace Agreement, the 2015-2019 CSP will be implemented against a backdrop of significant institutional change underpinned by the deepening of decentralization and increased empowerment of territorial communities. The Bank will be able to effectively play its role through the selection of its two (2) operational pillars, namely: (i) improvement of governance for inclusive growth; and (ii) development of economic recovery support infrastructure. Therefore, it will be able to: (i) support the process of transferring resources to the territorial communities, including securing the financial chains at the decentralized level; and (ii) contribute to the opening up of the country and greater social inclusiveness. More specifically, concerning the Northern regions, the Bank is designated in the Peace Agreement to participate in needs assessment, with a view to ensuring rapid recovery, poverty reduction and development in said regions. In this crisis exit context, the CSP Mid-Term Review in 2017 will provide an opportunity to draw some lessons and evaluate the match between the strategy and the country's development thrusts.

7.1.2 The Boards of Directors are invited to consider and approve this proposed Country Strategy Paper for Mali for the 2015-2019 period.

Annex 1 : Indicative Lending Programme for the 2015-2019 Period

| Indicative amount of UA 310 million including UA 157 million for 2015-2016 and UA 170 million for 2017-2019. (2015-2016: Remaining ADF XIII allocation in September 2015- UA 28 million; TSF Pillar I - UA 60 million; TSF Pillar III - UA 2 million Regional Envelope - UA 47.2 million; cancellation balances: UA 10 million; and CIF: UA 10 million) | | | | | | |
|--|----------------------|---|------------|-----------|-------------------|----------------------------|
| Sector | Year | Indicative Amount (UA million) | | | | |
| Operations | | Total | ADF | TSF | Other/Cofinancing | |
| Regional- Road and Transport Facilitation Programme on the Bamako-Zantiebougou - Boundiali- San Pedro Corridor (CIV and Mali) | Transport | 2015 | 71 | 15 | 9 | Regional envelop: 47 |
| Economic Governance Reform Support Programme-Phase I (Budget Support) | Governance | 2015 | 15 | | 15 | |
| Bamako Sanitation Project | Water and Sanitation | 2016 | 21 | 15 | 6 | Cofin.: EU, WB |
| Mini- and Micro-Electric Power Plant Construction –SREP. Phase I | Energy | 2016 | 11 | 1 | | CIF: 10 |
| Project for the Construction of the Douentza-Gao Section of the Trans-Sahara Highway - North Mali | Transport | 2016 | 20 | 5 | 15 | Cofin.: EU, WB, IsDB |
| Economic Governance Reform Support Programme - Phase II (Budget Support) | Governance | 2016 | 15 | | 15 | |
| Regional Integrated Management Project - Niger Basin Authority | Governance | 2016 | 2 | 2 | | Cofin.: GEF |
| Total 2015-2016 | | | 157 | 38 | 62 | 57 |
| Budget Support Programme | Governance | 2017 | 15 | 15 | | |
| Land Governance Institution Building Project | Governance | 2017 | 7 | | 7 | EU, AFD |
| Mini- and Micro-Electric Power Plant Construction – SREP Phase II | Energy | 2017 | 20 | | 10 | FIC 10 |
| Guinea-Mali Power Interconnection Project | Energy | 2017 | 60 | 20 | | Reg. Envel. 100, WADB, EIB |
| Timbuktu-Taoussa-Gao Road Construction Study (400 km) - North Mali | Transport | 2017 | 3 | | 3 | |
| Douentza-Timbuktu Road Construction Project (195 km) - North Mali | Transport | 2018 | 20 | 10 | 10 | Cofin.: WB, EU, IsDB |
| Budget Support Programme | Governance | 2018 | 15 | | 15 | |
| Bougouni-Manankoro Road Construction Project (130 km) | Transport | 2019 | 15 | 15 | | Cofin.: WB, EU, WADB |
| Budget Support Programme | Governance | 2019 | 15 | | 15 | |
| Total 2017-2019 | | | 170 | 60 | 60 | 50 |
| Private Sector Operations | Sector | Comments | | | | |
| Line of Credit to Micro Cred | Finance | Estimated amount: UA 8.5 million | | | | |
| SCATEC – Solar Power Station (33 MW) | Energy | Estimated cost: UA 50 million. The concession agreement was signed in July 2015. Construction could start in 2016 | | | | |
| Green Venture - Two Photovoltaic Power Stations (Sélingue, 30 MW; Sikasso, 50 MW) | Energy | Estimated cost: UA 77 million | | | | |

Annex 2 : Active Portfolio of Bank Projects in Mali (as at 1 September 2015)

| # | Project | Approval Date | Closing Date | Amount Approved (UA) | Disbursement Rate | Implementation Status |
|---|--|---------------|--------------|----------------------|-------------------|--|
| Agriculture and Rural Development 62.49% | | | | | | |
| 1 | Regional- Cotton/Textile Sector Support Project for the Four (4) countries of the Cotton Initiative. | 29/11/2006 | 30/09/2015 | 10 000 000 | 81.3% | All activities scheduled were implemented, except for the 60 km rural road which will be built by the government. |
| 2 | Project in Support of the Development of Livestock Production in the South-Kayes Area | 18/04/2007 | 31/12/2015 | 15 000 000 | 87.8% | Project implementation is progressing normally. Closure is expected on 31 December 2015 with an implementation rate of about 95%. The PCR preparation was initiated in September 2015. |
| 3 | Bani Basin and Sélingue Irrigation Development Programme (PDI-BS). | 27/05/2009 | 31/12/2016 | 44 000 000 | 28.6% | The project is co-financed by nine donors for UA 85 million. There is an issue in connection with the application of different rules, depending on the donor. The project faces difficulties with regard to implementing the component financed by Korea EximBank. |
| 4 | Project for Food Security Consolidation through Development of Irrigated Farming | 03/12/2013 | 31/12/2019 | 36 000 000 | 0.8% | Project launched in April 2015 and is a pilot case for the use of the national procurement system for national competitive bidding. |
| 5 | Project to Strengthen Food and Nutrition Security in the Koulikoro Region | 17/09/2014 | 31/12/2019 | 33 645 966 | 0.7% | Project launched in April 2015 and is a pilot case for the use of the national procurement system for national competitive bidding. |
| 6 | Project to Diversify the Activities of <i>Moulin Moderne du Mali</i> (3M) | 17/09/2014 | 31/12/2016 | 13 300 000 | 9.1% | The first disbursement was released in July 2015. |
| 7 | Regional Programme to Build Resilience to Food and Nutritional Insecurity in the Sahel. | 15/10/2014 | 31/12/2019 | 36 390 000 | 0% | The project was to start in June 2015 and is a pilot case for the use of the national procurement system for national competitive bidding. |
| Water and Sanitation 26.75% | | | | | | |
| 8 | DWSS Project in the Gao, Koulikoro and Segou Regions | 11/06/2008 | 31/12/2015 | 32 730 000 | 58.4% | The project has been affected by the situation prevailing in the North. It should be completed as planned end- December 2015 with an implementation rate of nearly 90% |

| # | Project | Approval Date | Closing Date | Amount Approved (UA) | Disbursement Rate | Implementation Status |
|----|---|---------------|--------------|----------------------|-------------------|--|
| 9 | Support to the Implementation of Mali's Integrated Water Resource Management Action Plan. | 07/01/2010 | 31/12/2015 | 1 662 767 | 100% | Completion of the operation is expected in December 2015 after two extensions. |
| 10 | Bamako Drinking Water Supply Project | 09/10/2013 | 31/12/2018 | 50 000 000 | 4.2% | The project started up recently in early 2015. It is financed by eleven donors. The application of the management rules of the different donors remains a challenge. |

Governance 8.04%

| | | | | | | |
|----|--|------------|------------|------------|------|--|
| 11 | Economic Governance Support Project | 01/07/2013 | 30/06/2017 | 9 970 000 | 0,4% | The project started 21 months after approval. The delay will probably not be fully offset and closure is expected in December 2018. |
| 12 | Governance and Economic Recovery Support Programme | 17/12/2014 | 31/10/2015 | 14 603 000 | 100% | Budget support disbursed in two tranches in 2015. PCR and audit to be submitted end of October. The next budget support is slated for approval in November 2015. |

Finance 1.39%

| | | | | | | |
|----|--|------------|------------|-----------|------|--|
| 13 | Line of Credit to the Malian Solidarity Bank | 06/07/2011 | 18/11/2016 | 4 289 603 | 100% | The operation is being smoothly implemented. It should go the way of other similar operations, given the effectiveness of the instrument in addressing the shortage of long-term financing for SMEs in Mali. |
|----|--|------------|------------|-----------|------|--|

Energy 1.33%

| | | | | | | |
|-----------------------|--|------------|------------|--------------|--------------|--|
| 14 | Guinea-Mali Interconnection Study | 12/01/2011 | 31/12/2015 | 833000 | 42.7% | The construction of the interconnection line will depend on the probable increase of power generation in the region. |
| 15 | Preparation of the SREP Investment Plan | 15/11/2011 | 31/11/2014 | 130 000 | 100% | Activities completed. The completion and financial audit reports are pending. |
| 16 | Development of Mini- and Micro-hydropower Plants | 19/04/2013 | 30/06/2016 | 1 570 000 | 0% | The study is directly managed by the Bank. The study is expected to be conducted between August 2015 and June 2016. |
| 17 | Renewable Energy Promotion Support Project | 22/10/2014 | 31/12/2016 | 1 480 000 | 0% | Operation launched in April 2015. Innovative measures taken to accelerate its implementation (the procedures manual and the core team are in place prior to start-up). |
| Total/ Average | | | | 305,8 | 25.3% | |

Annex 3 Portfolio Performance Improvement Plan, May 2015- June 2016

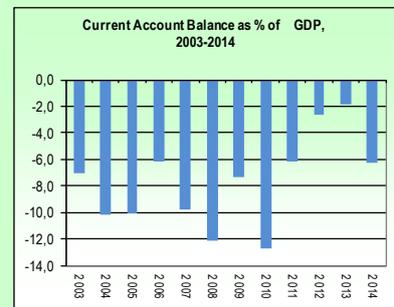
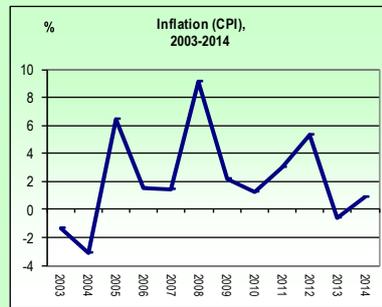
| Challenges/Stakes | Required Measures | Measurable Indicator | Baseline May 2015 | Target/ When | Body Responsible | Source |
|---|---|---|---|---------------------------|--|--------------------------|
| 1. Lack of familiarity with different stages of development projects: identification, preparation, implementation and completion. | Make the project implementation unit effective. This mechanism is gradually being put in place with the taking over of recently approved projects in order to ensure a smooth and speedy beginning. This is being done through the constitution of <i>ad'hoc</i> teams. | Existence of a project preparation and monitoring unit with personnel and budget | None | Exists ---- Dec. 16 | MEF | Ministerial Circular ... |
| | Forge closer ties between project M&E and the Ministry PSUs. | Number of projects disbursing after eight months after approval (over the previous 12 months) | 3 (Bamako DWS, PAGE and Study on Power Plants) | 1 ---- June 16 | Sector Ministries and AfDB/ Sector Departments | SAP |
| | Initiate the completion report and other actions to ensure the sustainability of achievements upon release of 85% of the disbursements or six months from closure. | Operations with no PCR as at the closing date | 100% PADEC, Investment Plan, SREP and PROGEBE | 25% --- June 16 | Sector Ministries and AfDB/ Sector Departments | Project file |
| 2. A slow improvement in procurement timing in order to align with standard timing and improve disbursement rate. | Continue to strengthen project implementation team's capacity through fiduciary clinics in order to get request applications that would require little or no modifications, hence speeding disbursements. | Average time taken to sign contracts following the Bank's no-objection opinion for DWS projects (in days) | 90 | 30 --- Dec. 16 | Ministry of Energy and Water / MLFO | SAP/ Project Archives |
| | Identify unexplained bottlenecks and inform the Minister of Finance by formal letter in order to speed up disbursements. | Average works procurement times (in months) | 14 | 12 --- Dec. 16 | Projects/Af DB | SAP and Project file |
| | Make effective the Memorandum of Understanding for the use of national bidding rules. | Average time to acquire consulting services (in months) | 9 | 8 ---- Dec. 16 | Projects/Af DB | SAP and Project file |
| | For each project, decide on the use of national project management agencies (AGETIP, | | | | | |

| Challenges/Stakes | Required Measures | Measurable Indicator | Baseline May 2015 | Target/ When | Body Responsible | Source |
|--|---|--|--|-----------------------|---|---|
| | AGETIC, AGEROUTE and AGETIER); applying their procedures leads to disbursement improvement. | Annual disbursement rate | 15.8% | 18% --- June 16 | Projects/ MEF/ Sector Ministries/ MLFO/ /AfDB Sect. Depart. | SAP |
| 3. Financial management that does not comply with good practice principles | Initiate the recruitment of the auditor on the first of January of the fiscal year concerned and systematically sign three year contracts Ensure the timely submission of supporting documents for special account advances | Projects submitting late audit reports (current year) | 2 (SREP Investment Plan and PDI BS) | 0 --- June 16 | Projects/AfD B Sector Departments | ORPF.2 |
| | | New projects (qualified) producing procedure manuals and/or management software within six months of start-up | 50% | 85% --- June 16 | Projects/Af DB Sector Department s | Supervision or quarterly status reports |
| 4. The Finance and Equipment Departments (DFM), and the Planning and Statistics Units (PSU) are not adequately sensitized and equipped to carry out the monitoring and evaluation of projects managed by sector ministries | Carry out an assessment of the capacity of these structures and propose capacity building activities The function assigned and budget allocated to project monitoring and evaluation will contribute to the strengthening of the DFM and PSU of the oversight ministries | Key Ministries whose DFM and PSU capacity are be assessed (Rural Dev., Water and Energy, Infrastructure and Disenclavement) | None | 3 --- Dec. 16 | MLFO/ORP F/ ESTA/ EADI | Appraisal Report |
| | | Number of Ministries whose DFM and PSU capacity are built up by AfDB | None | 1 --- June16 | MLFO/OR PF/ FFCO/ ESTA/ EADI | Training Report |

Annex 4 : Selected Economic and Financial Indicators

Mali Selected Macroeconomic Indicators

| Indicators | Unit | 2000 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 (e) |
|-------------------------------------|---------------------|-------|-------|--------|--------|--------|--------|----------|
| National Accounts | | | | | | | | |
| GNI at Current Prices | Million US \$ | 2 565 | 8 407 | 9 231 | 9 659 | 9 803 | 10 252 | ... |
| GNI per Capita | US\$ | 250 | 620 | 660 | 670 | 660 | 670 | ... |
| GDP at Current Prices | Million US \$ | 2 640 | 8 986 | 9 412 | 10 658 | 10 348 | 10 945 | 11 825 |
| GDP at 2000 Constant prices | Million US \$ | 2 640 | 4 331 | 4 583 | 4 708 | 4 709 | 4 790 | 5 066 |
| Real GDP Growth Rate | % | -3,3 | 4,5 | 5,8 | 2,7 | 0,0 | 1,7 | 5,8 |
| Real per Capita GDP Growth Rate | % | -5,9 | 1,3 | 2,6 | -0,3 | -2,9 | -1,2 | 2,7 |
| Gross Domestic Investment | % GDP | 19,9 | 21,2 | 24,5 | 23,1 | 21,7 | 20,6 | 21,6 |
| Public Investment | % GDP | 6,6 | 9,5 | 9,7 | 10,0 | 5,3 | 8,8 | 9,8 |
| Private Investment | % GDP | 13,4 | 11,8 | 14,8 | 13,1 | 16,4 | 11,8 | 11,8 |
| Gross National Savings | % GDP | 12,3 | 20,4 | 22,7 | 20,1 | 14,2 | 14,0 | 16,7 |
| Prices and Money | | | | | | | | |
| Inflation (CPI) | % | -0,7 | 2,2 | 1,2 | 3,0 | 5,3 | -0,6 | 0,9 |
| Exchange Rate (Annual Average) | local currency/US\$ | 712,0 | 471,1 | 494,7 | 471,4 | 510,2 | 493,9 | 493,8 |
| Monetary Growth (M2) | % | 44,5 | 19,0 | 8,1 | 13,8 | 13,9 | 9,1 | 10,2 |
| Money and Quasi Money as % of GDP | % | 27,9 | 36,2 | 35,6 | 37,5 | 40,7 | 43,3 | 44,2 |
| Government Finance | | | | | | | | |
| Total Revenue and Grants | % GDP | 19,2 | 21,7 | 20,2 | 21,8 | 18,6 | 18,6 | 21,7 |
| Total Expenditure and Net Lending | % GDP | 22,2 | 25,9 | 22,5 | 25,2 | 18,9 | 25,5 | 27,3 |
| Overall Deficit (-) / Surplus (+) | % GDP | -3,0 | -4,2 | -2,4 | -3,4 | -0,2 | -6,9 | -5,6 |
| External Sector | | | | | | | | |
| Exports Volume Growth (Goods) | % | -2,7 | -11,5 | 0,5 | -99,8 | 14,8 | 7,6 | -2,5 |
| Imports Volume Growth (Goods) | % | 1,3 | -10,2 | 3,5 | -99,9 | 10,0 | 0,8 | 16,9 |
| Terms of Trade Growth | % | 0,1 | -1,9 | 4,0 | 2,4 | 13,4 | -20,3 | 1,3 |
| Current Account Balance | Million US \$ | -256 | -656 | -1 202 | -657 | -273 | -202 | -736 |
| Current Account Balance | % GDP | -9,6 | -7,3 | -12,8 | -6,2 | -2,6 | -1,8 | -6,2 |
| External Reserves | months of imports | 4,7 | 5,6 | 4,0 | 4,3 | 4,1 | 2,9 | 1,4 |
| Debt and Financial Flows | | | | | | | | |
| Debt Service | % exports | 10,7 | 4,7 | 4,5 | 5,9 | 4,6 | 4,8 | 5,9 |
| External Debt | % GDP | 99,6 | 22,1 | 26,8 | 23,2 | 26,2 | 26,9 | 29,8 |
| Net Total Financial Flows | Million US \$ | 314 | 955 | 1 082 | 1 273 | 976 | ... | ... |
| Net Official Development Assistance | Million US \$ | 288 | 984 | 1 089 | 1 281 | 1 001 | 1 391 | ... |
| Net Foreign Direct Investment | Million US \$ | 82 | 748 | 406 | 556 | 398 | 410 | ... |



Source : AfDB Statistics Department; IMF: World Economic Outlook, October 2014 and International Financial Statistics, October 2014; AfDB Statistics Department: Development Data Portal Database, March 2015. United Nations: OECD, Reporting System Division.

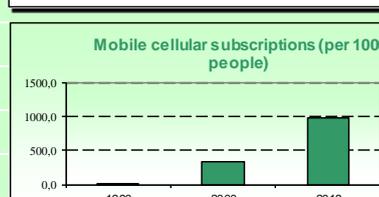
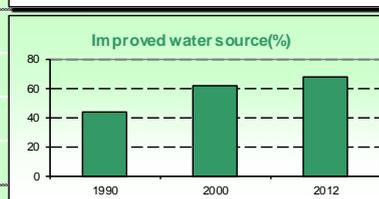
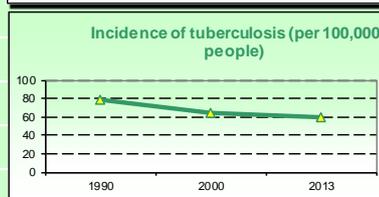
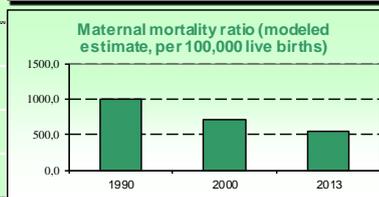
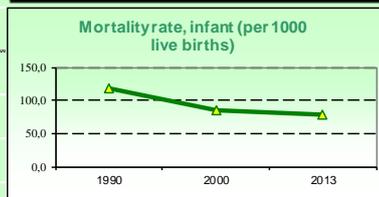
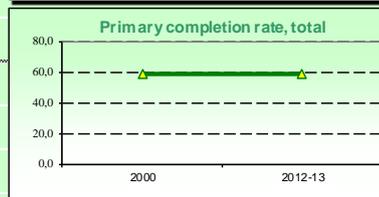
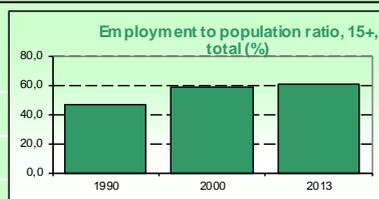
Notes: ... Data Not Available (e) Estimations

Last Update: March 2015

Mali

PROGRESS TOWARD ACHIEVING THE MILLENNIUM DEVELOPMENT GOALS

| Goal 1: Eradicate extreme poverty and hunger | 1990 ¹ | 2000 ² | 2014 ³ |
|--|-------------------|-------------------|-------------------|
| Employment to population ratio, 15+, total (%) | 46,7 | 58,1 | 60,6 |
| Malnutrition prevalence, weight for age (% of children under 5) | 62,0 | 27,9 | ... |
| Poverty headcount ratio at \$1,25 a day (PPP) (% of population) | 85,9 | 51,4 | 50,6 |
| Prevalence of undernourishment (% of population) | 15,3 | 5,3 | 5,0 |
| Goal 2: Achieve universal primary education | | | |
| Literacy rate, youth female (% of females ages 15-24) | 16,9 | 30,8 | 39,0 |
| Literacy rate, adult total (% of people ages 15 and above) | 19,0 | 26,2 | 33,6 |
| Primary completion rate, total (% of relevant age group) | ... | 58,7 | 58,7 |
| Total enrollment, primary (% net) | 47,2 | 68,7 | 64,4 |
| Goal 3: Promote gender equality and empower women | | | |
| Proportion of seats held by women in national parliaments (%) | 12,2 | 10,2 | 9,5 |
| Ratio of female to male primary enrollment | 72,2 | 85,6 | 88,4 |
| Ratio of female to male secondary enrollment | 54,2 | 67,1 | 80,0 |
| Goal 4: Reduce child mortality | | | |
| Immunization, measles (% of children ages 12-23 months) | 51,0 | 73,0 | 72,0 |
| Mortality rate, infant (per 1,000 live births) | 119,0 | 85,2 | 77,6 |
| Mortality rate, under-5 (per 1,000) | 226,8 | 142,6 | 122,7 |
| Goal 5: Improve maternal health | | | |
| Births attended by skilled health staff (% of total) | 40,0 | 49,0 | 56,1 |
| Contraceptive prevalence (% of women ages 15-49) | 6,4 | 8,8 | 11,7 |
| Maternal mortality ratio (modeled estimate, per 100,000 live births) | 1000,0 | 710,0 | 550,0 |
| Goal 6: Combat HIV/AIDS, malaria, and other diseases | | | |
| Incidence of tuberculosis (per 100,000 people) | 78,0 | 64,0 | 60,0 |
| Prevalence of HIV, female (% ages 15-24) | ... | ... | 0,3 |
| Prevalence of HIV, male (% ages 15-24) | ... | ... | 0,1 |
| Prevalence of HIV, total (% of population ages 15-49) | 1,5 | 1,1 | 0,9 |
| Goal 7: Ensure environmental sustainability | | | |
| CO2 emissions (kg per PPP \$ of GDP) | 0,2 | 0,2 | 0,2 |
| Improved sanitation facilities (% of population with access) | 17,9 | 21,0 | 21,9 |
| Improved water source (% of population with access) | 43,7 | 61,7 | 67,2 |
| Goal 8: Develop a global partnership for development | | | |
| Net total ODA/OA per capita (current US\$) | 35,5 | 72,6 | 90,9 |
| Internet users (per 1000 people) | 0,6 | 18,0 | 21,7 |
| Mobile cellular subscriptions (per 1000 people) | 0,6 | 329,0 | 983,8 |
| Telephone lines (per 1000 people) | 3,4 | 6,3 | 7,5 |



Sources : ADB Statistics Department Databases; World Bank: World Development Indicators;

UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports,

Note : n.a. : Not Applicable ; ... : Data Not Available,

¹ Latest year available in the period 1990-1999; ² Latest year available in the period 2000-2009; ³ Latest year available in the period 2010-2014

last update :

June , 2015

Annex 5
2015-2019 CSP Results Matrix

| Strategic Objectives of 2012 GPRSP | Constraints Hindering Achievements of Desired Outcomes | Expected Outcomes at End of CSP period(2019) | Outputs at End of CSP period (2019) | Expected Outcomes at Mid-term (2017) | Expected Outputs at Mid-term (2017) | AfDB Interventions (Ongoing and Proposed) |
|---|--|--|--|--|---|---|
| Pillar 1 - Enhancing Governance for Inclusive Growth | | | | | | |
| <i>Improvement of Economic and Financial Governance</i> | | | | | | |
| Institutional Development and Governance | Weakness of economic and financial governance | All Ministerial Departments use programme budgets | Effective implementation of 6 WAEMU Directives | Higher percentage of Departments using programme-budgets | Transposition of 6 WAEMU public finance management directives | <u><i>Ongoing Projects</i></u> 1. Economic Management Support Project 2. Governance and Economic Recovery Emergency Support Programme <u><i>New Projects</i></u> 1. 2015-2019 Budget Support Programmes |
| | | Public procurement system improved | Application of a new Public Procurement Code | Percentage of public contracts awarded by open competitive bidding is up from 92% in 2014 to 95% in 2017 | Adoption of a new Public Procurement Code | |
| | | Budget transparency and control improved | Implementation of an improved budget transparency and control system | Budget transparency and control improved | Establishment of an improved budget transparency and control system | |
| | | Overall devolution rate of budget credits is 30% in 2019 | Budget devolution strengthened | Overall budget credit devolution rate is up from 16.5% in 2014 to 20% in 2017 | Budget devolution improved | |

| Strategic Objectives of 2012 GPRSP | Constraints Hindering Achievements of Desired Outcomes | Expected Outcomes at End of CSP period(2019) | Outputs at End of CSP period (2019) | Expected Outcomes at Mid-term (2017) | Expected Outputs at Mid-term (2017) | AfDB Interventions (Ongoing and Proposed) |
|---|--|--|--|---|---|---|
| Private sector development and job creation, in particular, for young people and women | | | | | | |
| Institutional Development and Governance | Weak private sector development | Business framework for stimulating private investment improved | Business framework conducive to private investment available | Mali's 'Doing Business' ranking up significantly on 2014 | Implementation of 2015-2017 strategic and operational Business Framework Reform Action Plan | <p><u>Ongoing Projects:</u></p> <ol style="list-style-type: none"> 1. Line of Credit to BMS 2. Moulin Moderne Mali Project 3. Economic management support project 4. Governance and Economic Recovery Emergency Support Programme <p><u>New Projects</u></p> <p>2015-2019 Budget Support Programmes</p> <p><u>Analytical Work:</u></p> <ol style="list-style-type: none"> 1. Engine of private sector development and youth employability |
| | | Reform of cadastral and land tenure legal framework is effective | Implementation of cadastral and land tenure legal reform | Cadastral and land tenure legal reform adopted | Cadastral and land tenure legal texts available | |
| | | Number of new SME/SMI increased | Number of SME/SMI established | Number of new SME/SMI increased | Number of SME/SMI established | |
| | | Number of jobs increased | Number of new jobs created | Number of jobs, in particular for youth and women increased | Number of new jobs created in particular for youth and women | |
| Pillar 2 - Infrastructure Development to Support Economic Recovery | | | | | | |
| Development of road infrastructure to improve the movement of people and goods | | | | | | |

| Strategic Objectives of 2012 GPRSP | Constraints Hindering Achievements of Desired Outcomes | Expected Outcomes at End of CSP period(2019) | Outputs at End of CSP period (2019) | Expected Outcomes at Mid-term (2017) | Expected Outputs at Mid-term (2017) | AfDB Interventions (Ongoing and Proposed) |
|---|---|---|--|--|--|---|
| <p>Promotion of accelerated, sustainable and pro-poor growth that will create jobs and income-generating activities</p> <p>Strengthening the long-term foundations for development and equitable access to high quality social services</p> | <p>Internal and external land-locked status and low modern infrastructure density</p> | <p>Zantiebougou-CI border road improved in Mali</p> <p>Douentza - Gao road section improved and asphalted</p> | <p>140 km of the Zantiebougou-Konlondiéba-CI road improved and asphalted</p> <p>Xxx km of Douentza - Gao road improved and asphalted</p> | <p>Level of regional trade increased</p> <p>Direct and indirect job creation especially for youth.</p> | <p>Start-up of Zantiebougou-Konlondieba-CI road improvement works</p> <p>At least 620,000 direct jobs in person/days 66.27% of which for young people.</p> <p>At least 90% of employees in enterprises are Malian.</p> <p>110 new indirect jobs will be created almost 60% of which concern catering and food and 40% for the other sectors such as trade and crafts.</p> <p>Start-up of Douentza - Gao road improvement works</p> | <p><u>New Projects</u></p> <ol style="list-style-type: none"> 1. Zantiebougou-Kolondieba-CI Road Project 2. Douentza-Gao Road Project <p><u>Analytical Work:</u> Sector Study on Transport and Public-Private Partnership</p> |

| Strategic Objectives of 2012 GPRSP | Constraints Hindering Achievements of Desired Outcomes | Expected Outcomes at End of CSP period(2019) | Outputs at End of CSP period (2019) | Expected Outcomes at Mid-term (2017) | Expected Outputs at Mid-term (2017) | AfDB Interventions (Ongoing and Proposed) |
|--|--|---|--|---|---|--|
| Development of Sanitation Infrastructure | | | | | | |
| | High population growth | <p>Drinking water and sanitation access rate improved from: (i) 49 to 57% in the Gao, Koulikoro and Segou regions; and (ii) 36 to 64% for Bamako.</p> <p>Reduction in number of cases of diarrhoea and/or cholera</p> | <p>Access to drinking water and sanitation for the Gao, Koulikoro, Segou and Bamako regions improved</p> <p>357 000 m³/day of water produced in 2019</p> <p>Drinking water access rate in Bamako (CSI) up to 60% in 2019</p> <p>11,278 cases of diarrhoea in 2019 compared with 34,850 at present</p> | <p>Drinking water and sanitation access rate improved from 49 to 57% in the Gao, Koulikoro and Segou regions.</p> | <p>Drinking water and sanitation access rate improved in the Gao, Koulikoro and Segou regions.</p> <p>213000m³/day of water produced in 2017</p> | <p><u>Ongoing Projects</u></p> <p>1. Gao, Koulikoro, Segou DWSS project 2. IWRM Plan Project</p> <p>3. Kabala DWS Project</p> <p><u>New Projects</u></p> <p>1. Bamako Sanitation Project</p> |
| Development of energy infrastructure to improve access at least-cost | | | | | | |
| Promotion of accelerated, sustainable and pro-poor growth that will create jobs and income-generating activities | Low energy infrastructure density | Policy, legal, regulatory and institutional framework conducive to the promotion of | Revised policy, legal, regulatory and institutional framework available | National Energy Policy, National Renewable Energy Strategy revised | National Energy Policy, National Renewable Energy Strategy revised and available | <p><u>Ongoing Projects</u></p> <p>1. Guinea-Mali Interconnection Line Study 2. Renewable Energy Investment Plan</p> |

| Strategic Objectives of 2012 GPRSP | Constraints Hindering Achievements of Desired Outcomes | Expected Outcomes at End of CSP period(2019) | Outputs at End of CSP period (2019) | Expected Outcomes at Mid-term (2017) | Expected Outputs at Mid-term (2017) | AfDB Interventions (Ongoing and Proposed) |
|--|---|--|--|--------------------------------------|--|---|
| | | investment in renewable energy improved | | | | 3. Renewable Energy Programme - Development of Mini- and Micro-Hydropower Plants 4. Renewable Energy Promotion Support Project <u>New Projects</u> 1. Mali—Burkina-Ghana Power Interconnection 2. SCATEC Project |
| Agriculture and Food Security | | | | | | |
| Promotion of accelerated, sustainable and pro-poor growth that will create jobs and income-generating activities | Low modern infrastructure density Significant vulnerability of the economy, climatic vulnerability and environmental degradation | Number of irrigation schemes increased Agricultural production and productivity increased and diversified | 4750 ha rehabilitated + 176 ha developed 7 t/ha paddy, 40 t/ha tomatoes and onions and 50 t/ha potatoes | | Number of irrigation schemes increased | <u>On-Going Projects</u> 1. Bani Basin and Sélingue Irrigation Development Programme 2. Project in Support of the Development of Livestock Production in the South-Kayes Area 3. Cotton Subsector Support Project 4. Project to strengthen food security through the development of irrigated crops |

| Strategic Objectives of 2012 GPRSP | Constraints Hindering Achievements of Desired Outcomes | Expected Outcomes at End of CSP period(2019) | Outputs at End of CSP period (2019) | Expected Outcomes at Mid-term (2017) | Expected Outputs at Mid-term (2017) | AfDB Interventions (Ongoing and Proposed) |
|------------------------------------|--|--|---|---|---|--|
| | | Food and nutrition security strengthened | Bee-keeping up by 30%, 108 tons of commercial chicken, 24 tons of farmed fish Food and nutrition security stock sufficiently available | Agricultural production and yields improved Food and nutrition security improved | Necessary food and nutrition security stock available | 5. Food and Nutrition Strengthening Project in the Koulikoro Region 6. Regional Programme to Build Resilience to Food and Nutrition Insecurity au Sahel <u>New Projects</u> 1. Sahel Food Security Strengthening Project 2 2. Development Programme II |

Annex 6: Main Fragility Assessment Results

Introduction

1. Over two years after the security, political and institutional crisis that shook the country and threatened the sub-region's stability, Mali is struggling to regain its former stability despite the return to constitutional order and the establishment of new institutions following the democratic elections deemed transparent and credible by international observers. The 22 March 2012 coup d'état plunged the country into one of its worst crises since its accession to international sovereignty with the 9-month long occupation of the northern regions by armed groups. Mali's territorial integrity was thus threatened, rendering the Government and army incapable of assuring the security of citizens and their property following the mutiny of a small group led by junior officers, which rapidly turned into an improvised coup d'état. The crisis led to the weakening, even collapse, of institutions and central government's capacity to provide the population with essential services as well as in the deterioration of the population's living conditions, performance of the economy, infrastructure, governance and the business climate. The political class neutralized itself by siding with the rhetoric of putsch supporters and detractors, and thus demonstrated its inability to abandon elitist and opportunistic rivalries to meaningfully contribute to the quest for solutions commensurate with the challenges facing the country. Efforts made both by the international community and regional institutions led to the retreat and dispersal of the putschists, and the formation of a Transitional Government. Following the announced retreat of the putschists and the resignation of President Ahmed Toumani Touré, the Constitutional Court confirmed the vacancy of power and mandated the President of the National Assembly, Mr. Dioncounda Traoré, to lead the transition period from April 2012.

2. It was against this backdrop of transition and following the resumption of operations by the Bank in October 2012, that the Bank fielded a mission of high level experts to Mali in November 2012 "to take stock of the Bank's portfolio in Mali and make proposals for its restructuring." On that occasion, the Bank agreed with Mali on an operations programme that would allow it to support the transition process and, in particular "to contribute to strengthening the resilience of the most vulnerable segments of the population, entrench the rule of law and lay the foundations for a robust economic recovery to accompany the transition, pull Mali out of the crisis and hence prevent or curb the spillover of this situation to all the countries of the Sahel and Saharan sub-region (ECOWAS and WAEMU)." Mali's development partners established that the crisis had not affected the macroeconomic fundamentals. However, its nature, scale and potential threat to the entire sub-region suggests that Malians and the international community should endeavour to determine the root causes of an apparently sudden and brutal security, political and institutional crisis in a country and institutions hitherto cited as an example of democracy and stability. The disintegration of State institutions within a two month period highlighted Mali's degree of fragility and led Malians and external observers to reflect not only on external factors of fragility but also on internal factors specific to Mali.

Mali's Factors of Fragility

3. Even though many were shocked by the collapse of institutions in Mali in the wake of the 2012 coup d'état, it did not surprise many Malian citizens and other analysts who had long sensed the growing frustration and tension related to poverty, inequality, corruption and sectarian divisions. The challenge to the State's legitimacy clearly shows that the signs of democratic order or economic growth masked uncertainty, which is often the major underlying problem facing the authorities every day. Mali's factors of fragility may be grouped into 4 broad categories:

I. Geographic and Demographic Environment

4. Mali is a country with an ancient civilization, whose geographic space is split between the Sahel/Sahara, savannah and forest areas. The country suffers from vulnerability inherited from balkanization, a hostile isoclimatic environment which is struggling to achieve sustainable economic development that would contain endemic poverty. A vast Sahel-Saharan country (second only to Niger in terms of size among its 7 neighbours), the country is characterized by a desert area over two-thirds of its territory and is landlocked in the interior of West Africa. These vast expanses located in the North of the country are inhabited by various ethnic groups (Songhai, Fulani, Bella, Tamasheq, Arabs and Moors). It is a region with no natural resources and its naturally weak nomadic pastoral economy is subjected to severe climatic conditions. The country's relief is fairly flat. However, the very vast alluvial plains are dominated by some limestone and sandstone plateaus. The country has three climatic zones: desert in the North (with less than 127 mm of rainfall per year) through the forest zone in the South (up to 1400 mm) to the Sahel zone in the centre (where rainfall varies between 200 and 550 mm). The cycle of droughts that hit the Sahel in the 1970s and 1980s deeply affected the North of Mali, gradually eroded the population's living conditions and made the socioeconomic system even more vulnerable. The region's marginalization was exacerbated as a result – a fact that the Government acknowledged during the National Pact negotiations.

5. Despite high emigration, Mali's population has quadrupled since independence from 3.5 million in 1960 to 14.5 million in 2009. Population density, which is highly variable, ranges from 90 inhabitants/km² in the Central Niger Delta to fewer than 5 inhabitants/km² in the Saharan region of the North. Therefore, the population is concentrated in the Southern part of the country while the three Northern regions (Gao, Timbuktu and Kidal) only account for 9% of the total population. Overall, Mali's population is very young, with the under 25s representing 65%. Furthermore, children (especially girls) and women remain vulnerable as a result of violence (early marriage, genital mutilation, fattening, etc.) against them. Rapid urbanization drove the urban population (in the administrative sense) up from 22% in 1987 to 27% in 1998, then to 35% in 2009, without the urbanization being triggered by growing industrialization. According to an economic survey carried out in 2008, Mali suffers an annual loss in well-being and income equivalent to about 20% of its GDP, i.e. over CFAF 680 billion (or almost USD 1.3 billion), caused by environmental degradation and the inefficient use of natural resources and energy.

6. **Drought:** Drought causes a sharp reduction in cereal production and an increase in cereal prices, a shortage of cattle fodder and environmental degradation which is responsible for the displacement of communities and the deepening of chronic poverty, further exacerbated by the conflict/crisis. According to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), a serious food and nutrition crisis is threatening the Sahel region, while over 10 million people are already affected by food insecurity and over a million exposed to acute malnutrition. Five of the six countries in the region (Burkina Faso, Chad, Mali, Mauritania and Niger) are concerned, with almost 800,000 farmers and stockbreeders vulnerable and experiencing a series of recurring food crises. According to estimates, at least 15 million people are threatened by food insecurity in the Sahel region.

Causes of Environmental Degradation

7. Mali's environmental governance performance is weak, which ranks the country in 156th position out of 163 classified countries (2010 EPI). Population pressure on scarce arable land in a fragile ecosystem is the most important factor, which accelerates environmental degradation in Mali. The relatively high population growth rate in Mali occurs within an already fragile biophysical and socioeconomic environment characterized by irregular and insufficient rainfall as well as drought. There is only sufficient rainfall for rain-fed crops (estimated at over 600 mm per year) in about 25% of Mali's total surface area, mainly in the Sudano-savannah agro-climatic zone. Moreover, arable land only represents one third of the country's total area (1.24 million km²). In light of these constraints, the unregulated interaction between population growth, the fragility of the ecosystem and irregularity of rainfall have created serious environmental problems with economic and social consequences for the rural poor, especially women. The main environmental problems are the degradation of land (agricultural land, forests and river shores), surface and groundwater pollution, dwindling biodiversity, air pollution and drought.

8. Alongside this population pressure, other factors causing this degradation include the lack of economic alternatives, in particular for the agricultural and rural communities, the widespread lack of environmental awareness raising, limited institutional capacity to comply with existing regulations, no comprehensive policy on land use with land tenure rights and clearly defined macroeconomic policies, and the absence of general institutional standards. The lack of alternative economic activities has resulted in greater dependency on, and overexploitation of agricultural land. On the macroeconomic front, the loss of traditional livestock export markets due to weaker international competitiveness, firewood pricing policies and an inefficient forestry taxation system have indirectly contributed to the growing environmental problem.

9. Even though some of the causes of land degradation are outside human control, others - such as the declining soil fertility, erosion or bush fires - are not. The main variables, therefore, which cause land degradation are determined by human behaviour in relation to the environment. Specifically, this includes the reduction of fallow periods, inappropriate agricultural practices, overgrazing of rangeland, deforestation and use of firewood. Most of these variables have deeply rooted institutional, legal, economic and social causes that have resulted in environmental degradation.

10. To address this environmental problem, Mali and its development partners must identify the main factors influencing degradation and develop strategies to: (a) stop the present rate of degradation; (b) prevent future environmental deterioration; and (c) restore a functional natural environment. These strategies will entail the preparation of coherent population growth policies, the promotion of more efficient public resource management, training and increased environmental awareness raising, and stronger participation of community associations. The key components of these strategies could be local capacity building, i.e. for community associations to encourage higher grassroots participation, appropriate incentive measures and the revision and implementation of land ownership and other laws.

II. Structural Factors of the Economy

11. Mali's political and economic structures were built on the basis of models inherited from the French colonial administration, which were not always designed for the benefit of the Malian people. Until 2011, i.e. prior to the 2012 crisis, all the country's economic indicators were still strong due to stable growth averaging 5.7% since 2005 and a sustainable budget deficit. Even though this economy was one of the best performing economies in the WAEMU sub-region – due to the fact that it is mostly based on activities carried out in the Southern part of the country, under government control, and where abundant rainfall stimulates the production of cotton and other agricultural products, and where gold mining continues to grow – and has demonstrated its resilience to environmental, security and political crises, the country remains one of the poorest in the sub-region and its fragility cannot be ignored. With a projected population of 30 million by 2030, Mali could be asphyxiated by its very rapid population growth. Since under-15 youths represent almost half the population, it is to be feared that a flood of young people will enter the already sluggish labour market, which will have to deal with almost 300,000 additional jobseekers per year by 2030. However, education and training, which are essential for such an inflow require significant budget efforts which the country is unable to meet. Mali is also faced with a type of unbridled urbanization – it is estimated that Bamako will have 5 million inhabitants by 2030. This exerts stronger pressure on the public authorities, which are experiencing great difficulties in keeping up with the movement in terms of appropriate infrastructure, especially sanitation, water and transport. If these difficulties are compounded by the recurrent problems of insecurity with, as a corollary, rising urban poverty and youth unemployment, it is possible that the country will experience great difficulty in reducing its dependency on multilateral and bilateral aid which, representing one quarter of the general government budget and about four-fifths of public investments, limit government's ability to take initiatives.

12. Agriculture, preliminarily family-type, employs almost two-thirds of the labour force, while the country only cultivates 3.2 million hectares, i.e. thirteen times less than the amount of arable land identified. Therefore, it is important to prioritize investments in more intensive and rational use of water resources.

13. Mali's medium-term mining prospects are not strong. Almost all the companies mining gold - the main source of export earnings – are of foreign origin. The contribution of the private sector, in general, and the industrial sector, in particular, to GDP formation is low and the economy is dominated by the informal sector. Unemployment tends to be structural and rural under-employment widespread. Rising urban unemployment and precarious informal activities are the salient features of the employment landscape. The private and public formal sector only employ 6% of the labour force. Women are under-represented in the formal sector and in socio-professional categories which require a certain level of training and qualification.

III. Political Agreements and Governance

14. Like most African countries, Mali has experienced a long period of authoritarian regimes and/or military dictatorships. However, unlike many of these countries, Mali's transition to a full multiparty system and democracy has been atypical: the surge of social movements demanding the establishment of multiparty democracy was brutal and claimed the lives of thousands of citizens. Moreover, this process was accompanied by a group of officers considered as “soldiers of democracy”, who overthrew the existing regime (March 1991). This upheaval led to the holding (in July – August 1991) of a Sovereign National Conference that served as a framework for serious discussion between the elite and all the actors in

society on the new policy, economic and social directions of the future Mali. Unlike other countries where the democratization experience was called into question, Mali was able to stay the course (for 20 years) and continue to strengthen democratic governance, in particular, normalization of the multi-party system anchored on a peaceful and credible electoral process, respect for political freedoms, etc. (even though the participation of Malian citizens in elections has not been strong: in the last five presidential elections in the country's democratic history, the 40% turnout threshold was only reached or exceeded once during the last presidential elections).

15. Analyses of Tuareg grievances indicate that the central government in Bamako has generally failed to address these grievances in the North. These communities consider that they have not benefited from the distribution of the country's wealth and the growth dividends over the years, automatically creating tension. Many other signs of potential problems could range from low political participation rates as mentioned above, especially in elections, to widespread corruption of the authorities. In recent years, Bamako has been identified by international police sources as an increasingly important transit hub in the international drug trade with high level complicity within the government.

16. On the social front, according to the most recently available assessments, (2010 data), Mali lags considerably in relation to the cut-off date for the achievement of the MDGs (2015) and the challenges are considered immense especially in the areas of health and development financing as well as recurring vulnerabilities linked to the environment, the structural fragility of the economy and new governance and security-related challenges. With regard to health care coverage, the high population growth rate has prevented any significant increase in the proportion of the population with access to health care facilities despite the strides made at this level. Significant progress has been made in the area of regional development: opening up of towns and agricultural areas, improved access to drinking water and electricity, housing programmes with 40% of the houses allocated to women. It is considered that 76% of the road network is reliable.

IV. Security Factors

17. The security situation remains a major concern in Mali where sporadic attacks by armed groups on the UN peacekeeping forces have already resulted in over twenty fatalities since the start of the Mali mission in July 2013. The security challenge, which particularly concerns the North of Mali is rooted in the country's colonial management. Indeed, in the wake of independence, Mali faced constraints and recurring vulnerabilities stemming from the balkanization that most African countries inherited. The border line between Mali and Mauritania for example, has changed several times. The situation in Northern Mali reflects this state of affairs which most African States acknowledge and where borders delimit territorial spaces shared by diverse ethno-cultural communities whose historical social relationships, often conflictual, had not evolved sufficiently to the point of creating a homogeneous group in terms of identity, or attained a level of cohesion that might characterize a strong State and pluralistic nation.

18. It was noted that under the reign of the different empires and especially under colonization, some of these communities, particularly the Tuareg of the Kidal region, enjoyed a special administrative status that protected their specificities, integrated their identity as a parameter of legitimacy and the basis of their mode of social organization. This situation of selective autonomy in favour of several ethno-cultural groups sowed the seeds of a difficult national integration and constituted a threat to Mali's social cohesion following independence.

19. From a military and security standpoint, and contrary to some arguments, the disorder in the defence and security forces is not only the result of the Libyan crisis. The state of the FAMA (weakness, lack of professionalism) as revealed by the 2012 crisis is perceived as the result of increasingly poor governance in recent years, a period that a large segment of public opinion considers to have been marked by unprecedented laxity in the management of the State. Despite the undeniable and significant impact of the Libyan crisis on the rise of armed movements in Mali, this crisis was certainly more of an accelerator than a factor of a relatively programmed collapse of an army that, according to several observers, suffered from lack of a political and military strategy. Mention could also be made of the absence of the rule of law, which is the result of poor management of a very large expanse of land, as is the case with Mali.

V. Sub-Regional Aspect of the Fragility

20. Mali is at the centre of a geopolitical entity whose boundaries vary according to the challenges of the moment. The Sahel/Sahara space was, until recently, known rather for its austere climate and its impact on the ecosystem and inhabitants of the region, following years of severe drought. For a few years, this Sahelo-Saharan space has been described as the centre of all trafficking, organized cross-border crime, the crossing point of large multinational mafias and terrorist movements as well as growing insecurity. The above space comprises Chad, Northern Cameroon, Mali, Niger, Mauritania, and Southern Algeria.

21. The crises that shook Northern Mali had an impact on or affected its neighbours to varying degrees. Within this context, it can be noted that two neighbouring countries - Algeria and Libya - have played (or are still playing) a key role in resolving the crises that have marked the history of Mali to the point where some analysts do not hesitate to say that Libya, for example, "is capable of influencing the commencement and end of irregular armed initiatives, including the Tuareg uprisings in Northern Mali and Northern Niger." In this respect, it could be noted that Libya had instituted the practice of welcoming fighters on its territory and "integrating" Malian and Niger Tuaregs into its defense and security forces, and even making them into special units. The massive arrival of heavily armed fighters from Libya in Malian territory in 2012 is an example, even if it has not been established that Libya condoned or gave material support to these rebellions.

22. It is generally accepted that the instability in Mali, Niger and Mauritania stems mainly from the Maghreb area. The vulnerability of these countries (level of overall poverty, porosity of their borders, lack of technical capacity and/or incompetence or corruption of their intelligence services, marked laxity in the command chain of their armies, etc.) is often considered as conducive to the development or worsening of cross-border organized crime. At one time, the tolerance of armed groups (increase in the number of hostages on Malian territory with ransom payments) or the impunity they seemed to enjoy made some neighbouring States and some partners in Mali "suspect a pact of non-aggression between Malian and terrorist forces". It is believed that beneath the criminal activities of the groups, there are networks of "beneficiaries" of this underground economy in government as much as in the military forces and customs services of the various countries. Mali alone has the three vectors of violence in the region, which shows and supports the idea that its institutions are fragile: the country serves as a base for terrorism; it is a vital connection point for smuggling; and it is the centre of identity grievances for Arab and Tuareg minorities. It is also mainly in Mali that security cooperation initiatives materialize, particularly with France and USA.

23. At the humanitarian level, the countries in the sub-region are suffering from the consequences of the Malian and Libyan crises, with the massive arrival of refugees on their territories. It is encouraging to note that the Malian crisis triggered a strong reaction that, for the first time, witnessed the general mobilization of stakeholders (governments, sub-regional organizations, international community, and development partners) and, in principle, tackled the root causes of the problems revealed by the crisis.

VI. Conclusion

24. The fragility factors identified and developed in this report outline the development challenges facing Mali and which should guide the operations of TFPs in the country. This report aims to strengthen Bank interventions in the country, which seek to address some key aspects of fragility in Mali.

Annex 7: Financial Management

I- Introduction

The African Development Bank, in the conduct of its activities and by virtue of its mandate, faces a number of risks, in particular fiduciary. This may be considered as the risk that the funds allocated by the Bank to different institutions (public or private): (i) may not be used for the objective and purpose for which they were allocated; and (ii) are not used effectively or efficiently. Consequently, projects/programmes could be compromised if mitigation measures are not identified and implemented. This is the justification for subjecting all of Bank operations to a fiduciary risk assessment that will: (i) measure the level of risk the Bank is likely to incur; and (ii) identify appropriate mitigation measures. The fiduciary risk will be reduced by the Bank's support and assistance to its Regional Member Countries (RMC) and by a robust public finance management system.

The main objectives of the analysis are to: (i) acquire sufficient understanding of the fiduciary risks when using the country's public finance management system; (ii) identify measures that the Bank and/or country should envisage to ensure increased use of the public finance management system by implementing measures to mitigate the possible risks identified; and (iii) incorporate a coherent fiduciary strategy in the CSP stemming from previous analyses.

The fiduciary risk assessment is mainly based on existing and available diagnoses on Mali's public finance management system, the Government Action Plan for the Improvement and Modernization of Public Finance Management (PAGAM-GFP), as well as Government's Growth and Poverty Reduction Strategy Paper covering the 2012 – 2017 period. The methodological approach draws on the following policy documents prepared by the Bank:

- 1- Assessment of Public Finances in Mali using the PEFA (Public Expenditure and Financial Accountability) Methodology, December 2010;
- 2- Government Public Expenditure and Financial Accountability Review (PEMFAR), March 2010;
- 3- The 2012-2017 Growth and Poverty Reduction Strategy Paper (GPRSP);
- 4- AfDB Statistics Department: 2013 CPIA exercise: reviews tracking Mali;
- 5- Evaluation of the African Development Bank's Policy-Based Lending Operations, 1999 – 2009; March 2011;
- 6- African Development Bank - Bank Group Policy on Program-Based Operations (PBO), April 2011 ;
- 7- African Development Bank – Country Fiduciary Risk Assessment: User Guide, April 2014;
- 8- African Development Bank – Handbook on the Financial Management of Public Sector Operations Financed by the Bank, April 2014;
- 9- African Development Bank – Guidelines for Financial Management of Operations Financed by the Bank Group, April 2014.

II- Executive Summary of Fiduciary Risk Assessment

According to the most recent assessments of the public finance management systems, in particular the PEFA exercise in December 2010 and PEMFAR in March 2010, Mali's public finance management system has produced encouraging results. Indeed, significant overall progress has been made at budget level (credibility, coverage and transparency, budgeting based on national policies).

However, fiduciary risks have been identified at the levels of: (i) internal and external control (insufficient resources to implement the National Internal Control Strategy, SNCI; weaknesses of the Audit Section of the Supreme Court, SCCS, at the human, material and financial levels); and (ii) the level of corruption in the country (failure to effectively implement the National Anti-Corruption Plan adopted by the Government in January 2010).

With a view to pursuing its reforms, Mali has adopted: (i) a Government Action Plan for the Modernization and Improvement of Public Finance Management (PAGAM-GFP) now in its second phase since the first was closed in 2009 and was evaluated by an independent expert; and (ii) the Growth and Poverty Reduction Strategy Paper covering the 2012 – 2017 period. Furthermore, for the past two years, efforts have been made regarding: (i) external control (accelerated judicial auditing of government accounts from 1992-2008, now completed; reports of the Accounts Section of the Supreme Court available; swearing in of public accountants in progress; assignment of private external auditors to the SCCS to support it in its duties, etc.); (ii) financial transparency and combat against corruption (on 23 July 2013 Parliament adopted Law No. 2013-031 on the approval of the Public Finance Management Transparency Code; on 27 May 2014, the President of the Republic promulgated Law No. 2014-015 governing the prevention and repression of illicit enrichment; the Office of the Prime Minister has prepared a framework document on national transparency policy in public administration).

Despite these considerable efforts, the fiduciary risk remains significant on the whole.

Summary Table of Risk Assessment

| | |
|---------------------|-----------------|
| IPC Risk Assessment | 32/100; 115/175 |
|---------------------|-----------------|

| Item | Indicator | Capacity Average | Building | Initial Risk Assessment | Mitigation Measures | Residual Risk Assessment (after mitigation) |
|--|--|------------------|----------|-------------------------|--|---|
| 1. Budget | Budget sub-system capacity is adequate for budget planning (preparation). | 2.40 | | Moderate | Continue to implement the improvement recommendations of the SG | Low |
| | Budget sub-system capacity is adequate for budget control. | 1.64 | | Moderate | Continue to implement the improvement recommendations of the SG | Low |
| 2. Treasury | Treasury sub-system capacity is adequate for the management of resource flows and disbursement of funds in respect of aid. | 2.25 | | Moderate | Maintain Treasury Committee and establish STA | Low |
| | The single treasury account is an appropriate and reliable means of administering funds in respect of aid. | 0.88 | | Substantial | Finalize the STA implementation process | Moderate |
| 3. Accounting and Preparation of Financial Reports | Capacity of the accounting sub-system is sufficient to record all transactions and serve as a basis for the timely preparation of comprehensive financial reports. | 1.50 | | Substantial | Enhance the quality of financial statements and shorten the timeframe for their production | Moderate |
| | The financial management information systems are sufficiently flexible to meet the specific requirements regarding report preparation and are governed by procedures that will guarantee adherence to the stipulated timeframes and the quality of the information produced. | 0 | | High | Enter information from all projects financed by TFPs in SIGD | Moderate |
| | The financial accounting sub-system incorporates an integrated fixed assets module for the appropriate recording and control of assets acquired. | 1.40 | | Substantial | Systematically carry out internal stock controls | Moderate |
| | The accounting sub-system maintains updated files on the country's borrowings. | 1.67 | | Moderate | Make information on the debt by source/foreign exchange accessible to the public | Low |

| Item | Indicator | Capacity Average | Building | Initial Risk Assessment | Mitigation Measures | Residual Risk Assessment (after mitigation) |
|--------------------------------|--|------------------|----------|-------------------------|--|---|
| | The accounting systems are protected against deliberate manipulation of data and/or accidental losses or corruption of data. | 1.40 | | Substantial | Prepare a disaster recovery plan and documentation and updating of programmes and applications | Moderate |
| 4. Internal Auditing | Internal auditing capacity is adequate. | 1.67 | | Moderate | Clearly define the notion of conflict of interests in manuals and distribute them to appropriate staff | Low |
| | The mechanisms for competitive bidding, optimal use of resources and procurement control are appropriate. | 1 | | Substantial | Justify all uses of less competitive bidding methods | Low |
| | The capacity of the internal auditing function is adequate. | 3 | | Low | | |
| 5 External Audit | The ISC has the required degree of autonomy to enable it to efficiently perform its duties | 1 | | Substantial | Strengthen the Audit Section of the Supreme Court | Moderate |
| | The ISC has the required capacity to enable it to fulfil its auditing mission. | 0.33 | | High | Strengthen the Audit Section of the Supreme Court | Moderate |
| OVERALL RISK ASSESSMENT | | | | | | |
| Risk Assessment | | | | | | |
| Below 0.75 | | High Risk | | | | |
| Between 0.76 and 1.50 | | Substantial Risk | | | | |
| Between 1.51 and 2.50 | | Moderate Risk | | | | |
| Between 2.51 and 3.00 | | Low Risk | | | | |

III- Detailed Fiduciary Risk Assessment

The fiduciary risk assessment relating to the public finance management system is based on the assessment of the risks of each component of that system as follows:

3.1. Budget

Upon completion of the PEFA 2010 exercise, it appeared that budget credibility had significantly improved and may be considered good on the whole as a result of the efforts made and measures taken by the Government, particularly following the PEFA 2006 exercise. There has also been considerable progress in recent years in terms of coverage and transparency concerning information contained in the documents accompanying the draft Budget Law to facilitate parliamentary understanding and control. Major strides have been made in improving budget completeness and transparency to meet the standards retained by PEFA. The annual budget preparation process is clearly established and relatively reliable. With the participation of sector ministries, it ensures the timely preparation of the draft Budget Law for submission to the National Assembly.

Furthermore, a computerized cash flow forecasting system has already been installed to build budget control and execution capacity. Expenditure control rules and procedures are firmly established. They are relatively efficient for salary-related expenditure but relatively insufficient for non-salary expenditure. The resources of the control services (internal) should be determined in accordance with the scope of their missions.

3.2. Cash Flow

Cash flow management is carried out by a Committee (Treasury) chaired by MEF and comprising all the taxation and recovery services as well as services responsible for public expenditure. The Treasury Central Accounting Agency (ACCT) is responsible for the centralization and consolidation of the necessary information for central government's treasury management. In terms of predictability, budget execution is satisfactory and cash flows have been monitored for some time now. Also, expenditure commitment ceilings for the MDAs are regularly provided through quarterly statements of appropriations. These appropriations take into account the cash flow determined by the DNTCP. The Ministries know their commitment ceilings three months in advance. Cash balances are consolidated daily for the Bamako items (which represent 90% of resources) and weekly for each accounting item. Cash balances are consolidated monthly for all accounting items.

3.3. Accounting and Report Preparation

Budget execution reports are regular, complete and of high quality. Operations effected in a given month are reconciled no later than at the end of the following month under the signature of ACCT. The ordinary current account at BCEAO is reconciled daily. However, longer timeframes are required for adjustments to accounts and advances. However, the overall balances on clearing accounts are fairly significant. Appropriations for primary structures (schools and health districts) are not specifically entered in the General Government Budget but are identifiable in the operational programmes of the different support programmes (PISE and PRODESS), which are executed and carried over in compliance with the ad hoc procedures manual. The practice of preparing budget execution reports during the current year has been introduced and these reports are published quarterly within six weeks of the end of the quarter under consideration. The quality of the information does not raise any queries

insofar as the information is generated by the Integrated Expenditure Management System (IEMS). Pursuant to the Appropriations Act, the draft appropriations act is tabled before the National Assembly (NA) before the end of the year to which it relates. This deadline has not always been adhered to, although considerable efforts have been made to reduce the delays accumulated in the past. The Government's chart of accounts (in line with the WAEMU Directive) complies with standards established by SYSCOA/SYSCOHADA, which are themselves based on international standards and practices. However, these standards are not fully applied.

3.4. Internal Auditing

Internal auditing of Mali's public finances is carried out by the Public Service Audit Office (CGSP), the Finance Inspectorate (IF) and the internal audit divisions of the ministerial departments. Reports are prepared for all entities controlled by the internal control services. They are then submitted to MEF, the Office of the Prime Minister and the Presidency.

Internal control is carried out: (i) *ex ante* by the DNCF which conducts a comprehensive control of budget and accounting regularity of all expenditure made by central government, territorial communities and public establishments; (ii) *ex post* by the Public Service Audit Office, the Finance Inspectorate and Ministerial Inspectorates. Therefore, all central government structures, with the exception of public establishments, will be the subject of end-of-year audits on the control of revenue accrued and expenditure made as at 31 December and confirmed by a report submitted to the controlled structures, and the Support Unit for the Control Structures of the Administration (CASCA). However, the country has a National Internal Control structure which is not yet operational due to lack of resources.

3.5. External Control: High Fiduciary Risk

External control remains a major challenge for Mali according to PEFA 2010. Pursuant to the provisions of Article 82 of Law No. 96-071 governing the Organic Law on the Supreme Court, the SCCS audits the accounts of public accountants, income and assets, and examines the financial and accounting management of organizations in which legal persons governed by public law have financial and other interests.

In view of the broad scope of its duties, the SCCS suffers from an acute shortage of human, material and financial resources, coupled with the absence of a policy to build the professional capacity of SCCS judges (absence of a procedures manual compliant with WAEMU provisions and of control methodology guide and thematic guides for local communities and public establishments, etc.) as well as lack of operating resources to implement its control programme (new premises, archiving of all accounts, IT equipment, computerized documentation centre). However, following the PEFA exercise, it is worth noting the external control efforts made over the past two years (accelerated judicial auditing of government accounts from 1992-2008, now completed; reports of the Accounts Section of the Supreme Court available; swearing in of public accountants in progress; assignment of private external auditors to the SCCS to support it in its duties, etc.).

IV- Governance and Corruption

Mali's governance and anti-corruption performance was modest. The country is ranked in 115th position out of 175, according to the 2014 classification of the NGO Transparency International, with a total score of 32 points out of 100. Moreover, the overall score given to Mali by the Bank Group in its Country Policy and Institutional Assessment was 3.72 in 2013. It is worth noting that the combat against corruption and financial crime is slow in producing the expected results despite the strides made in recent years, particularly in the areas of financial transparency and the combat against corruption (on 23 July 2013, Parliament adopted Law No. 2013-031 on the approval of the Public Finance Management Transparency Code; on 27 May 2014, the President of the Republic promulgated Law No. 2014-015 governing the prevention and repression of illicit enrichment; and the Office of the Prime Minister has prepared a framework document on national transparency policy in public administration).

V- Conclusion of the Fiduciary Risk Assessment

In conclusion, according to the most recent assessments of the public finance management systems, in particular the PEFA exercise in December 2010 and PEMFAR in March 2010, Mali's public finance management system has produced encouraging results.

However, the overall fiduciary risk remains substantial according to available fiduciary assessments. In its strategy, these should prioritize institutional support operations targeting internal and external control combined with other types of intervention by the Institution. These institutional support operations should help to substantially offset the weaknesses previously noted and thus allow the Bank before the end of the period covered by this strategy, to test the public expenditure chain in compliance with the Paris Declaration on the Use of National Systems. The same strategy has already been implemented by the World Bank and by one bilateral partner, the Kingdom of Denmark.

VI- Fiduciary Risk Mitigation Measures and the Bank's Fiduciary Strategy

6.1. Risk Mitigation Measures

In light of the above assessment, a number of fiduciary risk mitigation measures may be considered including:

- 1- Capacity Building for the Audit Section of the Supreme Court in terms of staffing to enable it to fully perform its duties;
- 2- Submission of Budget Review Laws to the Audit Section by the Government within the legally stipulated timeframe, no later than 31 July following the closure of each fiscal year; and
- 3- Effective implementation of the National Internal Control Strategy.

6.2. Bank's Fiduciary Strategy

In light of the foregoing it is planned to implement the following fiduciary strategy for Mali: **Degree of use of the national public finance management system:** in accordance with the terms of the Paris Declaration and Accra Agenda for Action on Development Effectiveness, the Bank's decision to use all or some of the components of the National Public Finance Management System was reviewed based on that system's assessment (see fiduciary risk and mitigation measures), guidelines, practices and the Bank's appetite for, and tolerance of risks, and other factors such as perceptions of the level of governance and corruption. **One significant fiduciary risk** emerged from this analysis.

While acknowledging the progress made in the country and that an approach based solely on the Bank's procedures and parallel systems would not guarantee aid effectiveness and the strengthening of the national system, the Bank will adopt an approach tailored to the type of operation envisaged, focused on support to public finance reforms. If necessary, this could be revised over the period.

Thus:

- ✓ Budget support using the National Public Finance Management shall continue incorporating the objectives and conditions precedent, which will contribute to the acceleration of the fiduciary risk mitigation measures;
- ✓ Before the end of the period covered by this strategy, the Bank shall, following the assessment, test the public expenditure chain through a pilot project which it will finance through that chain;
- ✓ The Bank, alongside the Government, shall undertake to support the continuation of the National Public Finance Management Reform System. Since the strengthening of national institutions is the most effective and sustainable solution to address the governance challenges and mitigate the fiduciary risks incurred on public funds, it is important for the Bank in its strategy to support the national reform drive. This undertaking will be fulfilled by prioritizing institutional support operations targeting internal and external control, combined with other types of intervention by the Institution.

Annex 8 : Public Procurement System

Mali's Growth and Poverty Reduction Strategy Paper (2012-2017 GPRSP) makes governance quality one of the strategic pillars of the Priority Action Programme. Governance quality is a key factor for the success of strategies to promote private sector development and improve the quality of public expenditure and Government actions. Therefore, the Government has opted to strengthen the quality of governance in order to improve public affairs management and provide Mali with a transparent and reliable finance management system that will enhance its credibility with both national actors as well as technical and financial partners.

Legal and Regulatory Framework for the National Public Procurement System in Mali

Since 2004, the Malian authorities have embarked upon far-reaching reform of the public procurement systems in collaboration with the national public procurement actors and certain institutions such as the World Bank and WAEMU.

There were four fundamental reasons why the public procurement reform was initiated. These are to:

- Address the weaknesses noted in the 1995 Code after 10 years of implementation;
- Harmonize public procurement regulations with the WAEMU Directives;
- Implement the recommendations of the World Bank's CPAR (Country Procurement Assessment Report); and
- Adopt certain international standards and norms in order to obtain budget support from development partners.

In terms of legislation, these reforms resulted in significant normative progress including the review of the respective laws establishing:

- The Directorate-General for Public Procurement and Public Service Delegations (Law No. 08-022 of 23 July 2008); and
- Public Procurement and Public Services Delegation Authority (Law No. 08-022 of 23 July 2008).

The objective of the review of these two texts is to ensure the alignment of Mali's legal framework with the Community Directives on the Control and Regulation of Public Service Delegations of the West African Economic and Monetary Union (WAEMU), i.e. Directives No. 04/2005/CM/WAEMU and 05/2005/CM/WAEMU. The amendments made aim to separate the control functions assigned to the Directorate-General for Public Procurement and Public Service Delegations from the functions of regulation, drafting and formulation of public procurement regulations and policies assigned to the Public Procurement and Public Services Delegation Authority, all with a view to improving efficiency and transparency.

Bank's Assessment of the National Public Procurement System

The Bank's assessment of the public procurement legal and regulatory framework carried out in 2010 for the use of National Competitive Bidding for projects financed by the Bank in Mali concluded that, on the whole, the national procedures complied with the Bank's Rules and Procedures. With a view to implementing the road map for the use of the National Public Procurement System, it may be considered that significant progress has been made in the area of public procurement in Mali, which may now be deemed compliant overall with the WAEMU Directives and international norms and standards.

The assessment also concluded that:

- ***The national procurement procedures for NCB are overall compliant with the Rules and Procedures despite some points of divergence from these Rules.*** The public procurement legal and regulatory framework in Mali in force since 2008 transposes the Directives of the West African Economic and Monetary Union (WAEMU) and, therefore, essentially complies with the principles of transparency and economy. The laws establishing these two bodies were amended in 2011 as mentioned above to bring them in line with the Community Directives on the Control and Regulation of Public Service Delegations of the West African Economic and Monetary Union (WAEMU).
- ***National Standard Bidding Documents (NSBD) are essentially similar to those of the Bank.*** The NSBD have been amended in line with the documents prepared by the multilateral development banks and international finance institutions and are to a large extent identical to the Banks BD. The system contains two National Standard Bidding Documents (NSBD) which were prepared for the attention of government employees.

The assessment carried out by the Bank and updated during the mission to prepare Mali's Growth and Poverty Reduction Strategy Paper (2012-2017 GPRSP) recommended the use of national procedures for national competitive bidding for projects financed for Mali, while implementing risk mitigation measures. To that end, an overall action plan identifying the main weaknesses noted in the national public procurement system was prepared and became a subject of dialogue between the country and the Bank. A Letter of Agreement on the implementation of national public procurement procedures for national competitive bidding for projects financed by the Bank was signed on 17 July 2014. **This Letter of Agreement is based on an overall action plan to improve national public procurement procedures, which is being implemented.** Therefore, national procedures for NCB will be used for all new projects financed by the Bank. It will also be recalled that the above overall action plan highlights the different weaknesses identified in the national public procurement system. The amendments proposed to address these weaknesses were set out in the above-mentioned Letter of Agreement.

- Contract approval and signature timeframes are determined by Decree No. 2014-1323/ MEF – SG of 25 April 2014 establishing the implementation modalities of Decree No. 08- 485 / P- RM of 11 August 2008 on procurement procedures, execution and settlement of public procurement and public service delegations. The DGMP-DSP has a regulatory period of 15 days to issue its no-objection opinion on the BDs and the bid evaluation report.

Installation of the Integrated Public Procurement Management System (SIGMAP) financed by the World Bank should enable DGMP-DSP, in the near term, to prepare reliable public procurement statistical data. However the signature circuit is lengthy at the central level and, in the end, the regulatory contract approval and signature dates are rarely adhered to (the consolidated information on Bank-financed projects in Mali indicates that the approval circuit may extend to 2 or more months). These long delays are mainly due to the time taken by successful bidders to meet the post-qualification criteria and also to the availability of contract signatories at the level of the approving structures. The reduction of contract approval and signature timeframes is proof of sound management of bid amounts and the national budget. It also reflects contractor's confidence.

- Decentralization and devolution of activities of the DGMP-DSP are now effective. The 8 regional directorates are fully operational with between 3 and 4 staff members. Furthermore, the procurement plans of the different contracting authorities are submitted to DGMP-DSP and published on the DGMP-DSP website and in the Public Procurement Journal.
- One of the challenges for DGMP-DSP is to establish a procurement document archiving system. Due to shortage of space, bidding documents are transferred to a central administrative building without any archiving procedure. This situation poses problems in the event of litigation because it becomes difficult to find the files.
- One of ARMP's key roles is to audit public contracts. It was noted that the audit of the 2009-2010 fiscal year has not been performed. A consultant is currently being recruited to conduct the audits for 2011, 2012, 2013 and 2014.
- ARMP has two sources of financing: a central government subsidy and the levy stipulated in the Law establishing the ARMDS i.e. 0.5% of the net value of contracts deducted by the Directorate-General of Taxes and 0.1% of the net public service delegation turnover. One of ARMDS' main challenges is the failure to recover all the charges, especially on externally financed contracts. In addition, its lack of financial autonomy vis-à-vis the government, contravening the Law establishing ARMDS that stipulates that it shall have a legal personality and enjoy administrative and financial autonomy, could jeopardize its independence when it has to conduct public procurement audits.
- The hotline for reporting fraud and corruption in public procurement is in service and operational. The operationalization of this number in compliance with the WAEMU Directives will enhance the credibility of the country's public procurement system and boost private sector and civil society confidence.
- It was observed that the private sector is fairly well organized and actively participates in the different procurement processes. However, various private sector contractors have noted that the bidding documents they reply to contain a large number of qualification criteria, in particular the required annual turnover is often high. This results in their elimination in favour of foreign companies.

- However, it is worth noting that the analysis of statistics provided in 2011 by DGMP indicates that, out of 1 257 contracts registered for an aggregate amount of CFAF 233,613,437,226, 117 were by direct negotiation for an aggregate amount of CFAF 100,529,148,591 – representing a percentage of 7% in terms of numbers. As a reminder, in 2010, contracts by direct negotiation represented 12.98% in terms of numbers (CFAF 79,663,457,597) and in 2009 they only represented 9.26% in terms of numbers (CFAF 42,858,612,239). It will also be recalled that the accepted standard for the percentage of contracts by direct negotiation in WAEMU countries is 10%.

Proposals to Improve the National Public Procurement System

Significant progress has been made towards achieving the objective of implementing the roadmap on the use of the National Public Procurement System and it may now be considered as being generally compliant with the WAEMU Directives as well as international norms and standards.

However, for the implementation of the Bank's operations strategy for Mali and in accordance with Strategy 3 of the GPRSP focused on institutional development and governance, the following actions will be the subject of dialogue and monitoring with the Malian authorities, with a view to improving the public procurement process in Mali.

- (i) Implement the comprehensive action plan to improve national public procurement procedures;
- (ii) Take all necessary measures to have an average rate of contracts awarded by direct negotiation that does not exceed 10%;
- (iii) Operationalize the Integrated Public Procurement Management System (SIGMAP), which should enable DGMP-DSP, in the near term, to prepare reliable public procurement statistical data;
- (iv) Adhere to the stipulated timeframes for contract approval and signature in accordance with Decree No. 2014-1323/ MEF – SG of 25 April 2014;
- (v) Set up a document archiving system and assign premises and appropriate equipment for the DGMP-DSP archives;
- (vi) Ensure the timely audits by ARMP of public contracts covering closed fiscal years;
- (vii) Ensure the full recovery of regulation charges for ARMDS;
- (viii) Ensure the publication of contract awards on the DGMP site;
- (ix) Ensure the preparation of an internal procedures manual and standard evaluation guide for DGMP-DSP;
- (x) Ensure that the Public Procurement Code is complied with by all the delegated contacting agencies; and
- (xi) Envisage the transposition into national law of WAEMU Directive N0.1/2009 on the Public Finance Management Transparency Code.

Annex 9 : Summary Note on Climate Change
NATIONAL CLIMATE CHANGE PROFILE:
ASSESSING VULNERABILITY, MITIGATING RISKS AND EMISSIONS

REPUBLIC OF MALI

GENERAL CLIMATE CONTEXT

The Republic of Mali is a landlocked nation in West Africa, located southwest of Algeria. The country lies between latitudes 10° and 25° N and longitudes 13° W and 3° E. In addition to Algeria, Mali shares land boundaries with other six states: to the northeast, Niger; to the east, Burkina Faso; to the southeast, Ivory Coast; Guinea to the southwest; and Senegal and Mauritania to the west.

The country is characterized by particularly drastic climatic conditions. More than half of its area of just over 1,240,000 km² is located in the Saharan zone in the north (annual rainfall < 200 mm). The rest of the country has a Sahelian climate in the centre (annual rainfall between 200 mm and 600 mm), with Sudanese (annual rainfall between 600 mm and 1000 mm) and Sudano-Guinean (rainfall > 1000 mm) climates in the south.¹³ The dry tropical climate of the country is thus marked by an annual rainfall and rainy season duration increasing from north to south. In the dry months, between November and March, almost no rain falls at all.

Annually, mean temperatures are similar across most of the country at 27-30°C. However, seasonal variations are large, and differ in their patterns for different parts of the country. The most northern parts experience the largest seasonal variations; summer and winter temperatures are distinct at 27- 35°C in summer and 15-25°C in winter. In the south, there is less seasonal variation, but the summer months are the coolest of the year (23-27°C) due to the cooling effects of cloud and rainfall at this time of year, whilst the drier season (April-May-June) is the warmest season (25-30°C).¹⁴

RECENT CLIMATE TRENDS

Mali's climate is one of the structural dimensions of its environment. Its current trend is very noticeable as it generates significant disruptions in the functioning of the country's ecosystems and contributes to desertification. Being located in the Sahel region, rainfall in Mali is mostly characterised by high inter-annual and inter-decade variability. An analysis carried out by UNDP points out that a period of particularly high rainfall occurred in the early 1960s, whilst the early 1980s were very dry, causing severe drought and desertification. Rainfall has recovered to some extent since the 1980s; the late 1990s and early 2000s have been relatively wet. When observed daily, rainfall has shown significant decrease trends in 5-day precipitation maxima since the 1960s, with an annual decrease of 4.0 mm per decade. The largest decreases are registered during the wet season (June, July and August) at 4.9 mm per decade. The beginning and end of the rainy season have become less predictable, and the duration of the rainy season decreased from 5 months in the 1950s to 3 to 4 months today.

The mean annual temperature has increased by 0.7 °C since 1960 at an average rate of 0.15 °C per decade. This rate of increase is most rapid during the hot, dry season (April, May and June), at 0.25 °C per decade. There is no evidence, however, of a warming trend during the driest season (January, February and March). Despite these increases in mean temperature, the frequency of hot days does not present significant changes during most seasons. However, the frequency of hot nights shows significant increases during all seasons except winter (December, January and February). The frequency of cold days has decreased significantly only in summer (June, July and August), while the frequency of cold nights has decreased appreciably during all seasons but winter (December, January and February).

¹³ MEA, 2009a.

¹⁴ UNDP Climate Change Country Profiles – Mali.

This is causing drastic changes in vegetation cover, which in 1950 was mostly composed of savannah and gallery forest. For the last two decades, it has been characterized by a "sahelisation" of the savannah and a displacement of desert and semi-desert zones to the south. There is also an increased water deficit, characterized mainly by the drying up of water sources, the lowering of the water table and a reduction in river flows.

FUTURE CLIMATE SCENARIOS

There is a lot of uncertainty regarding future climate projections, according to the climate models used. However, trends can be considered, with increasing temperatures, and rainfall that is likely to decrease in most regions of the country.

Temperature

Climate predictions made using the MAGICC and SCENGEN models estimate that temperatures could rise 2.0 °C by 2050 and 4.0 °C by 2100 as compared to 1961-1990 levels,¹⁵ while projections made by McSweeney et al estimates that mean annual temperatures across Mali are projected to increase by 1.2 to 3.6°C by the 2060s, and by 1.8to 5.9°C by the 2090s.

Rainfall

MAGICC and SCENGEN models also estimate that rainfall could decrease between 5% and 10% in 2050 as compared to 1960-1990 levels. Rainfall's spatial and temporal distributions may also experience significant changes.

TRENDS IN EXTREME WEATHER SCENARIOS

Natural disasters (droughts, floods, epidemics) – which from 1980 to 2007 affected nearly 3 million people and killed about 3,300 people — could multiply and intensify.¹⁶ Such disasters will continue to be a major cause of ecosystem degradation, especially as it relates to desertification. This degradation already has - and could have even more - dramatic economic and social consequences; the ability of populations to adapt will be low because of poverty.

Table 1. Summary of Climatic Trends and Future Scenarios in Mali

| Period | Temperature | Rainfall | Extreme Events |
|--------------------------|---|---|---|
| Historical (1960 – 2006) | Temperatures increased by 0.7 C between 1960 and 2006. No significant increase in hot days. Significant increase in hot nights, except in winter. | Particularly high rainfall in early 1960s, very dry in early 1980s. Rainfall has recovered since 1980s, and late 1990s and early 2000s. | |
| 2060s | Increase of 1.2 C to 3.6 C. 18% – 38% increase in hot days; 23% – 40% increase in hot nights. | Projections of wide changes in rainfall but tend towards decreases. | Changes in proportion of total rainfall that falls in heavy events ranges widely between increases and decreases. Annually, these values tend to increase in south and decrease in north. |
| 2090s | Increase of 1.8 °C to 5.9 °C. 22% –54% increase in hot days; 27% – 54% increase in hot nights. | Projected change ranges from -22 to +25%, with ensemble means between 0 and -11%. | |

¹⁵ CNRST, 2003.

¹⁶ OFDA/CRED International Disaster Database.

COUNTRY VULNERABILITY

Currently, Mali is using only a small portion of its **water resources** – about 3.6 billion m³ per year of a potential of about 137 billion m³ per year – a potential that should avoid the risk of water shortage.¹⁷ However, this resource is poorly mobilized due to issues of access (groundwater, high evaporation) and spatial and time distribution. As a result, climate change is expected to generate increased water shortages. The expected decline in rainfall should indeed impact the availability of water. It is estimated that an 18% decrease in rainfall would lead to a 35% reduction in surface water resources and a 13% reduction in renewable ground water resources as compared to 1961-1990 levels. This decline, along with a deterioration of resource quality, would have significant consequences for aquatic ecosystems, national agriculture productivity and households living conditions; indeed, access to potable water will remain an issue in Mali in a changing climate. A decrease in the number of rainy days coupled with an increase in rainfall intensity also is also likely to lead to an increase in floods. Proper management of water resources are required to mitigate drought conditions and ensure water availability.

Agriculture plays a big role in the Malian economy, and most of it remains rainfed, though investments are being made in irrigation. Climate change is expected to continue to affect **agricultural production** through increased water deficits (with a particularly strong impact in more arid areas), land degradation, disruption of agricultural activity planning and more frequent extreme weather events. The expected decreases in productivity due to climate change are significant and will seriously threaten food security. Climate change is also likely to foster an upsurge in locust invasions. The more recent and most serious invasion dates from 2004; they caused a 30.2% loss in agricultural production as compared with predicted yields. Increasing temperatures, declining rainfall and the intensity of extreme weather events should continue to have a significant impact on animal health. As a consequence, they will also have an effect on the quality and quantity of livestock and pastures, and on water availability and quality. It is worth noting that current, major constraints to productivity increases in agriculture – limited availability and poor quality of animal feed, poor management and control of epizooties – threaten to intensify with climate change. The current increase of the transhumance phenomenon should continue to result in massive people and cattle movements from north to south, leading to conflicts between shepherds and farmers.

Modification in climatic conditions should impact **forestry** directly and indirectly. Increased aridity should lead to the multiplication of bushfires and affect the regeneration capacity and resilience of forests. Land degradation, on the other hand, should lead to increased deforestation.

Fishing is particularly vulnerable to the effects of climate change. Climate change should lead to an increase in the temperature of water bodies and a reduction of the Niger River's flow, causing a drastic reduction in flooded areas that are important for fish reproduction. Climate change will also contribute to some water sources drying, leading to a reduction in the amount of fish and even to the extinction of some species. Historically, fishery productivity was reduced by 50% during drought periods, such as in 1984.

According to Mali's National Adaptation Plan of Action (NAPA), the **energy sector** is one of the priority areas in which adaptation measures to climate change must be undertaken, both because of the share of hydroelectricity in the national electricity mix (more than 40%) and because of the share of biomass in the total energy consumption (about 80%). Decreased availability of water resources already generates declines in electricity production, resulting in power outages. According to the climate scenario developed under the NAPA, a 1% decrease in water flow would cause a decrease in electricity production of 1.3 million kWh.

¹⁷ AEDD, 2011b.

Climate change could also promote the proliferation of certain **diseases**, such as malaria (the first cause of medical consultation and child mortality in Mali) or meningitis, extending their endemic areas. This has already been seen with meningitis, which prevails today in the northern regions, usually located outside the meningitis belt. Waterborne diseases such as cholera could also increase with drinking water scarcity.

Infrastructure is also very vulnerable to climate change and variability. The low rate of paved roads makes the national transport system particularly vulnerable to climate change, especially to the increase in erosion and resulted silting. As for the inland waterway transport system, it will be increasingly disabled in the future by rainfall shortage and riverbed silting.

COUNTRY CLIMATE CHANGE STRATEGY

Mali became a signatory to the United Nations Framework Convention for Climate Change (UNFCCC) in September 1992, and ratified the Convention on December 1994; the country also ratified the Kyoto Protocol in March 2002. The first National Communication to UNFCCC was submitted in 2000 and the Second Communication in 2012.

In 2011, the Government of Mali developed a National Policy on Climate Change (NPCC) and a National Strategy on Climate Change, completed by a National Climate Action Plan (under finalisation as of mid-2014). The overall objective of the policy is to meet the challenges of climate change and ensure sustainable development. The specific objectives are to: (i) facilitate better integration of climate challenges into sector policies and strategies of socio-economic development and planning processes at the national and territorial level; (ii) strengthen the resilience of populations, ecological systems, economic systems and social systems to climate change by integrating adaptation measures primarily in the most vulnerable sectors; (iii) strengthen capacities for the prevention and management of climate risks and natural disasters; (iv) contribute to the global effort to stabilize greenhouse gas emissions in the atmosphere and promote international and regional cooperation; (v) promote national research and technology transfer for climate change; and, (vi) strengthen national capacity around climate change. The Policy and Strategy are expected to be approved by Malian authorities in 2014.

In 2013, the country also developed a National Strategic Framework for Green and Climate Resilient Economy. The document explores opportunities for green and climate resilient growth through key sectoral programs, including forestry, agriculture, fisheries, water management and renewable energy. This strategic framework is expected to be strengthened with further analytical work and operationalized through dedicated investment plans, including an investment plan for green economy (PI EV), and another one for climate resilient economy (PI-RCC); terms of reference are ready for both investment plans as of mid-2014, and they are expected to be delivered in 2015. The PI-EV must achieve an economy with moderate levels of carbon; to that end, the economic sectors which provide the most economic growth, and indirectly, greenhouse gases, will be identified and attended to. To reach resilience to climate, the PI-RCC will have a double goal: sector based and territorial, in order to adequately meet agro-climatic requirements and specificities.

In order to implement its strategic vision for a low carbon and climate resilient development, the Government of Mali has created a national Climate Fund, which objective is to catalyse additional financing for climate smart development. The Fund has started operations in 2014 and is capitalized with bilateral funding. Beyond this Fund, the Government is planning on undertaking a study to design a National Strategy for Financing Environment.

COUNTRY ADAPTATION POLICY

The NAPA was submitted in 2007. According to NAPA, Mali is very vulnerable to the effects of climate change. The most vulnerable sectors in Mali, in order of importance, are: agriculture, health, fisheries, energy, water resources, the livestock, forest wildlife, habitat, transport, industry and education. Small agriculture peasants are, along with artisans, the most vulnerable populations in terms of the impacts of climate change on livelihoods. Climate change's negative impacts will

intensify primarily for agriculture, natural resources and on quality of life. As a result, one of the orientations of the national policy will be the strengthening of adaptation actions in accordance with the options identified in the 2007 NAPA adopted by government. Emphasis will be placed on priority sectors and involve an integrated approach to programming and all actors of national development.

Mali is exposed to various natural hazards, but it is particularly vulnerable to drought, locust invasion and floods. Thus, one of the orientation axes of the national policy on climate change will be the strengthening of the existing early warning system. It will also focus on risk insurance for persons and property to prevent and manage risks related to natural disasters including drought, locust invasion and floods. Priority actions will be defined with reference to the Hyogo Framework for Action, which is the global benchmark for reducing disaster risk. It will also be defined by the ECOWAS Risk Disaster Reduction Policy. To ensure greater efficiency in disaster management, activities of the different sectors will be coordinated.

Validated in 2010, the Strategic Investment Framework for Sustainable Land Management (SIF-SLM) should enable, by 2025, "reversing trends in continuous land degradation in the country, improving the population's living conditions and poverty reduction, making Mali the reference country for SLM." To achieve this objective, Mali's SIF- SLM must federate the actions and rationalize financial resources for the implementation of best SLM practices. It must do so in the context of a programmatic approach, including all stakeholders and based on a sufficiently advanced decentralization process in the country. The implementation of these practices should strengthen the adaptive capacity of rural households and improve resilience to climate variability and change.

Required adaptation measures will have to minimise the impact of climate change in Mali, in particular on poor and vulnerable groups. Malians have always had to deal with a variable and unpredictable climate. As a result, they have developed many coping strategies, including the diversification of land-use patterns, and soil and water conservation techniques. To be successful, adaptation strategies must be based on traditional coping mechanisms as well as on local community experiences and needs.

General adaptation options proposed in Mali may include: agricultural improvements, such as the adoption of SLM practices; improved access to agro-meteorological data and forecasts; water harvesting and management techniques; and the strengthening of relevant government and non-governmental institutions, such as agricultural extension agencies.

Table 2 – Adaptation measures to reduce impact of climate change in some sectors

| Sector | Some Adaptation Measures |
|--------------------|--|
| Energy | <ul style="list-style-type: none"> ▪ Ensure mainstreaming of climate change and variability in energy investment (properly size hydro plants, etc.) ▪ Promote renewable energy, such as solar (PV and thermal), wind or biogas ▪ Promote substitutes for fuelwood: substitution policy by butane gas and biogas, bio-digesters (for cooking, lighting and refrigeration) and biofuels (as a substitute to firewood) ▪ Implement a policy and concrete practices for energy efficiency |
| Water | <ul style="list-style-type: none"> ▪ Promote sustainable water management practices in agriculture, as well as water saving measures ▪ Promote measures focused on the control of surface waters such as small farm dams, development of ponds and small streams at the village level, and the creation of artificial ponds ▪ Promote the sensitization of the populations for water use efficiency, improving good practices for irrigation and domestic uses |
| Agriculture | <ul style="list-style-type: none"> ▪ Promote the use of weather information by farmers to improve agricultural production ; promote and enhance the use of data from the seasonal forecast in agriculture ▪ Promote efficiency improvements in irrigation systems ▪ Promote, develop and popularize the use of crop varieties adapted by regions ▪ Promote and encourage the diversification of agricultural production to provide more resilience to the sector in coping with climate change ▪ Develop a structural mechanism to cope with food needs that may arise in years of drought/flood, in particular: making stocks available to people; liberalization and tax-free import of cereals; etc. ▪ Promote sustainable land management practices (crop rotation, rain water capture techniques, dune fixation, reforestation, etc.) |

| | |
|------------------|--|
| Forestry | <ul style="list-style-type: none"> ▪ Keep track of the status of forest ecosystems in Mali, their evolution, etc. ▪ Develop climate resilient agro-forestry systems ▪ Promote alternatives to firewood (solar cook-stoves, etc.) ▪ Strengthen afforestation and reforestation efforts, and engage the country in REDD + ▪ Conduct reforestation of watersheds to limit silting and its adverse effects on agriculture and fishing |
| Breeding | <ul style="list-style-type: none"> ▪ Inform herders/pastoralists about climate-sensitive diseases that threaten livestock and how they might cope with them ▪ Preserve and maintain transhumance corridors to avoid breeding on climate vulnerable land ▪ Encourage the regeneration of forage species to improve the feeding of livestock |
| Fisheries | <ul style="list-style-type: none"> ▪ Continue and expand the practice of deferred grazing on traditional fisheries ▪ Strengthen local capacity for fishing and fish farming |
| Health | <ul style="list-style-type: none"> ▪ Develop a health monitoring system for tracking potential climate-sensitive diseases ▪ Inform and educate people about climate sensitive diseases, their treatment and how to anticipate them |

COUNTRY MITIGATION POLICY

Although Mali is one of the lowest emitters of greenhouse gas emissions (GHG), there are investment opportunities for economic development that contribute simultaneously to the global effort to fight against climate change. Under the principle of common but differentiated responsibility, one of the orientation axes of the National Policy on Climate Change in Mali will be to promote GHG mitigation actions by promoting the adoption and transfer of innovative technologies and environmental practices.

In mitigation, some areas are particularly promising: the energy sector through renewable energy (solar, hydro, wind, biofuels) and energy efficiency; the forestry sector (afforestation/reforestation and the fight against deforestation); and urban solid waste.

Main mitigation activities will include: the elaboration of an Action Plan of Nationally Appropriate Mitigation Actions (NAMA); the implementation of the national strategy for the development of renewable energy; development and transfer of innovative technologies and environmental practices on the basis of the Plan of Action Technology (PAT); development of Clean Development Mechanism projects focused on programmes of activities; development of projects to reduce emissions from deforestation, forest degradation, conservation and the sustainable management of forests and land (REDD + and REDD + +); and the development of projects for voluntary compensation mechanisms.

INSTITUTIONAL FRAMEWORK AND ACTORS

In 2003, Mali established a Designated National Authority as the focal point for the Kyoto Protocol. The responsibility to follow international environmental conventions in the country lies with the Environment and Sustainable Development Agency (AEDD). The AEDD is the focal point for the United Nations Framework Convention on Climate Change (UNFCCC) and the United Nations Convention to Combat Desertification (UNCCD). As such, it coordinates activities related to the conventions and reports to meetings of the conventions. A National Committee for Climate change was created in 2011 which is chaired by the Minister of Environment and gathers more than 50 representatives from various ministries, NGOs, private companies, etc.

For the past few years, Mali has been very much involved in international UNFCCC negotiations, as well as in the discussions around the Green Climate Fund. The country has been able to mobilize financing from the Global Environment Facility, as well as for the Climate Investment Funds. As of June 2014, Mali is finalizing the process of being endorsed as a direct executing entity under the Adaptation Fund, through AEDD. It is also one of the few countries in Africa that have been able to create and operationalize a national Climate Fund.

Though capacity still needs to be strengthened (especially for robust climate data and generation of low carbon and climate resilient projects), Mali is already well advanced compare to other African countries in the sub-region. Efficient implementation of climate smart investment and strategies remains a challenge.

Annex 10: Positioning of Technical and Financial Partners

Annex 10 : Positioning of Technical and Financial Partners

Comprehensive Table of PTF Financing and Positioning for 2014 (estimates in CFAF billion)

| PRED Focus Area | | 1. Peace and Security | 4. Humanitarian Emergencies | 3. Elections | 4. Governance | 5. Justice and Fight against Corruption | 6. Public Finance Management | 7. Economic Recovery | | | | 8. Education | 9. Health | 10. Culture | 11. Gender | 12. Environment and Water | 13. Multi-priorities (incl. ABG) | 14. Others | Total | | | |
|---------------------------|----------------------------|----------------------------|--|--------------|---|---|------------------------------|---|--|---|------------------|---|--|---|--|---------------------------|--|------------|--------|---------|--------|--------|
| | | | | | | | | Rural Development | Infrastructure and Transport | Energy | Business Climate | | | | | | | | | | | |
| CSCR Area of Intervention | | Peace and Security | Social welfare and fight against vulnerabilities: Humanitarian emergencies | Others | Micro-finance Physical planning Decentralisation/Devolution Others | Justice Fight against corruption and financial delinquency | Public finance management | Rural development Mining and hydrocarbons Industrialisation Private sector development | Micro-finance Transport Information and Communication Technology | Energy Employment Vocational training Youth Food security | Education | Nutrition Basic healthcare General healthcare HIV and AIDS Control | Culture Cottage industry Tourism | Promotion of women's economic status to reduce gender inequality and violence against women | Environment and natural resources Water Sanitation | Multisector | Trade / Population/ Migration/ Sport/ Land and urban development/ Laborization and Cooperatives/ | | | | | |
| EU | Germany | Amount | 8,199 | 0,824 | | 4,171 | | | | 7,095 | | 0,656 | 0,025 | 3,575 | 1,184 | | | 2,001 | | | 27,730 | |
| | | Amount/Total PTF amount | 30% | 3% | | 15% | | | | 26% | | 2% | 0% | 13% | 4% | | | 7% | | | | |
| | | Amount/Total sector amount | 42% | 0% | | 10% | | | | 6% | | 4% | 1% | | | | | 3% | | | | |
| | Belgium | Amount | | | | 5,300 | | | | 3,674 | | | | 0,394 | 0,497 | | 0,114 | | | | 0,431 | 10,410 |
| | | Amount/Total PTF amount | | | | 51% | | | | 35% | | | | 4% | 5% | | 1% | | | | 4% | |
| | | Amount/Total sector amount | | | | 12% | | | | 3% | | | | 1% | 1% | | 3% | | | | 0% | |
| | Denmark | Amount | 0,860 | | | 0,860 | | | | 0,900 | | | | 3,956 | | | | 6,450 | 2,200 | 0,430 | | 15,656 |
| | | Amount/Total PTF amount | 5% | | | 5% | | | | 6% | | | | 25% | | | | 41% | 14% | 3% | | |
| | | Amount/Total sector amount | 4% | | | 2% | | | | 4% | | | | 24% | | | | 11% | 2% | 0% | | |
| | European Union | Amount | 3,163 | 12,216 | 2,372 | 3,017 | 2,296 | | 6,100 | 7,871 | | | | | 0,328 | | 7,871 | 68,548 | 29,518 | 143,301 | | |
| | | Amount/Total PTF amount | 2% | 9% | 2% | 2% | 2% | | 4% | 5% | | | | | 0% | | 5% | 48% | 21% | | | |
| | | Amount/Total sector amount | 16% | 5% | 19% | 7% | 53% | | 5% | 39% | | | | | 13% | | 13% | 61% | 34% | | | |
| | Spain | Amount | | 1,541 | | | | | 1,524 | | | | | 3,792 | | | | 1,312 | 0,066 | | 8,235 | |
| | | Amount/Total PTF amount | | 19% | | | | | 19% | | | | | 46% | | | | 16% | 1% | | | |
| | | Amount/Total sector amount | | 1% | | | | | 1% | | | | | 5% | | | | 1% | 0% | | | |
| | France | Amount | 0,256 | 0,656 | | 1,210 | 0,002 | 0,017 | 8,169 | | 0,295 | 8,701 | 3,313 | 1,926 | 0,113 | 0,046 | 9,486 | 1,194 | 0,569 | | 35,954 | |
| | | Amount/Total PTF amount | 1% | 2% | | 3% | 0% | 0% | 23% | | 1% | 24% | 9% | 5% | 0% | 0% | 26% | 3% | 2% | | | |
| | | Amount/Total sector amount | 1% | 0% | | 3% | 0% | 4% | 6% | | 2% | 52% | 7% | 2% | 5% | 1% | 16% | 1% | 1% | | | |
| | Italy | Amount | | 1,948 | | | | | | | | | | | | | | | | | 1,948 | |
| | | Amount/Total PTF amount | | 100% | | | | | | | | | | | | | | | | | | |
| | | Amount/Total sector amount | | 1% | | | | | | | | | | | | | | | | | | |
| | Luxembourg | Amount | | 0,985 | | | | | 0,481 | | | | 1,891 | 0,957 | 0,967 | | 1,788 | 0,986 | | | 8,056 | |
| | | Amount/Total PTF amount | | 12% | | | | | 6% | | | | 23% | 12% | 12% | | 22% | 12% | | | | |
| | | Amount/Total sector amount | | 0% | | | | | 0% | | | | 4% | 1% | 39% | | 3% | 1% | | | | |
| Norway | Amount | 3,280 | 2,952 | | 3,280 | | | | | | | | | | 1,312 | 2,296 | 1,312 | | | 14,432 | | |
| | Amount/Total PTF amount | 23% | 20% | | 23% | | | | | | | | | | 9% | 16% | 9% | | | | | |
| | Amount/Total sector amount | 17% | 1% | | 8% | | | | | | | | | | 30% | 4% | 1% | | | | | |
| Netherlands | Amount | 0,782 | | | 1,345 | 1,417 | | 6,847 | | | | 3,605 | 4,891 | | | | | | | 18,887 | | |
| | Amount/Total PTF amount | 4% | | | 7% | 8% | | 36% | | | | 19% | 26% | | | | | | | | | |
| | Amount/Total sector amount | 4% | | | 3% | 33% | | 5% | | | | 8% | 6% | | | | | | | | | |
| RU | Amount | | | | | | | | | | | | | | | | | 5,000 | | 5,000 | | |
| | Amount/Total PTF amount | | | | | | | | | | | | | | | | | 100% | | | | |
| | Amount/Total sector amount | | | | | | | | | | | | | | | | | 4% | | | | |
| Sweden | Amount | 0,358 | | | 8,195 | | | | | | | | | | 0,573 | 4,544 | | | 0,100 | 13,770 | | |
| | Amount/Total PTF amount | 3% | | | 60% | | | | | | | | | | 4% | 33% | | | 1% | | | |
| | Amount/Total sector amount | 2% | | | 19% | | | | | | | | | | 13% | 8% | | | 0% | | | |
| excluding EU | Canada | Amount | | | 1,170 | 0,608 | | 10,179 | | | 1,404 | 9,968 | 14,040 | | | 4,680 | | 1,320 | | 43,369 | | |
| | | Amount/Total PTF amount | | | 3% | 1% | | 23% | | | 3% | 23% | 32% | | | 11% | | 3% | | | | |
| | | Amount/Total sector amount | | | | 3% | 14% | | 8% | | 8% | 22% | 17% | | | 8% | | 2% | | | | |
| | United States | Amount | | | 2,025 | | | 9,788 | | | | 9,675 | 29,300 | | | | | | | 50,788 | | |
| | | Amount/Total PTF amount | | | 4% | | | 19% | | | | 19% | 58% | | | | | | | | | |
| | | Amount/Total sector amount | | | | 5% | | 8% | | | | 22% | 36% | | | | | | | | | |
| | Japan | Amount | 0,257 | 18,768 | | 0,514 | | 1,028 | | | | 0,257 | | | | | | | | | 20,824 | |
| | | Amount/Total PTF amount | 1% | 90% | | 2% | | 5% | | | | 1% | | | | | | | | | | |
| | Amount/Total sector amount | 1% | 8% | | 1% | | 1% | | | | 1% | | | | | | | | | | | |
| Morocco | Amount | | | | | | | | | | | | | | | | | | | 0,000 | | |

Comprehensive Table of PTF Financing and Positioning for 2014 (estimates in CFAF billion)

| PRED Focus Area | | 1. Peace and Security | 2. Humanitarian Emergencies | 3. Elections | 4. Governance | 5. Justice and Fight against Corruption | 6. Public Finance Management | 7. Economic Recovery | | | | 8. Education | 9. Health | 10. Culture | 11. Gender | 12. Environment and Water | 13. Multi-priorities (incl. ABG) | 14. Others | Total |
|----------------------------|----------------------------|-----------------------|---|--------------|--|---|------------------------------|---|---|---|------------------|---|--|--|--|---------------------------|--|------------|---------|
| | | | | | | | | Rural Development | Infrastructure and Transport | Energy | Business Climate | | | | | | | | |
| CSCR Area of Intervention | | Peace and Security | Social welfare and fight against vulnerabilities Humanitarian emergencies | Others | Infrastructure financing Physical planning Decentralisation/Devolution Others | Justice Fight against corruption and financial delinquency | Public finance management | Rural development Mining and hydrocarbons Industrialisation Private sector development | Microfinance Transport Information and Communication Technology | Energy Employment Vocational training Youth Food security | Education | Nutrition Basic healthcare General healthcare HIV and AIDS Control | Culture Cottage industry Tourism | Promotion of women's economic status to reduce gender inequality and violence against aids | Environment and natural resources Water Sanitation | Multisector | Trade / Population/ Migration/ Sport/ Land and urban development/ Infrastructure and Cooperation | | |
| TPPE | Amount/Total PTF amount | | | | | | | | | | | | | | | | | | |
| | Amount/Total sector amount | | | | | | | | | | | | | | | | | | |
| | Switzerland | 1,378 | 0,087 | | 2,136 | | | 4,426 | | | 0,127 | 3,490 | | 0,066 | | | | 1,485 | 13,195 |
| | Amount/Total PTF amount | 10% | 1% | | 16% | | | 34% | | | 1% | 26% | | 1% | | | | | 11% |
| | Amount/Total sector amount | 7% | 0% | | 5% | | | 3% | | | 1% | 8% | | 3% | | | | | 2% |
| | Turkey | 1,000 | | 0,063 | | | | | | | | | | | | | | | |
| | Amount/Total PTF amount | 94% | | 6% | | | | | | | | | | | | | | | |
| | Amount/Total sector amount | 5% | | 1% | | | | | | | | | | | | | | | |
| UNSG (excluding MINUSMA) | NU (hors OMP) | Amount | 186,592 | 10,000 | 2,297 | | | 18,995 | | | 4,670 | 9,247 | 0,577 | 2,272 | 0,131 | 4,880 | 26,059 | 265,721 | |
| | Amount/Total PTF amount | | 70% | 4% | 1% | | | 7% | | | 2% | 3% | 0% | 1% | 0% | 2% | 10% | | |
| | Amount/Total sector amount | | 82% | 80% | 5% | | | 15% | | | 10% | 12% | 23% | 53% | 0% | 4% | 30% | | |
| Banks | AfDB | Amount | | | | | 0,382 | 15,324 | | 0,478 | | | | | 6,907 | 7,646 | 2,053 | 32,790 | |
| | Amount/Total PTF amount | | | | | | 1% | 47% | | 1% | | | | | 21% | 23% | 6% | | |
| | Amount/Total sector amount | | | | | | 96% | 12% | | 3% | | | | | 12% | 7% | 2% | | |
| | World Bank | Amount | | | 6,976 | | | 12,068 | 9,626 | 13,169 | 3,534 | 0,793 | | | 4,874 | 12,879 | 21,465 | 85,384 | |
| | Amount/Total PTF amount | | | | 8% | | | 14% | 11% | 15% | 4% | 1% | | | 6% | 15% | 25% | 1,000 | |
| | Amount/Total sector amount | | | | 16% | | | 9% | 48% | 76% | 8% | 1% | | | 8% | 11% | 24% | | |
| | BID | Amount | | | | | | 19,946 | 1,654 | 2,832 | 0,256 | | | | 8,496 | 1,637 | 3,790 | 38,611 | |
| | Amount/Total PTF amount | | | | | | | 52% | 4% | 7% | 1% | | | | 22% | 4% | 10% | | |
| | Amount/Total sector amount | | | | | | | 16% | 8% | 16% | 1% | | | | 14% | 1% | 4% | | |
| | IMF | Amount | | | | | | | | | | | | | | | 5,200 | 5,200 | |
| Amount/Total PTF amount | | | | | | | | | | | | | | | | 100% | | | |
| Amount/Total sector amount | | | | | | | | | | | | | | | | 5% | | | |
| WAEMU | WAEMU | Amount | | | | | | | | | | | | | | | | 0,000 | |
| | Amount/Total PTF amount | | | | | | | | | | | | | | | | | | |
| | Amount/Total sector amount | | | | | | | | | | | | | | | | | | |
| "Non-traditional" PTF | Aga Khan Foundation | Amount | | | | | | 2,500 | | | 2,500 | | 0,439 | | | | 0,355 | 5,794 | |
| | Amount/Total PTF amount | | | | | | | 43% | | 43% | | 8% | | | | | 6% | | |
| | Amount/Total sector amount | | | | | | | 2% | | 15% | | | 18% | | | | 0% | | |
| | Global Fund | Amount | | | | | | | | | | 13,664 | | | | | | 13,664 | |
| | Amount/Total PTF amount | | | | | | | | | | | 100% | | | | | | | |
| | Amount/Total sector amount | | | | | | | | | | | 17% | | | | | | | |
| Total | | 19,533 | 226,569 | 12,435 | 42,496 | 4,323 | 0,399 | 128,144 | 20,051 | 17,430 | 16,713 | 44,629 | 80,291 | 2,490 | 4,317 | 59,525 | 112,794 | 87,641 | 858,958 |